



MPUMALANGA REGIONAL
TRAINING
TRUST



ANNUAL REPORT

2019/20

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PART A **GENERAL INFORMATION**

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME Mpumalanga Regional Training Trust

REGISTRATION NUMBER 1993/006132/08

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EXTERNAL AUDITORS Auditor-General South Africa
12 Nel Street
Mbombela
1200

BANKERS Standard Bank
Saveway Crescent
Emalahleni
1035

COMPANY/ BOARD SECRETARY Ms Kedibone Mohlala

2. LIST OF ABBREVIATIONS/ACRONYMS

AFS	Annual Financial Statements	IDP	Individual Development Plan
AGSA	Auditor-General of South Africa	IFRS	International Financial Reporting Standards
APP	Annual Performance Plan	ISO	International Organisation for Standardisation
B&CC	Building and Civil Construction	MEC	Member of the Executive Council
B-BBEE	Broad-Based Black Economic Empowerment	MerSETA	Manufacturing, Engineering and Related Services Education and Training Authority
CATHSSETA	Culture, Arts, Tourism, Hospitality, Sport Sector Education and Training Authority	MoA	Memorandum of Agreement
CEO	Chief Executive Officer	MoU	Memorandum of Understanding
CCoE	Construction Centre of Excellence	MRTT	Mpumalanga Regional Training Trust
CFO	Chief Financial Officer	MTEF	Medium-Term Expenditure Framework
CI	Corporate Identity	NPC	Non-Profit Company
CRDP	Comprehensive Rural Development Programme	NQF	National Qualifications Framework
CRO	Community Resource Organisation	NYDA	National Youth Development Agency
CETA	Construction Education and Training Authority	NYS	National Youth Services
DBSA	Development Bank of Southern Africa	OTP	Office of the Premier
DoE	Department of Education	PFMA	Public Finance Management Act
ETDP	Education, Training and Development Practices	PGDS	Provincial Growth and Development Strategy
ETQA	Education and Training Quality Assurance	PMS	Performance Management System
EWSETA	Energy and Water Sector Education and Training Authority	PPI	Programme Performance Indicator
EXCO	Executive Council	PPP	Public Private Partnership
FAR	Fixed Asset Register	QMS	Quality Management System
FCMM	Financial Capability Maturity Model	RPL	Recognition of Prior Learning
FET	Further Education and Training	SAQA	South African Qualifications Authority
GRAP	Generally Recognised Accounting Practice	SCM	Supply Chain Management
HoD	Head of Department	SETA	Sector Education Training Authority
HRM	Human Resources Management	SLA	Service Level Agreement
HTA	Hospitality and Tourism Academy	SMCO	Senior Management Committee
ICT	Information and Communication Technology	SMME	Small Medium and Micro Enterprises
IDC	Industrial Development Corporation	SOP	Standard Operating Procedure
		TR	Treasury Regulations
		TTO	Technical Training Operations



4. FOREWORD BY THE MEMBER OF THE EXECUTIVE COUNCIL

HON BONAKELE MAJUBA (MPL)
MEC FOR EDUCATION

As a Member of Executive Council for Education in the Mpumalanga province, I am indeed humbled to table the Annual Report for 2019/20 financial year, for the Mpumalanga Regional Training Trust (MRTT), at this critical time of skills development in our country. This annual report highlights milestones that have been achieved by the entity in its quest to fulfil its legal mandate. The report demonstrates the importance of the entity in skills development among the out-of-school youth who are mostly from disadvantaged communities and backgrounds.

We table this report at a very difficult time in our country and the province, where the world at large is engulfed by the deadly pandemic of COVID 19. This will greatly affect the entity in its quest to train as most of its activities are based on physical training of learners. The challenges of COVID 19, will also put an added pressure on the entity due to more retrenchments in various sectors which would mean more people would need to be reskilled. However, this might be compounded by the shrinking government fiscus, also meaning that people might struggle to afford the fees, and sponsors and donors might not be able to continue to support the entity's programmes.

The entity has worked tirelessly to achieve its set targets and indicators, learners were coached and mentored in the workplace for experiential training in construction, placed on learnerships and apprenticeships, and through an apprenticeship programme towards artisanship status. The issue of learners placed for workplace-integrated learning remained a challenge over the period under review. These achievements are an important milestone towards achieving the targets of the Medium Term Strategic Framework (MTSF) sub-outcome 7 of outcome 5 to promote "A skilled and capable workforce to support an inclusive growth path", and achieving the long-term strategic objectives of the entity.

The Artisan Development Programme with Hydra Arc was completed in the third quarter of the financial year, the outcome of the programme was 2 955 learners trained through the programme, against a target of 3 000. The entity will continue with artisan development in a different form and through other partnerships.

The Provincial Skills and Innovation Hub was registered during this financial year as a NPC. To date, a site has been procured and prepared for the establishment of the Provincial Skills Hub. The design and development phase has commenced after registration with the bidding and procurement processes for the business plan, construction, design and project management as first phase of the infrastructure development. The Infrastructure design and development phase tender for project management service providers is underway.

The work of the entity is in line with the priorities of the sixth administration as pronounced by the President, and provincial priorities as pronounced by the Premier in the Mpumalanga province. The future of the youth on skills development rests in the work that the entity does to give them skills to work, better their lives and contribute in the economy.

It therefore pleases me to table the 2019-20 Annual Report of the MRTT to the Legislature. My thanks goes to the Board of Directors of the entity under the leadership of Mr TR Mokgoshi, Management of the entity under the leadership of the Chief Executive Officer (CEO) Mr R Oosthuizen, and all officials for their efforts in ensuring the achievement of the objectives and mandate of the entity.

I thank you,



Hon Bonakele Majuba (MPL)
MEC for Education
Date: 26 November 2020



4. FOREWORD BY THE CHAIRPERSON

MR TR MOKGOSHI

It is indeed an honour and privilege to have been appointed as the Chairperson of the Board of Directors for the Mpumalanga Regional Training Trust (MRTT) with effect from December 2018. As the Board of the entity, we are tasked with the accountability and oversight for the entity, we perform this important role faced by national and global changes within the skills development sector. These changes and challenges require of us to deploy multifaceted solutions in discharging our duties to achieve the mandate and objectives of the entity.

For the period under review, we celebrate the important contributions that the MRTT has made to the province in its quest to deliver on its mandate to improve the skills of the youth in the province and the disadvantaged in particular. This is a mammoth task, but one that we embrace as the entity.

Over the next five years, the focus will be to roll out the implementation of the Corporate Strategy and practical actions to improve governance within the entity. Some of the practical actions we are working towards are to work with industry and other stakeholders to secure workplace opportunities for our learners and partnerships. There are no quick fixes in ensuring that the entity achieves its mandate, securing workplace-training opportunities for the learners and achieving financial sustainability.

HIGH-LEVEL OVERVIEW OF THE PUBLIC ENTITY'S STRATEGY AND THE PERFORMANCE OF THE PUBLIC ENTITY IN ITS SECTOR

Despite the challenges encountered during the year under review, the entity was able to complete the training of learners on the Artisan Development Programme with (Hydra-Arc). Over the three years, the programme trained 2 955 learners in

various skills sets such as welders, security and other related trades. Furthermore, the entity has managed to continuously train learners on institutional, practical and workplace training in different trades and programmes.

We continue to participate in several government-funded skills development initiatives; one of such is the Comprehensive Rural Development Programme (CRDP). Through the CRDP programme, MRTT has played its role in delivering quality training to the most vulnerable communities of our society. In the year under review, we were engaged in delivering construction related training programmes to out-of-school youth, in eight (8) targeted local municipalities.

STRATEGIC RELATIONSHIPS

Working with the Department of Education (DoE) in Mpumalanga as the parent department, MRTT is changing the lives of the out-of-school youth in the province through the provision of technical skills. The department also continues to fund the entity through fiscal allocations and plays a major oversight role in ensuring that the entity works towards achieving its objectives and mandate. In the new financial year, the Department of Education has re-advertised the tender on Artisan Development Programme and has allocated resources to the entity to continue training learners on artisan development.

The development and implementation of the Mpumalanga Provincial Skills and Innovation Hub will provide opportunities for incubation and other opportunities to our learners. To enhance the growth and number of its learners, the entity will combine the efforts of the DoE, other departments and partners into coordinated relationships to provide workplace-learning and practical experience to the learners.

CHALLENGES FACED BY THE BOARD

Towards the end of the reporting period, the entity was met with the harsh and developing reality of the COVID-19 pandemic, which became a global challenge. Training programmes were suspended from 19 March 2020, following an assessment of risks associated with continuing with classes in the midst of the pandemic and the level of exposure of learners. On 23 March 2020, the government pronounced a national lockdown with effect from 27 March 2020. This affected the operations of the entity and the work that was to be completed for the remainder of the financial year.

Subsequently, the pandemic affected the completion of the work for the quarter and the financial year as it brought operations to an abrupt standstill.

Due to the restrictions imposed by government and the challenges posed by the pandemic, the entity was unable to hold its annual graduation ceremony, however, this event will be held when the lockdown regulations have been reduced to lower levels according to the risk based approach and strategy. However, this will not impact negatively on learners receiving their certificates.

THE YEAR AHEAD

The recent high-profile lapses in corporate governance in the private and public sectors again emphasised the importance of a strong culture of integrity and ethical leadership in organisations. I fully support management and the board's initiative in strengthening risk control measures and ensuring the implementation of policies and procedures in the operations of the entity. This continuously affirms the importance of ethical business conduct and an ethic of zero tolerance for non-compliance, which emphasises the value of ethical leadership steered by a moral compass.

In the period ahead, the entity will take advantage of the project opportunities provided by the stakeholders and continue strengthening the partnerships in both the private and public sectors. The entity will continue to prioritise skills training and development in line with the strategic oriented goals and strategic objectives that were developed during the corporate strategy and strategic planning session in 2019. The Board of Directors will continue its support to management in ensuring continuous improvement in all areas of governance, including oversight on maintenance and infrastructure of all MRTT training centres, project management and implementation in all the eight (8) targeted local municipalities within the province.

The entity will be looking at strengthening the establishment of the Provincial Skills Hub which is aimed at mobilising the unskilled youth amongst the population to jointly find beneficial ways of providing opportunities to enhance their skills responsive to industry and entrepreneurial business development.

The Board sincerely thanks MEC Mr B Majuba, for his invaluable encouragement and strategic guidance as the MEC of Education in the province. My heartfelt appreciation goes to my fellow board members, who continually provide insightful contributions to strengthening the institution. I look forward to deliberations in the year ahead as the board guides the institution to fully execute its mandate. The last quarter was inundated with anxiety and stress due to the pandemic however, and we should strive to march along and operate in the new normal.

The commitment and dedication I experienced among the Senior Management, under the leadership of the CEO Mr Riaan Oosthuizen and employees of MRTT remains commendable and their push towards skills development and training to achieve greater success is encouraging. Finally, as we move forward into 2020/2021 and beyond I am proud of the institution's achievements. The nature of the business requires the support from government, while the board and management strive to run the entity independently with sound financial management.

The current opportunities presented by COVID-19 in the social cluster are typically short-term in nature, but MRTT will continue to support the MDoE in renovating schools, water and sanitation projects. The entity is confident that the relationship that has been made with communities across the province, in the past few years, bodes well for the institution to participate in such social emergency projects and contribute meaningfully to the strategic direction and success of Mpumalanga province and its citizens.

I am pleased to share the 2019/2020 Annual Report with our stakeholders.

Ke a leboga, Thank you!



Mr TR Mokgoshi

Chairperson: MRTT Board

Date: 25 November 2020



5. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

MR RIAAN OOSTHUIZEN

The financial performance of the Mpumalanga Regional Training Trust (MRTT) has experienced some fluctuations in its revenue sources, that is, both grant allocations and own generated revenue year-on-year. Government grant allocation decreased by 34.4%, compared to the previous financial year. Own generated revenue decreased from R53.7 million to R33.6 million from the previous financial year translating to a 60% decrease from the previous financial year. On the expenditure side, there has been an increase in expenditure from R125.5 million to R147.4 million, that is, a 17.5% increment compared to the previous financial year.

The MRTT realised a deficit of R6.1 million compared to a R30.3 million surplus realised the previous financial year. The financial position of the entity has increased by 9% in terms of its asset base resulting from revaluation of its land and building during the year under review. Both the solvency and liquidity positions show a drastic improvement in the last five (5) financial years. The entity will continue to operate in the near future — (liquidity/short-term) and in the long-term (solvency), there is clear evidence that the total assets remain adequate to cover total liabilities of the entity. The entity revalued its properties in March 2019 as per its accounting policy (every 5 years). An independent appraiser registered as a Professional Association of Valuers with the South African Council for Property Valuers Profession revalued the properties.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE PUBLIC ENTITY

The entity is faced with the impact of the COVID-19 pandemic that is strongly felt by not only the entity but in South Africa and the globe at large. The world's major industries are experiencing unprecedented changes ranging from supply chain to commodity prices, budget constraints to new skills and industries and services needed. MRTT is no different, the recession in the year under review, which in turn increases the poverty levels of the communities that the entity serves, remains a serious challenge for the entity. This challenge is being worsened by serious contraction in the economy. These challenges contributed to the continued decline in revenue sources of the entity and the entity has therefore established a Revenue Generation Committee to actively seek revenue and funding opportunities as a proactive approach to the decline in fiscal allocation.

DISCONTINUED ACTIVITIES/ACTIVITIES TO BE DISCONTINUED

There were no discontinued and/or plans to discontinue any operational activities in the financial year under review.

SPENDING TRENDS OF THE PUBLIC ENTITY

FINANCIAL YEAR	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Expenditure	134 544	141 263	111 786	125 494	147 383	153 299

“The entity is faced with the impact of the COVID19 pandemic that is strongly felt by not only the entity but in South Africa and the globe at large.”

NEW OR PROPOSED ACTIVITIES

The entity is in a process of an organisational redesign resulting from the Corporate Strategy exercise. The entity has included in the budget for 2020/21, activities to extend its scope into different sectors of the economy to ensure funding for the future but also increase its impact in the Mpumalanga province.

The Mpumalanga Skills and Innovation Hub will fast track its activities and projects to secure very much needed skills, as well as economic and entrepreneurial development. The MOU's with different stakeholders in the province from private sector will be signed and implemented through SLA's.

REQUESTS FOR ROLL OVER OF FUNDS

No requests were made for the rollover of funds to the next financial year.

SUPPLY CHAIN MANAGEMENT

Planned training was conducted for Supply Chain Management (SCM) staff, as well as other staff members. The MRTT is using the Central Supply Database successfully to source suppliers and service providers. There are amended policies in place and the recommendations from the Auditor-General's report are being implemented for procuring goods and services.

ALL CONCLUDED UNSOLICITED BID PROPOSALS FOR THE YEAR UNDER REVIEW

There were no concluded unsolicited bids proposals, which were received by MRTT management for the year under review.

WHETHER SUPPLY CHAIN MANAGEMENT (SCM) PROCESSES AND SYSTEMS ARE IN PLACE

MRTT has an approved Supply Chain Management policy, Standard Operating Procedures (SoP) are also in place, which follows the Public Finance Management Act, No.1 of 1999; Treasury Regulations; PPPFA and all instruction notes and circulars issued by both National and Provincial Treasuries.

CHALLENGES EXPERIENCED AND HOW THEY WERE RESOLVED

Challenges that were uncovered and raised as audit findings from the Auditor-General of South Africa (AGSA) were continually addressed by using the action plan on reported audit findings and progress is reported in Senior Management Committee (SMCO) meetings; Finance and Remuneration Committee; Audit and Risk Committee and Board of Directors meetings on monthly and quarterly basis.

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

The entity obtained an “unqualified audit opinion” in the previous financial year, issues that were in the audit report and final management letter were put in the action plan on reported audit findings and were monitored and progress reported throughout the 2019/20 financial year.

“The entity is in a process of an organisational redesign resulting from the Corporate Strategy exercise.”

OUTLOOK/ PLANS FOR THE FUTURE TO ADDRESS FINANCIAL CHALLENGES

MRTT has set up a Revenue Generation Committee to explore a range of potential revenue streams in order to achieve financial sustainability. The MRTT Revenue Committee meets fortnightly to discuss progress made with regard to various revenue generation avenues and submits the reports to Senior Management for discussion and implementation

EVENTS AFTER THE REPORTING DATE

There are no post-reporting events to report on.

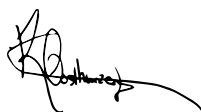
ECONOMIC VIABILITY

The entity's financial and/or economic viability remains a high agenda point by the prevailing economic condition(s) faced by the South African economy, especially within the constraints and regulations of COVID-19; high rates of unemployment and poverty levels. No new enrolments are allowed under the current level of COVID-19 and this has a serious impact on the revenue stream. The MRTT is not accredited under Higher Education and therefore its learners cannot apply for grant funding and, due to the pandemic, the relevant SETA's are also not distributing any funding. The budgetary constraints experienced by the mother department, Mpumalanga Department of Education also has an impact on the entity's budget. The new Corporate Strategy and immediate implementable activities will allow MRTT to explore new avenues to mitigate these challenges and risks.

ACKNOWLEDGEMENT/S OR APPRECIATION

I would like to express my sincere gratitude to the MEC for Education in the province for providing support to the MRTT and trust this support would continue in future. Furthermore, I would like to express appreciation to the various SETAs that the MRTT works with - i.e. CETA; MerSETA; CATHSSETA, AgriSETA etc. I furthermore wish to take this opportunity to thank the Board of Directors for their support in ensuring that the MRTT meets its set objectives and fulfils its mandate, and for allowing MRTT to develop a new Corporate Strategy with a unique creative and innovative vision and mission. Last but not least, I would like to acknowledge the hard work and contributions by the MRTT employees to the success of the entity in a period of transition and very uncertain economic outlook.

No other additional information needs to be communicated to the users of financial information, except the above information as provided.



Mr Riaan Oosthuizen

MRTT: Chief Executive Officer

Date: 24 November 2020

6. STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

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

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

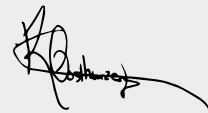
The accounting authority is responsible for establishing, and implementing a system of internal control designed to provide

reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020

Yours faithfully



Mr Riaan Oosthuizen

MRTT: Chief Executive Officer
Date: 24 November 2020



Mr TR Mokgoshi

Chairperson: MRTT Board
Date: 25 November 2020



7. STRATEGIC OVERVIEW

1. MANDATE

As a public entity reporting through the Board of Directors to the MEC of Education in the Mpumalanga Province, MRTT is mandated:

- To develop the human resource base of the Mpumalanga Province through the provision of experiential, practical, technical, hospitality, tourism, entrepreneurship and life skills training; and
- To empower learners, primarily the disadvantaged communities, industry workers and government employees to participate in the broader economic sphere of the province.

2. VISION

To be recognised as a world-class, accredited and sustainable skills development provider.

3. MISSION

To provide quality-training interventions, work integrated learning, placement and after-care according to the demands of the market that we serve for job creation.

4. VALUES

- Accountability;
- Commitment;
- Innovation;
- Integrity; and
- Professionalism.



8. LEGISLATIVE AND OTHER MANDATES

7.1 LEGISLATIVE AND POLICY MANDATES

Mpumalanga Regional Training Trust (MRTT) is a schedule 3C Non-Profit company in terms of the Public Finance Management Act (PFMA), Act No.1 of 1999 and listed as a public entity. It is registered in terms of the Companies Act, 2008 (Act No.71 of 2008) reporting to the MEC for Education in the Mpumalanga province through the Board of Directors as the accounting authority in terms of the Act.

MRTT is mandated to develop the human resource base of the Mpumalanga province through the provision of experiential, practical, technical, hospitality, tourism, entrepreneurship and life skills training. The focus is to empower learners, primarily the disadvantaged communities and in particular the youth, industry workers and government employees, to participate in the broader economic sphere of the province.

MANDATE	PURPOSE
Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996)	Section 29 of the Constitution requires education to be transformed and democratised in accordance with the values of human dignity, human rights and freedom, as well as non-racism. Guarantees basic education for all, with the provision that everyone has the right to basic education, including adult basic education and provision of further education and training (FET).
Skills Development Act, 1998 (Act No. 97 of 1998)	The act is aimed at increasing the skills levels of human resources in the workplace and in addition, to support career pathing.
South African Qualifications Authority Act, 1996 (Act No. 58 of 1996)	Provides for the development and implementation of the National Qualifications Framework and for this purpose to establish the South African Qualifications Authority (SAQA), and to provide for matters connected therewith.
Labour Relations Act, 1995 (Act No. 66 of 1995)	Regulates the organisational rights of trade unions, promotes, and facilitates collective bargaining at the workplace and at sectoral level. The act is aimed at promoting and maintaining sound labour practices
Public Finance Management Act, 1999 (Act No. 1 of 1999)	Regulates financial management and to ensure that all revenue, expenditure, assets and liabilities of the government are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in the government; and to provide for matters connected therewith.
Companies Act, 2008 (Act No. 71 of 2008)	Provides for the incorporation, registration, organisation and management of companies. In addition, it provides for equitable an efficient mergers and takeovers of companies.
Employment Equity Act, 1998 (Act No.55 of 1998)	Promotes the constitutional right of equality and the exercise of true democracy; eliminate unfair discrimination in employment; ensure the implementation of employment equity to redress the effects of discrimination.
Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)	Gives effect to the right to fair labour practices referred to in section 23(1) of the Constitution by establishing and making provision for the regulation of basic conditions of employment; and thereby to comply with the obligations of the Republic as a member state of the International Labour Organisation; and to provide for matters connected therewith.
Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)	Provides for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery; the protection of persons other than persons at work against hazards to health and safety arising out of or in connection with the activities of persons at work

OTHER: LEGISLATIVE FRAMEWORK

- Registered in terms of Schedule 3C of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999).
- MRTT is registered as a Non-Profit Company (NPC) in terms of the New Companies Act, 2009 (Act No. 71 of 2008, with registration number 1993/006132/08.
- Registered and a constituent member of the Education, Training and Development Practitioner Sector Education Training Authority (ETDP SETA) in terms of the Skills Development Act, 1998 (Act No. 97 of 1998) and the Skills Development Levies Act, 1999 (Act No. 78 of 1999) – Skills Levy No. L10073499
- Registered as a National Training Provider with the Department of Labour – Registration No. ID 453.

MRTT ACCREDITATION STATUS

MRTT is accredited according to the Education and Training Quality Assurance (ETQA) accreditation and has the following certificates:

- Construction Education and Training Authority (CETA) (No. 6P5112).
- Manufacturing, Engineering and Related Services SETA (MerSETA) (No. 17-QA/ACC/0510/10).
- Energy and Water Sector Education and Training Authority (EWSETA) (MatuaENER090428).
- Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) (No.613/R/000034/2005)

INSTITUTIONAL POLICIES AND STRATEGIES OVER THE FIVE-YEAR PLANNING PERIOD

Over the next five years, in an effort to improve and strengthen its governance the entity will develop and review the following policies to align them with good governance and to deal with challenges posed by the COVID-19.

- Manual on Human Resource Management
- Corporate Strategy
- Investment Policy
- Quality Assurance Policies
- Five Year Strategic Plan
- Annual Performance Plan
- ICT Strategy and Governance Framework
- Supply Chain Management Policies
- Asset Management Policies



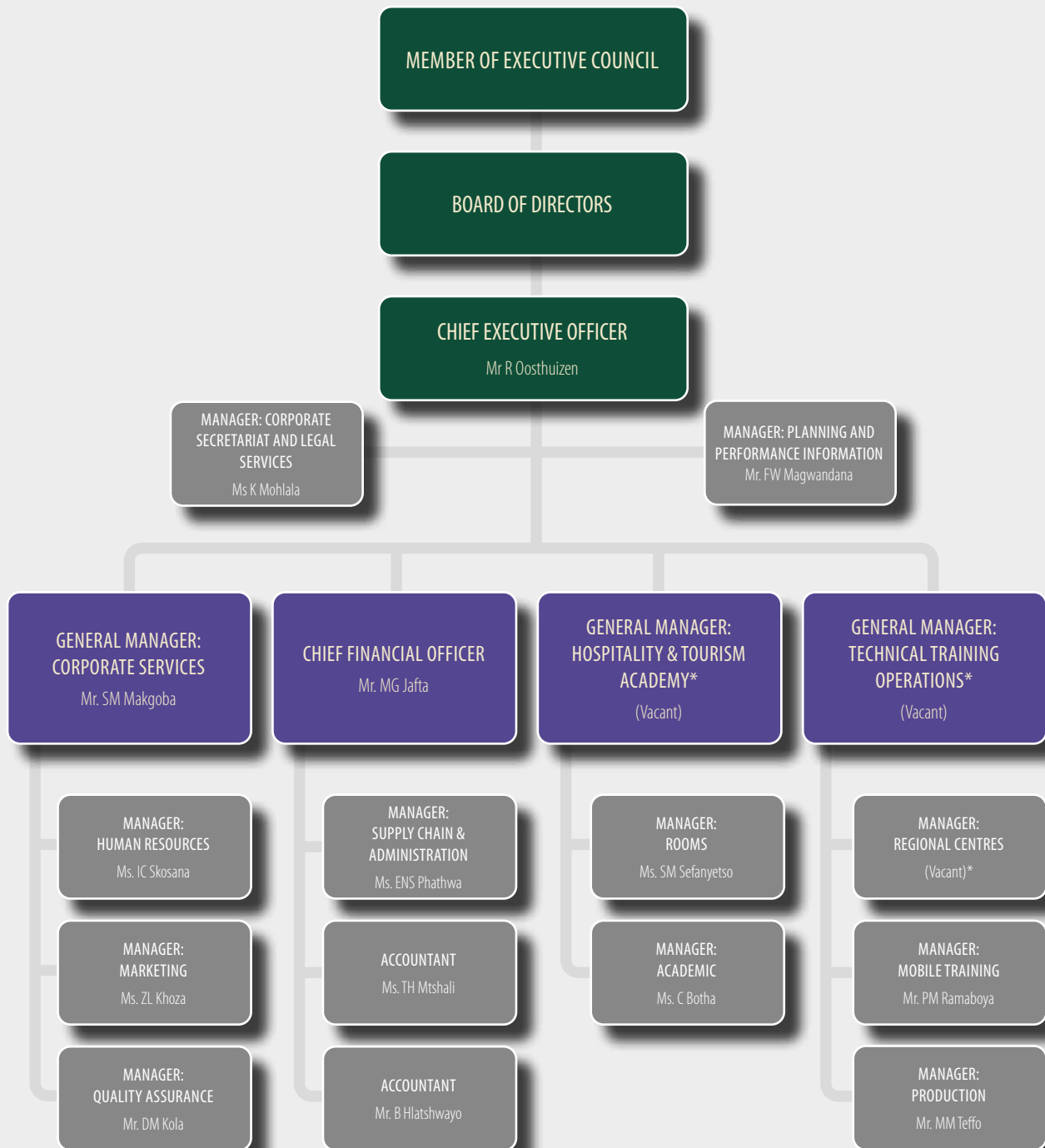
The following are the core policy imperatives from which the entity derives its mandate for implementation as pronounced by government:

- Seven Priorities of the Sixth Administration
- Outcome 5 of the Medium Term Strategic Framework
- Mpumalanga Economic Growth and Development Path
- Comprehensive Rural Development Programme
- Provincial Human Resource Development Strategy; and
- National Youth Development Strategy

RELEVANT COURT RULINGS

There were no court rulings that would have affected the operations of the entity or hampered its delivery of services to its beneficiaries for the period under review.

9. ORGANISATIONAL STRUCTURE



* Positions are currently vacant, but there are officials acting in them

10. MEMBERS OF THE BOARD OF DIRECTORS



TR MOKGOSHI
CHAIRPERSON



TE MAWELELE
DEPUTY CHAIRPERSON



JH MATHABE
NON EXECUTIVE DIRECTOR



B SIBANYONI
NON EXECUTIVE DIRECTOR



MI TIBANE
NON EXECUTIVE DIRECTOR



PP MAOKO
NON EXECUTIVE DIRECTOR



BM SINGWANE
NON EXECUTIVE DIRECTOR



GA DEINER
NON EXECUTIVE DIRECTOR



JR NKOSI
ACTING HEAD: PROVINCIAL DEPARTMENT
OF EDUCATION - EX- OFFICIO



R OOSTHUIZEN
CHIEF EXECUTIVE OFFICER
EX- OFFICIO

11. SENIOR MANAGEMENT



R OOSTHUIZEN
CHIEF EXECUTIVE OFFICER



MBUYISENI G JAFTA
CHIEF FINANCE OFFICER



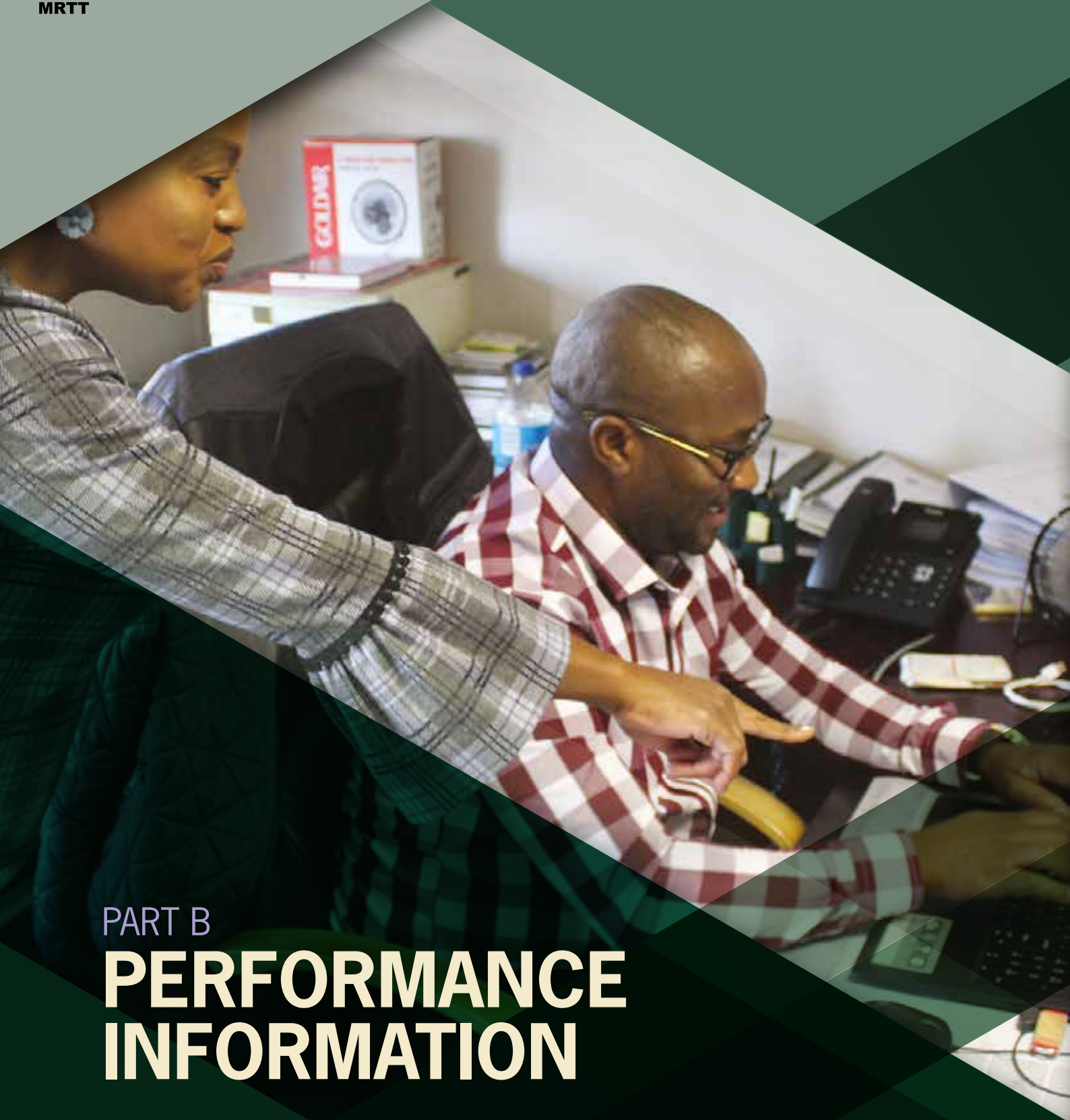
ZANELE L KHOZA
ACTING GENERAL MANAGER:
TECHNICAL TRAINING OPERATIONS



SAMMY M MAKGOBA
GENERAL MANAGER:
CORPORATE SERVICES



BONGANI HLATSHWAYO
ACTING GENERAL MANAGER:
HOTEL AND TOURISM ACADEMY



PART B

PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General South Africa (AGSA) as an external auditor has performed the necessary audit procedure on the performance information to provide reasonable assurance in the form of an audit opinion. The audit opinion 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 113 of the report of the Auditor-General's report, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1. SERVICE DELIVERY ENVIRONMENT

In line with its mandate to train out of school, under-privileged and disadvantaged youth from the province of Mpumalanga, the entity developed an Annual Performance Plan 2019/20 (APP) at the beginning of the financial year, as a blueprint to guide it towards achieving its objectives and delivering on its mandate. This APP was developed with the guidance from the Board of Directors, Member of the Executive Council of Education (MEC) in Mpumalanga and the Department of Education as the mother department. In essence, for the period under review the APP and the Corporate Strategy guided the work and performance of the entity. The entity went through a process of developing a functional structure that will assist the entity in implementing and achieving the objectives of the Corporate Strategy.

In this period, the entity also established a Revenue Generation Committee to focus on revenue generation to ensure self-sustainability of the entity. This committee was aligned to the provincial revenue generation committee as was directed by the Premier in the province. The terms of reference of the committee have been developed and yet to be approved so that the committee can actively operate in the space of revenue generation. Considering the huge budget cuts for the next financial year, this committee is going to be very important in the work and sustainability of the entity.

This reporting period was not without challenges. Recruitment of paying learners remained a serious concern, this was precipitated by the current economic conditions where learners from which the entity draws its potential learners are unable to afford and pay their fees. Sponsors for these learners are also affected by the economic conditions and thus cannot sponsor the learners. Abscondtions and learners dropping out

of programmes persisted over the period; this poses a serious challenge to the entity achieving its annual targets.

However, most of the targets were achieved and the entity was able to conclude the Hydra Arc programme where 2 955 artisans completed the programme against a target of 3 000 for the duration of the programme. Through its two core programmes the entity trained 3 630 learners for the period under review. The over-achievement was because of the efficiencies in the system, and the effectiveness of the training processes within the entity. This also meant that the entity had to stretch its limited resources to ensure that it covers more learners to provide them with the necessary skills to participate in the economy of the province. Towards the end of the fourth quarter (Q4), the country was affected by a global pandemic (COVID-19). This affected the performance of the entity negatively as it was unable to properly complete its plans and targets for the period. This would have meant that the over-achievement of learners trained through the centres and other projects would have been higher than what is reflected above. This pandemic is going to be around for some time and its impact will be felt even in the next financial year, on both financial and non-financial performance of the entity. However, the entity has put together plans to ensure that its business does not come to a standstill and these plans are in line with the lockdown regulations as pronounced by government and the different lockdown levels.

On the Mpumalanga Provincial Skills and Innovation Hub, the Hub was successfully registered in the 2019/20 financial year, the following key deliverables would be delivered in the 2020/21 financial year:

- Renovating the MRTT House for Provincial Skills Hub project management office space



- Governance compliance and management establishment of the Provincial Skills Hub
- Architectural design and site planning for main site
- Digital Incubator programme planning and development
- Stakeholder and fundraising partnerships for programme delivery and infrastructure development

In collaboration with the municipalities in the province, the entity successfully implemented the Comprehensive Rural Development Programme, which trained about 726 learners from all eight municipalities that collaborated with the entity on this programme. These municipalities are Dr JS Moroka, Thembisile Hani, Mkhondo, Bushbuckridge, Nkomazi, Pixley-ka-Seme, Chief Albert Luthuli, and Dipaleseng Local Municipalities. This programme provides much needed skills to the youth in these local municipalities and offers them an opportunity at making a living and bettering their lives.

Towards the end of the financial year, the entity was not spared the effects of COVID-19. This meant that the entity had to close its training centres in line with the national lockdown, which was pronounced by the state president. The lockdown also affected the operations of the entity and this ultimately affected the entity not being able to meet some of its annual targets, as these could not be implemented during the national lockdown to curb the spread of the COVID-19.

2. ORGANISATIONAL ENVIRONMENT

The entity continued with the development of the organogram that is aligned to the Corporate Strategy as approved by the Board of Directors. The finalisation of this structure would ultimately afford the entity an opportunity to focus on its new

direction of self-sustainability and partnerships as envisaged by the Corporate Strategy. Over this period, the entity did not experience any resignations on its top leadership. The Chief Executive Officer, Chief Financial Officer and General Managers have been with the entity for a cumulative period of more than five years. This provides the entity with stability within its top management structure.

However, there have been some challenges over the period, such as the funding for some learners who are unable to pay for their own fees. The declining economy in the country and the province in particular is also affecting the plans of the entity as partners and sponsors are feeling the economic impact, and this affects revenue generation for the entity.

3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There were no new key policy developments and legislative changes effected during the period under review.

4. STRATEGIC OUTCOME ORIENTED GOALS

This annual report completes the planning cycle of the 2015 – 2020 strategic planning and the entity is content with the significant progress that has been made in achieving the entity's set Strategic Oriented Goals. However, much still needs to be done in order to ensure complete success in the realisation of the strategic oriented goals. These Strategic Outcome Oriented Goals are central to addressing some of the skills shortages in the province, as reflected in the 2015 - 2020 Strategic Plan of the entity, which was developed in line with Outcome 5 of the Medium-term Strategic Framework, namely: *"A skilled and capable workforce to support an inclusive growth path"*.

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1 PROGRAMME 1: HOTEL AND TOURISM ACADEMY

Programme Purpose: Capacity building in Hospitality & Tourism as per CATHSSETA and related sectors and identified scarce and critical skills audit within the prescribed standards to enable meaningful participation in the development of the industry.

The programme has been divided into the following sub-programmes:

- Sub programme 1.1: Academic
- Sub programme 1.2: Rooms
- Sub programme 1.3: Food and Beverage

STRATEGIC OBJECTIVES RELATING TO EACH PROGRAMME/ACTIVITY/OBJECTIVE

STRATEGIC OBJECTIVE	Provision of theoretical and practical skills training.
OBJECTIVE STATEMENT	To provide theoretical and practical skills training to 700 learners by 2020.

STRATEGIC OBJECTIVE	Graded and accredited accommodation services and workplace training.
OBJECTIVE STATEMENT	Provision of graded and accredited accommodation services for income generation and learner workplace training by 2020.

STRATEGIC OBJECTIVE	Graded and accredited Food and Beverage services and workplace training
OBJECTIVE STATEMENT	Provision of graded accredited Food and Beverage services for income generation and learner workplace training by 2020.

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

PROGRAMME 1: HOTEL AND TOURISM ACADEMY					
STRATEGIC OBJECTIVES	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
Provision of theoretical and practical skills training.	164 learners	160 learners	166 learners	+6 learners	Over achievement was due to the SACA, DoL and Mercure Hotel projects
Graded and accredited accommodation services and workplace training	Maintained grading and accreditation	Retain and Maintain 3 Star Tourism Grading	Retain and Maintain 3 Star Tourism Grading	-	-
Graded and accredited Food and Beverage services and workplace training	Maintained grading and accreditation	Maintained grading and accreditation	Maintained grading and accreditation	-	-

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: ACADEMIC					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI101: Number of learners to receive training in SAQA registered Learning Programmes in Culinary Studies	100 learners	100 learners	110 learners	+10 learners	Variance was due to the SACA projects that were given to the entity.
PPI102: Number of learners to receive training in SAQA registered Learning Programmes in Hospitality Studies (Hotel Operations Services)	23 learners	20 learners	34 learners	+14 learners	Variance was due to the Department of Labour and the Mercure Hotel projects.
PPI103: Number of learners to receive customized/ skills training Programmes in Hospitality Studies	41 learners	40 learners	22 learners	-18 learners	Unfavourable variance due to classes being postponed because of the National Lockdown to combat the spread of COVID-19.
PPI104: Revenue generated in Academic Sub-programme	R2 052 657	R 1 700 000	R 1 447 976.60	- R 252 023.40	Unfavourable variance was due to SACA classes being cancelled for the month of March due to the National Lockdown.

The achievement of the indicators in this sub-programme are key as they form an integral part of the operations of the Hotel and Tourism Academy as a programme within the entity. This sub-programme is also utilised to raise revenue for the entity and to achieve its objectives of skilling young people in the hospitality and tourism industry and forging partnerships that are beneficial to both the entity and its learners.

Two indicators were not achieved over this period; this was due to classes that had to be cancelled in the month of March due to the COVID-19 that engulfed the country towards the end of the fourth quarter, and the national lockdown that was imposed by the State President to curb the spread of the virus.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Once the lockdown has been lifted, the sub-programme will be able to resuscitate those classes and thus be able to achieve its targets.

CHANGES TO PLANNED TARGETS

There were no in-year changes to planned targets over this period.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: ROOMS					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 105: Percentage of learners receiving coaching and mentoring in the workplace for SAQA qualifications in Hotel Operations	100% of learners trained in Academic	100% of learners	100% of learners	-	-
PPI 106: Revenue projected in Rooms Sub-programme	R1 107 938	R1 877 856	R 876 008	-R 1 001 848	The reason for under-performance was due to the slow business in the 4th quarter as a result of the national lockdown
PPI 107: Retain and Maintain 3 Star Tourism Grading	3-star Tourism Grading retained	Retain and Maintain 3 Star Tourism Grading	3 Star Tourism Grading was retained and maintained	-	-
PPI 108: Attain set room occupancy	23%	50%	20.13%	-29.87%	The reason for under -performance was due to the slow business in the 4th quarter as a result of the national lockdown

The achievement of these indicators and targets are important for the achievements of the objectives and strategic oriented objectives of the entity, ensuring that 100% of learners are receiving coaching and mentoring in the workplace, and ensure that room occupancy of the hotel is at least above 50%. The entity was unable to achieve two of its indicators in this sub-programme on room occupancy and revenue generation. The under achievements were because of slow business in the fourth quarter due to the COVID-19, which affected the operations of the hotel and ultimately revenue generation.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The hotel will be relaunched after the national lockdown, room occupancy will improve, and that will improve revenue generation as well.

CHANGES TO PLANNED TARGETS

There were no in-year changes to planned targets for this sub-programme.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: FOOD AND BEVERAGE					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 109: Percentage of learners receiving coaching and mentoring in the workplace for SAQA Culinary Qualifications	100% of learners trained in Academic	100% of learners trained in Academic	100% of learners trained in Academic	-	-
PPI 110: Percentage of learners receiving coaching and mentoring in the workplace for SAQA qualifications in Hotel Operations	100% of learners trained in Academic	100% of learners trained in Academic	100% of learners trained in Academic	-	-
PPI 111: Revenue projected in Food and Beverage Sub-programme	R797 634	R2 681 800	R 1 195 588	-R 1 486 212	Business volume was low in the fourth quarter because of the national lockdown.
PPI 112: Maintain overall standard food cost percentage	36%	38%	37%	+1%	Cost of sales were reduced through effective internal controls
PPI 113: Maintain overall standard beverage cost percentage	27%	34%	26%	+8%	Cost of sales were reduced through effective internal controls and returns from functions
PPI 114: Maintain food safety guidelines as set by the hospitality industry	88%	85%	93%	+8%	The positive variance was due to the implementation of the recommendations of the previous audit

This sub-programme is key for the operations of the Hotel and Tourism Academy; its functions include ensuring that food and beverage costs are maintained at reasonable levels and to generate revenue for the entity through food and beverages. It also ensures that the food safety guidelines within the operations are adhered to and maintained.

The sub-programme was unable to achieve one indicator, which is revenue generation; this was mostly due to the renovations that took longer than anticipated and the slow business during the fourth quarter because of the national lockdown.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Once the national lockdown has been lifted, and all economic activities have been opened for business and the hotel has been relaunched, generation of revenue for the entity will improve.

CHANGES TO PLANNED TARGETS

There were no in-year changes to the planned targets in the period under review.

LINKING PERFORMANCE WITH BUDGETS

PERFORMANCE INDICATOR	2018/19			2019/20		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Academic	5 276	4 263	1 013	5 890	4 729	1 161
Food and Beverage	12 384	9 315	3 069	4 851	3 401	1 450
Rooms	7 073	6 737	336	11 169	10 757	412
Total	24 733	20 315	4 418	21 910	18 887	3 023

3.2 PROGRAMME 2: TECHNICAL TRAINING OPERATIONS

Programme purpose: To develop skills in technical and other areas, quality training through Training Centres and Mobile units and facilitate work place integrated learning.

The programme has been divided into the following sub-programmes:

- **Sub programme 2.1: Training Centres**
- **Sub programme 2.2: Mobile Training**
- **Sub programme 2.3: Comprehensive Rural Development Programme (CRDP)**
- **Sub programme 2.4: Technical Production**

STRATEGIC OBJECTIVES RELATING TO EACH PROGRAMME/ACTIVITY/OBJECTIVE

STRATEGIC OBJECTIVE	Accredited skills training and qualification programmes.
OBJECTIVE STATEMENT	To provide accredited construction, manufacturing and engineering skills training to 5 500 learners through institutional training by 2020.
STRATEGIC OBJECTIVE	Artisan Development
OBJECTIVE STATEMENT	To train 3 000 learners in artisan development programmes focusing on Construction, Manufacturing and Engineering related trades by 2020.
STRATEGIC OBJECTIVE	Customised, and accredited skills training
OBJECTIVE STATEMENT	To provide customised and accredited construction, manufacturing and engineering skills training to 2 000 learners and 2 000 learners in Learnerships and Apprenticeships through mobile training by 2020.
STRATEGIC OBJECTIVE	Comprehensive Rural Development Programme (CRDP)
OBJECTIVE STATEMENT	Provision of accredited construction skills training to 3 600 learners through CRDP by 2020.
STRATEGIC OBJECTIVE	Provision of workplace training
OBJECTIVE STATEMENT	Management of production projects for income generation and workplace training of 965 learners by 2020.

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

PROGRAMME 2: TECHNICAL TRAINING OPERATIONS					
STRATEGIC OBJECTIVES	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
Accredited skills training and qualifications programmes.	1 087 learners	1 100 learners	975 learners	-125 learners	Planned training was scaled down due to the COVID-19 spread, classes could not continue and as a result, these learners were negatively affected.
Artisan Development	643 learners	795 learners	225 learners	-570 learners	The learners were decreasing in the quarters as they were completing the programme. This programme ended Q3.
Customised, specialised and accredited skills training	531 learners	400 learners	343 learners	-57 learners	Classes were affected by the scaling down of activities due to the spread of the COVID-19.
Learnerships and Apprenticeships.	470 learners	400 learners	390 learners	-10 learners	The negative variance was due to abscondions and drop-outs from the programme.
Comprehensive Rural Development Programme (CRDP)	798 learners	720 learners	726 learners	+6 Learners	Extra class was conducted on Mixed-farming due to an increased demand.
Provision of workplace training	204 learners	200 learners	200 learners	-	-

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: TRAINING CENTRES					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 201: Number of learners to receive accredited or customised institutional training in construction, manufacturing and engineering skills	1 087 learners trained in construction, manufacturing and engineering skills	1 100 learners to be trained in Construction, manufacturing and engineering skills	975 learners trained in construction, manufacturing and engineering skills	- 125 learners	Planned training was scaled down due to the COVID-19 spread, classes could not continue and as a result, these learners were negatively affected
PPI 202: Number of learners placed for workplace integrated learning	95 learners placed	400 learners	336 learners	- 64 learners	The scaling down of activities due to the spread of COVID-19 affected opportunities of placing learners with potential companies
PPI 203: Number of candidates on RPL and Trade Testing	76 candidates	50 candidates	48 candidates	-2 candidates	Some learners who applied for trade testing were not deemed ready or fit to undergo trade testing hence the underachievement
PPI 204: Number of learners trained through an apprenticeship programme towards artisanship status.	634 learners remaining in the programme	795 learners trained through an apprenticeship programme towards artisanship status	225 learners	-570	Learners were completing their training towards artisan development in phases during this period. As a result, the number of learners in the programme was decreasing, and as such, the programme ended in Q3 as the learners completed their training.
PPI 205: Projected annual Income generation from learner fees	R 2 771 193	R 8 106 000	R 4 891 482	-R 3 214 518	The negative variance was due to the non-achieved target for fee-paying learners

This sub-programme is integral in the achievement of the strategic objectives and the mandate of the entity. Its functions revolve around skills provision to learners, and it is one of the sub-programmes that deals directly with the service beneficiaries of the entity, through skills development of learners and it also focuses on revenue generation for the entity.

For the period under review, two indicators were not achieved on learner placement for work-integrated learning, which has always been a challenge for the entity. The under achievement was mostly because of the scarcity of companies and projects where learners could be placed for WIL. Another indicator, which was not achieved, was that of revenue generation, this variance was mostly because the sub-programme could not attract enough fee-paying learners due to the current economic conditions in the country.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The entity will, going forward, strengthen its efforts in looking for companies and projects that can assist with WIL and collaborate with other companies to ensure that its learners are exposed to work-integrated learning. The recruitment for fee-paying learners will also be intensified to ensure that the sub-programme achieves revenue generation targets.

CHANGES TO PLANNED TARGETS

There were no in-year changes to planned targets for this sub-programme for the period under review.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: MOBILE TRAINING					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 206: Number of learners who receive Customised or Skills Programmes	531 learners	400 learners	343 learners	-57 learners	Training programmes were affected by the lockdown and couldn't be completed.
PPI 207: Number of learners to be trained on Learnerships and Apprenticeships.	470 learners	400 learners	390 learners	-10 learners	The negative variance was due to abscondions and drop-outs from the training programmes.
PPI 208: Number of learners targeted for workplace opportunities and incubation programme	250 learners	200 learners	221 learners	+21 learners	There were more opportunities for work placement funded programmes

The work of this sub-programme is focused on the provision of customised skills programmes and learnerships and apprenticeships. These are very important programmes for learners to equip them with work related experience and knowledge for them to participate in the economic activities of the province. The workplace and incubation programme that is facilitated by this sub-programme provides an important element of skills development for the learners and their development in the different skills sets.

For the period under review, the sub-programme under achieved in two indicators because of the national lockdown due to the COVID-19 and the abscondions of learners. The abscondions are caused by numerous reasons such as learners finding permanent jobs and or being ill.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Once the national lockdown has been lifted, the sub-programme will prioritise the learners who are still in the programmes to complete their training, and encourage learners to complete their training, as that provides them with an opportunity to graduate at the end of their training period.

CHANGES TO PLANNED TARGETS

There were no in-year changes to planned targets in this sub-programme for the year under review.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: COMPREHENSIVE RURAL DEVELOPMENT PROGRAMME					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 209: Number of learners who received accredited training	798 learners Facilitated the registration of 11 Cooperatives	720 learners targeted for accredited training in Technical and Agricultural related trades	726 learners trained in technical and agricultural related trades	+6 learners	Extra class was conducted on Mixed-farming due to an increased demand

The focus of this sub-programme is on the CRDP skills programmes, which are provided in different municipalities within the province. The sub-programme focuses on skills such as mixed farming and other technical related trades. The training is provided on various sites within the municipalities and it is normally to address skills shortages at a specific locality as would have been identified by the municipality or relevant stakeholders.

The sub-programme achieved its target for the period under review; measures will be put in place to ensure that the sub-programme continues to make an impact on the lives of its service delivery beneficiaries within municipalities.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The sub-programme will have to re-evaluate its plans to ensure that it achieves its targets and have more impact with the resources that are allocated for the programme.

CHANGES TO PLANNED TARGETS

There were no in-year changes to planned targets for this sub-programme for the period under review.



KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: TECHNICAL PRODUCTION					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 210: Number of learners to be coached and mentored in workplace for experiential training in construction and engineering related trades.	204 learners	200 learners	200 learners	-	-
PPI 211: Revenue to be generated from projects and workplace training.	R 7 484 581	R7 413 254	R 2 060 089	-R 5 353 165	Some revenue generating projects that were anticipated did not materialise

This sub-programme focuses on the very important element of skills development, which is the coaching, and mentoring of learners on workplace training to give them experience in the work environment. This also assists those learners who need experiential training to complete their qualifications.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

For the period under review, the sub-programme achieved some of its indicators and targets. Plans will be put in place to ensure that the performance of this sub-programme does improve going forward.

CHANGES TO PLANNED TARGETS

There were no in-year changes to planned targets for this sub-programme for the period under review.

LINKING PERFORMANCE WITH BUDGETS

PERFORMANCE INDICATOR	2018/19			2019/20		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Training centres	23,911	19,723	4,188	39 182	35 849	3 333
Artisan Development	87,905	91,733	-3,828	132 958	126 616	6 342
Mobile	29,730	23,762	5,968	25 601	24 320	1 281
CRDP	35,403	25,169	10,234	29 339	20 812	8 527
Technical Production	7,413	9,063	-1,650	7 014	7 043	-29
Total	183,362	169,450	14,912	234 094	214 640	19 454

3.3 PROGRAMME 3: CORPORATE SERVICES

Programme Purpose: To provide administrative support, coordination of quality processes, oversight role over financial function, sound marketing strategies by employees who contribute effectively.

The programme has been divided into the following sub-programmes:

- **Sub programme 3.1: Quality Assurance**
- **Sub programme 3.2: Finance**
- **Sub programme 3.3: Marketing**
- **Sub programme 3.4: Administration**
- **Sub programme 3.5: Human Resources Management**
- **Sub programme 3.6: CEO's Office**

STRATEGIC OBJECTIVES RELATING TO EACH PROGRAMME/ACTIVITY/OBJECTIVE

STRATEGIC OBJECTIVE	Assuring quality of training
OBJECTIVE STATEMENT	To assure compliance to internal policies and SETA set criteria by monitoring 100% of training projects annually.
STRATEGIC OBJECTIVE	Clean Audit Opinion (Financial)
OBJECTIVE STATEMENT	To maintain a clean audit in financial management (compliance and internal controls) from 2015 and beyond.
STRATEGIC OBJECTIVE	Increased learner intake
OBJECTIVE STATEMENT	Increase learner intake of MRTT training programmes through 80 career exhibitions, 60 school visits and 12 training projects by 2020.
STRATEGIC OBJECTIVE	Administrative Support Management
OBJECTIVE STATEMENT	To reduce audit findings from 20 to 0 in the Supply Chain Management and Administration in 2016/17 (compliance and internal controls) and maintain the zero findings.
STRATEGIC OBJECTIVE	Human Resource Management
OBJECTIVE STATEMENT	To attract and retain best talent and support employee advancement through professional development, career development of 100 employees and effectively implement the performance management system by 2020.
STRATEGIC OBJECTIVE	Legal and Secretarial Management
OBJECTIVE STATEMENT	To manage the company's Legal- and Secretarial in accordance with best practices and legal requirements and facilitate quarterly Board Committees Meetings by 2020.
STRATEGIC OBJECTIVE	Monitoring and Evaluation
OBJECTIVE STATEMENT	Ensure effective management of performance information by conducting ongoing quarterly monitoring and evaluation of programmes by 2020.

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

PROGRAMME 3: CORPORATE SERVICES					
STRATEGIC OBJECTIVES	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
Assuring quality of training	100% compliance	100% compliance to internal training policies	100% compliance to internal training policies	-	-
Financial Management	Unqualified Audit opinion	Clean Audit	Unqualified Audit opinion	Clean Audit	The Auditor-General raised issues the entity must address to achieve a clean audit.
Increased learner intake	51 Career Exhibitions 27 School visits 4 SLA training projects	25 Career Exhibitions 25 School visits 4 Training projects	46 Career Exhibitions 17 School visits 2 Training projects secured	+21 Career Exhibitions -8 School visits -2 Training projects	Negative variance was due to the COVID-19, and no positive feedback from potential clients.
Administrative Support Management	35 findings 26 resolved 4 partially resolved 5 unresolved	Zero findings	49 findings	-	-
Human Resource Management	35 employees	47 employees	47 employees	-	-
Legal and Secretarial Management	6 quarterly meetings	12 SMCO meetings	14 SMCO meetings	+2 SMCO meetings	Special meetings were convened to address urgent matters.
Monitoring and Evaluation	4 Quarterly evaluations	4 Quarterly evaluations	4 Quarterly evaluations	-	-

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: QUALITY ASSURANCE					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 301: Number of audits and management reviews conducted	Conducted 4 audits on compliance to internal training policies and procedures and conducted 1 management review	Conduct 4 audits on compliance to internal training policies and procedures and 1 management review.	4 audits conducted 1 Management review conducted	-	-
PPI 302: Number of procedures reviewed in line with ISO 9001: 2015	Reviewed 8 QMS procedures to ISO 9001:2015	Review 8 QMS procedures to ISO 9001: 2015	8 QMS policies/ procedures reviewed	-	-
PPI 303: Number of Accreditation/ Programme approval renewed and maintained with SETAs	Maintained 3 programme approvals with MerSETA, EWSETA and AgriSETA	Maintain 3 programme approvals with MerSETA, EWSETA and AgriSETA	Maintained 2 programmes approvals with MerSETA and AgriSETA	-1 Programme approval not maintained	Programme approval with EWSETA on Electrical Engineering qualification expired on the 30th July 2019
	Maintained 1 primary accreditation with CETA & 1 programme approval with CATHSSETA	Maintain 1 Primary accreditation with CETA & 1 Programme approval with CATHSSETA	1 primary accreditation maintained Programme approval with CATHSSETA	-	-
PPI 304: Percentage of Skills Programmes, Learnerships and Apprenticeships registered	100% of programmes that were offered were registered	Register 100% of learning programmes offered	100% of learning programmes offered were previously registered	-	-

The work of this sub-programme is central to the mandate of the entity by ensuring that the skills and learning programmes that the entity is offering to its learners are registered, accredited and that compliance is adhered to. The sub-programme also ensures that quality management policies and procedures are reviewed, and its accreditations are maintained for both primary and secondary accreditations.

For the period under review, one programme approval was not maintained, however, an application was submitted for the approval of the programme and an audit was conducted by QCTO, areas for improvement were identified and the entity would be addressing those going forward.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The entity has been working towards addressing the gaps identified during the QCTO audit for resubmission for approval.

CHANGES TO PLANNED TARGETS

There were no in-year changes to the targets for the sub-programme in the period under review.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: FINANCE					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 305: Percentage of revenue collected annually	80% of MRTT revenue was collected	80% of MRTT revenue collected	73% of MRTT revenue was collected	-7% revenue not collected	Under recoveries in own generated revenue contributed to the lower collection rate
PPI 306: Percentage of suppliers paid within 30 days of receipt of valid invoice	100% payment of creditors were paid within 30 days of receipt of invoice	100% payment of all creditors within 30 days of receipts of invoice	100% payment of all creditors within 30 days of receipts of invoice	-	-
PPI 307: Number of quarterly physical verifications of fixed assets and reconciliations conducted to maintain a complete FAR	Conducted Physical Asset Verifications, reconciled Fixed Asset Register to the General Ledger and compiled quarterly reports	Perform quarterly physical verification of fixed assets, Reconcile Fixed Asset Register to General Ledger	Physical Asset verification of Fixed Assets was performed and reconciliation between Fixed Asset Register and General Ledger was done	-	-
PPI 308: Prepare and submit Financial Performance Reports	Financial Performance reports were prepared and submitted to SMCO, Audit Committee and the Board of Directors	Prepare and submit Financial Performance reports to SMCO; Audit Committee and Board of Directors	Financial Performance reports were duly prepared and submitted to SMCO, Audit Committee and Board of Directors	-	-
PPI 309: Number of approved Annual Financial Statements submitted to the Auditor General and Provincial Treasury by 31 May	Annual Financial Statements were duly prepared, approved and submitted to AGSA and Provincial Treasury on or before 31 May	Submission of Annual Financial Statement to AGSA and Provincial Treasury (PT) on/or before the due date of 31 May	Financial Statements were prepared and submitted to AGSA and Provincial Treasury (PT) on the due date of 31 May	-	-

The sub-programme ensures that the finances of the entity are managed efficiently and prudently to deliver on the mandate of the entity. It is responsible for the collection of revenue and maintenance of the fixed asset register for the entity. It is also ensuring that there is financial reporting to all internal and external stakeholders including the Board of Directors.

For the period under review, the sub-programme achieved most of its indicators and targets, except for the collection of revenue, which was 7% less against the annual target of 80%. This was a direct result of under recoveries in own generated revenue which contributed to the collection rate.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Efforts will be made towards ensuring that the entity collects all its own generated revenue and improve its collection rate.

CHANGES TO PLANNED TARGETS

There were no in-year changes to planned targets for the sub-programme in the period under review.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: MARKETING					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 310: Number of learner recruitment advertisements; Career and Stakeholder exhibitions and school visits	37 learner recruitment advertisements (print/ electronic media)	6 Learner recruitment advertisements (print/ electronic media)	44 learner recruitment advertisements	+38 learner recruitment advertisements	The variance was due to the Mpumalanga Mirror placing and circulating adverts in 15 Community newspapers
	51 career & stakeholder exhibitions	25 Career & Stakeholder Exhibitions	46 Career & Stakeholder exhibitions	+21 Career & Stakeholder exhibitions	More invitations were received for career exhibitions
	27 schools visits were conducted	Conduct 25 school visits	17 school visits conducted	-8 schools visited	The variance was due to the outbreak of the COVID-19 pandemic. Schools cancelled appointments for school visits in the build up to the national lockdown
PPI 311: Number of Service Level Agreements (SLA) / Purchase Orders for training projects signed	4 SLA training projects signed	4 SLA training projects	2 SLA training projects secured	-2 SLA training projects	Projects proposals were submitted to potential clients but no positive responses were received

The work of this sub-programme focuses on the recruitment of learners to fill the training centres of the entity, and market the products that are offered by the entity. The sub-programme is also responsible for conducting career exhibitions to potential learners to display the programmes offered by the entity, conducting school visits and securing training projects for the entity.

For the period under review, the sub-programme did not achieve two of its targets on school visits and securing projects for training. This was because of the COVID-19, as schools had to be closed to curb the spread of the virus and the current economic conditions.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

With the lifting of the national lockdown and the reopening of the schools, the entity will ensure that it conducts the school visits, while sending more applications for training projects to potential clients.

CHANGES TO PLANNED TARGETS

There were no in-year changes to the planned targets for the sub-programme in the period under review.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: ADMINISTRATION					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 312: Ensure that utilised suppliers are tax compliant on the CSD	All SCM personnel were successfully updated and maintained on the Central Supplier Database	Verify TAX compliance of utilised suppliers on the CSD	100% suppliers used were tax compliant	-	-
PPI 313: Ensure a turnaround time of 20 working days for 50% of requisitions received	618 requests for quotations were received over the period under review and 435 were sourced, evaluated and approval was granted within the turnaround period of 20 working days	Process 50% of requisitions received within 20 working days	50.87% of requisitions received were processed within 20 working days	-	-
PPI 314: Maintain disaster recovery plan and business continuity strategy	The approved ICT strategy was implemented and monitored	Maintain the disaster recovery plan and business continuity strategy	Disaster recovery plan and business continuity strategy were maintained	-	-
PPI 315: Improve the Information and Communication Technology	A benchmarking exercise was conducted on how the ICT could be advanced, this led to the purchase of volume licences for Windows and Office including the review of the server capacity	Continuously improve and Advance Information and Communication Technology	ICT was improved through the new server, training, and installation of the Business Process Management	-	-
PPI 316: Ensure complete implementation of the Records Management System	The Records File Plan was implemented	Implementation of the approved Records Management System	Records management system implemented and training provided	-	-

The sub-programme is responsible for the implementation of the ICT infrastructure within the entity; it is also responsible for Supply Chain Management and Administration. This is the sub-programme that ensures that the entity has the correct ICT infrastructure to be able to conduct its business, and on the demand and acquisition of goods and services within the entity. The sub-programme is also responsible for ensuring a proper record management system within the entity.

For the period under review, the sub-programme achieved all its indicators and targets. Plans will be put in place to ensure that the sub-programme continues to achieve its targets.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

There was no underperformance in this sub-programme for the period under review.

CHANGES TO PLANNED TARGETS

There were no in-year changes to planned targets for this sub-programme for the period under review.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: HUMAN RESOURCE MANAGEMENT					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 317: Percentage of approved and funded positions filled	100% of funded vacant positions were filled	80 percent filling of approved and funded positions	87.5 percent approved and funded vacancies filled	-	-
PPI 318: Number of Performance Management Capacity Building/support sessions conducted	4 performance management capacity building/ support sessions conducted	4 Performance Management Capacity Building/ support sessions conducted	4 Performance Management Capacity Building/ support sessions conducted	-	-
PPI 319: Number of Workplace Skills plan and Annual Training Report (WSP&ATR) submitted to ETDPSSETA.	01 WSP submitted to the ETDPSSETA and 01 EEP submitted to the Dept. of Labour	01 Workplace Skills plan 01 Annual Training Report (WSP&ATR) submitted to ETDPSSETA	WSP and ATR developed and submitted, 100% of training budget spent	-	-
PPI 320: Number of Payroll reports generated	Generated 12 payroll reports	12 payroll reports generated	12 payroll reports generated	-	-

The sub-programme is responsible for the recruitment, training and general human resource management and reporting of the entity to external stakeholders such as the Department of Employment and Labour and others on skills development and employment equity. It is also responsible for the performance management within the entity to ensure that officials perform as expected to meet the objectives of the entity. It also conducts payroll reports to ensure that there are no ghost employees within the system. For the period under review, the sub-programme achieved all its indicators and targets.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

There was no underperformance in this sub-programme for the period under review. Plans will be put in place to ensure that the sub-programme continues to achieve its indicators and targets.

CHANGES TO PLANNED TARGETS

There were no in-year changes to planned targets for this sub-programme in the period under review.



KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: CEO'S OFFICE (LEGAL AND COMPANY SECRETARIAT)					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 321: Ensuring compliance with the principles of Corporate Governance: King IV Report as well as the Company policies.	Provided advise to the Board on Corporate Governance issues and provided legal advice to Senior Management. The Performance evaluation of the Board of Directors was conducted for the 1st three quarters of 2018/2019. The performance agreement (shareholders compact) was signed. The Memorandum of Incorporation and Board Charter were presented and reviewed by the Board. Circulated the Training manual to the Board.	Advise the Board of Directors and Senior Management on resolutions, company Policies and applicable Legislation Facilitate performance evaluation of the Board of directors and Board Sub-Committees Sign the Board of Directors performance agreements (Shareholders Compact) Presentation / Review Memorandum of Incorporation and Board Charter Coordinate training and provide training material for Board of Directors and Board Sub-Committees.	Advice provided to the Board and Senior Management on policies, resolutions and procedures The evaluation of the Board and its committees was facilitated The Board of Directors Performance agreement (Shareholder's Compact) was circulated to the Chairperson of the Board and the CEO Training provided to the Board, and Mol Board Charter presented to the Board.	-	-
PPI 322: Number of SMC0, Risk, Marketing and Technical, Finance and Remco Audit Committee, Quarterly Board meetings, to be facilitated	Facilitated 12x SMC0 7 Finance & Remco 4 Marketing and Technical 2 Risk and Governance 5 Audit Committee 10 Board meetings 2 workshops on Risk and Governance committee were conducted	Facilitate the 12 SMC0, 4 Risk Management Committee, 4 Finance & Remco meeting ;4 Marketing and Technical Meeting ;4 Audit & Risk Committee and 4 Quarterly Board Committee meetings,	Facilitated 14 – SMC0 6- REMCO 7- R& AC 5- Marketing Committee 8-BoD meetings	+2 SMC0 +2 REMCO + 1 Marketing + 2 R&AC +4 BoD meetings	Special meetings were convened to deal with urgent matters
PPI 323: Attend to legal matters brought to the Corporate secretariat and Legal services office	All legal matters received were attended to within the fourteen (14) days turn around period	To attend to all Legal Matters within fourteen (14) days	All legal matters received attended to within the fourteen (14) days turn around period	-	-

The sub-programme is responsible for the provision of legal services to the entity, and secretariat work to management and the Board of Directors. It is also responsible for ensuring that the running of the entity is in line with the Companies Act and that the entity reports through the Board of Directors to the MEC of Education in the province. In addition, it also facilitates the signing of the performance agreements of the Board with the MEC of Education in the province. For the period under review, the sub-programme achieved all its indicators and targets.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

There was no underperformance in this sub-programme for this period under review. Plans will be put in place to ensure that the sub-programme continues to achieve its indicators and targets.

CHANGES TO PLANNED TARGETS

There were no in-year changes to the targets for the sub-programme in the period under review.

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

SUB-PROGRAMME: PERFORMANCE INFORMATION MANAGEMENT					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2019/2020	COMMENT ON DEVIATIONS
PPI 324: Number of quality reports compiled	Annual Report and 4 Quarterly Performance Reports compiled and submitted 12 months report	Annual report and 4 Quarterly Performance Reports compiled and submitted to the Department of Education.	Annual Report 2018/19 compiled and submitted. 4 Quarterly reports compiled and submitted to DoE	-	-
PPI 325: Number of Plans compiled and planning sessions held	1 Annual Performance Plan developed, and Strategic meetings held on the new Corporate Strategy	1 Annual Performance Plan (APP) developed and 1 Strategic Planning session held.	APP 2019/20 submitted and tabled SP session – 23-24 Oct 2019 SMCO feedback session held – 28th Nov 2019	SMCO feedback session	Management needed to finalise the SP process and get feedback from commissions
PPI 326: Number of Review Sessions conducted	4 Quarterly review sessions conducted	4 Quarterly review sessions conducted.	4 Quarterly review sessions conducted	-	-
PPI 327: Number of Physical verifications conducted	16 Physical verifications conducted	16 Physical verifications conducted	16 Quarterly physical verifications conducted	-	-

The sub-programme is responsible for planning and performance information within the entity. It ensures that reporting is done to internal and external stakeholders in accordance with the framework for the development of annual performance plans and strategic plans and other government policies. It conducts verifications of reported information and ensures that the reports are substantiated by tangible and verifiable evidence. Coordinates the development of quarterly reports, annual performance plans and development of the strategic plans. It facilitates the strategic and other planning sessions within the entity. For the period under review, the sub-programme achieved all its indicators and targets.

STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

There was no underperformance for the sub-programme in the period under review. Plans will be put in place to ensure that the sub-programme continues to achieve its indicators and targets.

CHANGES TO PLANNED TARGETS

There were no in-year changes to planned targets for the sub-programme in the period under review.



ESTABLISHMENT OF THE PROVINCIAL SKILLS AND INNOVATION HUB

The Skills Hub has picked up momentum in its establishment during this financial year. The implementing team under the leadership of MRTT management has over the period made great strides towards the realisation of the skills hub. The Skills Hub is now a legally registered entity, The Mpumalanga Innovation and Skills Hub (MISH), as a Non-Profit Organisation whose mandate is to support the provinces efforts towards the achievement of sustainable and inclusive economic growth.

In the coming financial year, the implementing team will be engaged in a number of impactful work programmes most notably (1) the refurbishment of the MRTT House in partnership with South 32 which will act as a mini hub/"Digital Hub" for the fully fledged Mpumalanga Innovation and Skills Hub, (2) the rollout of programmes and projects in Agri, ICT, 4IR Technical, Incubation, Business Processing and Shared Office & Services, (3) the operationalisation of the Skills Hub as an ecosystem enabler and co-ordinator.

Progress is underway with implementation, infrastructure- and operational development and stakeholders' engagement. The collaboration with South 32 for the MRTT House renovation is for the MSIH implementation team office space for the main site development, and will house the digital hub and initial phase of the business support centre and incubation programme. This work program is expected to kick off in the first quarter of 2021.

One of the first Proof of Concept (PoC) for the role and operationalisation of the Skills Hub is the value-chain integration with MRTTs sub-programmes. To this end, the Skills Hub and MRTTs sub-programmes have begun to integrate activities, align efforts and share expertise particularly on revenue generation. This has been evidenced by the recently concluded partnership agreement with the Institute for Plumbing South Africa (IOPSA). This partnership is strategic in facilitating the operational upgrading of the MRTTs Technical Training Operations in the areas of renewable energy, smart metering, energy management and supporting IOPSAs strategic objective of lifting the professional standards of the plumbing trade in South Africa.

The implementing team is excited to also begin processes for the development of the Skills Hub's branding and identity in the first quarter of 2021. This process will provide an impactful opportunity to allow the graduates of the Skills Hub's Graphic Design and related courses to contribute to the design of the branding and identity of the Hub. A proto-website has been developed, www.mpumalangaskillshub.co.za, including the Skills Hubs social media presence on Facebook, Twitter and Instagram.

As an ecosystem co-ordinator, the Skills Hub must as a matter of strategic and operational necessity engage with stakeholders both within the province and at a national level. This is to ensure that collaborative partnerships are fostered to scale interventions and mitigate bigger impact in the Province of Skills and Entrepreneurial Development.

LINKING PERFORMANCE WITH BUDGETS

PERFORMANCE INDICATOR	2018/19			2019/20		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Quality assurance	1,412	1,171	241	1 713	1 793	-80
Finance	11,176	17,132	-5,956	11 609	19 320	-7 711
Marketing	3,579	3,281	298	3 780	3 886	-106
Administration	12,805	11,308	1,497	13 392	12 558	834
Human Resources	9,191	3,928	5,263	10 271	6 095	4 176
CEO	12,183	9,266	2,917	13 074	14 352	-1 278
Skills Hub	32,295	9,793	22,502	16 632	2 061	14 571
Total	82,641	55,879	26,762	70 471	60 065	10 406

4. REVENUE COLLECTION

SOURCES OF REVENUE	2018/19			2019/20		
	ESTIMATE R'000	ACTUAL AMOUNT COLLECTED R'000	(OVER)/UNDER COLLECTION R'000	ESTIMATE R'000	ACTUAL AMOUNT COLLECTED R'000	(OVER)/UNDER COLLECTION R'000
Exchange Transactions	57,790	33,569	-24,221	113 693	113 693	0
Non-Exchange Transactions	107,664	107,664	0	71 740	17 574	-54 166
Total	165,454	141,233	-24,221	185 433	131 267	-54 166

5. CAPITAL INVESTMENTS

INFRASTRUCTURE PROJECTS	2018/19			2019/20		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/UNDER EXPENDITURE R'000
Capital expenditure	16 620	11 110	5 510	3 893	1 814	2 079





PART C

GOVERNANCE

1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account, it is in this context that proper governance and controls of MRTT have become an important components of the Board's oversight function. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King Report on Corporate Governance.

The Executive and the Accounting Authority of the public entity are responsible for corporate governance.

2. PORTFOLIO COMMITTEES

DATES OF MEETINGS	PURPOSE
20 June 2019	Consideration of the 2018/19 4 th Quarter Performance Report
25 July 2019	Information and meeting with the implementing agent DPWRT
29 August 2019	Consideration of the 2019/20 1 st Quarter Performance Report
22 October 2019	Consideration 2018/19 annual reports and 2019/20 2 nd Quarter Performance Report
27 February 2020	Consideration of the 3 rd Quarter Performance Report

SCOPA

DATES OF MEETING	PURPOSE
11 February 2020	SCOPA Deliberations on the 2018/19 Audit Outcome

AREAS OF RISK

AREAS OF RISK	IMPLEMENTATION PLANS / ACTIONS TAKEN
Entity to fast track the re-launch of the hotel in KaNyamazane	The entity will fast track the re-launch as soon as the risk of the COVID-19 is mitigated or limited to minimize the risk of exposure to participants.
Entity to fast track the development of the organisational structure	The process of the development of the organisational structure is currently at phase two following the approval of the functional structure by the board.
Implementation of the Corporate Strategy to ensure self-sustainability	The entity is rolling out the implementation of the Corporate Strategy, and a Revenue Generating Committee has been established to strengthen the area of fund raising.

3. REPORTS TO THE EXECUTIVE AUTHORITY

The entity submitted the following reports to the Executive Authority as per the requirements.

REPORT	SUBMISSION DATE
4 th Quarter Performance Report	16 April 2019
1 st Quarter Performance Report	26 July 2019
2017/18 Annual Report	30 August 2019
2 nd Quarter Performance Report	15 October 2019
3 rd Quarter Performance Report	23 January 2020

4. THE ACCOUNTING AUTHORITY / BOARD

INTRODUCTION

The Board is the governing body and accounting authority of the entity. The Board has absolute responsibility for the performance of the entity and is fully accountable to the institution for such performance. The Board is also responsible to provide strategic direction to the entity. The governance principles regarding the role and responsibility of the entity are contained in the PFMA and the Protocol on Corporate Governance. All Boards of Directors have a fiduciary duty to exercise due care and skill in carrying out their responsibilities.

The Board meets at least once every quarter and holds special meetings as and when required to discuss the review and approval of critical compliance submissions, including the Annual Performance Report and Annual Financial Statements.

THE ROLE OF THE BOARD

- Act as the focal point for, and custodian of, Corporate Governance by managing its relationship with management and other stakeholders.
- Provide effective and ethical leadership
- Ensure the entity is seen to be a responsible corporate citizen by having regard not only to the financial aspect of the business of the entity, but also the impact that the business operations may have on the environment and society within which it operates.
- Approving and monitoring compliance with corporate plans, financial plans and budget.
- Approving transactions beyond the authority of management.

- Ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles and MRTT's internal governing documents and codes of conduct.
- Ensure the entity has an effective and independent Audit Committee.
- Ensure there is an effective risk based Internal Audit.
- Approval of budget and Financial Statements
- Approve the organisational strategy and annual performance plan and annual performance reports
- Evaluate the performance of the CEO

governance principles. The Board and Committee's charters and terms of reference are reviewed annually to ensure effectiveness and relevance.

The main purpose of the charter is to regulate the policies and practices of the Board in respect of issues pertaining to Corporate Governance, declaration of conflict of interest, Board documentation and procedures, composition of the Board, induction and training and the evaluation of the Board. In line with the charter, proceedings at meetings are directed by a formal agenda.

BOARD CHARTER

The Board was appointed on the 3rd December 2018; the Board Charter was subsequently reviewed, and adopted on the 26th November 2019. The Board Charter sets out the roles, duties, and responsibilities of the Board, as well as good corporate

COMPOSITION OF THE BOARD

The Board is comprised of eight non-executive members and two ex-officio members (Chief Executive Officer of MRTT and Acting Head of Department of Education in the Mpumalanga province). The Honourable MEC for the Department of Education in Mpumalanga Province appoints the Board.

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE)	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS (LIST THE ENTITIES)	OTHER COMMITTEES OR TASK TEAMS (E.G.: AUDIT COMMITTEE / MINISTERIAL TASK TEAM)
Mr TR Mokgoshi	Chairperson	03-12-2018	Still serving	• National Diploma and Hons in Chemical Engineering from England. • Engineering Management Programme from UP.	• Engineering	• Amatola Water Board.	• None
Ms TE Mawelele	Deputy Chairperson	03-12-2018	Still serving	• LLM (Corporate Law) • LLB • Diploma Insolvency	• Practising Attorney	• Director TE Mawelele • Board Member at MER and Mpumalanga Consumer Affairs Court • Chairperson of Compliance Committee MER • Audit Committee Member Bushbuckridge Local Municipality; former Lecturer TUT	• Finance & Remuneration Committee • Audit & Risk Committee
Mr PP Maoko	Board Member	03-12-2018	Still serving	• Master of Business Administration • Human Resources Management Diploma • Certificate in Financial & Accounting Principles for Public Entities • Corporate Governance, Public Finance Management Act & King Report 2 • Certificate in Labour Studies • Industrial Relations Certificate • Current studies : LLB	• Former CEO CETA, Labour Relations	• Mine Health Safety Council – HRRAC Committee	• Finance & Remuneration Committee • Marketing and Technical Committee
Ms GA Deiner	Board Member	03-12-2018	Still serving	• BCompt Accounting Science • BA • HED • Professional Accountant	• Professional Accountant	• Chairperson and Member of various Committees and Boards including: DEDT, MDE, MPL and MER • Deiner & Associates (Pty) Ltd • National Gambling Board	• Finance & Remuneration Committee • Audit & Risk Committee
Mr MB Singwane	Board Member	03-12-2018	Still serving	• LLB	• Practising Attorney	• None	• Audit Committee

NAME	DESIGNATION (IN TERMS OF THE PUBLIC ENTITY BOARD STRUCTURE)	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS (LIST THE ENTITIES)	OTHER COMMITTEES OR TASK TEAMS (E.G.: AUDIT COMMITTEE / MINISTERIAL TASK TEAM)
Mr B Sibanyoni	Board Member	03-12-2018	Still serving	• Certificate in Executive Leadership in Municipal Development.	• Property Development	• Managing Director Mpisana Properties.	• Marketing & Technical Committee • Audit & Risk Committee
Mr MI Tibane	Board Member	03-12-2018	Still serving	• Certificate Programme in Management Development for Municipal Finance	• Former Ward Councilor. • Former PA to Executive Mayor at SteveTshwete • Current Deputy Secretary of SACP in MP	• Nkangala TVET Council Chairperson • Current Deputy Secretary of SACP in MP	• Marketing & Technical Committee
Mr JH Mathabe	Board Member	03-12-2018	Still serving	• Diploma Human Resource Management • Certificate in Public Management	• Manager :MTPA	• Manager MTPA	• Marketing & Technical Committee

BOARD COMMITTEES

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
Senior Management Committee	12	06	• Mr R Oosthuizen, • Mr SM Makgoba, • Ms. Z Khoza • Mr M Jafta, • Mr B Hlatshwayo • Mr FW Magwandana • Ms K Mohlala
Marketing & Technical committee	04	04	• Mr PP Maoko • Mr JH Mathabe • Mr MI Tibane • Mr B Sibanyoni
Finance and Remuneration Committee	07	03	• Mr PP Maoko • Ms GA Deiner • Ms TE Mawelele
Risk and Governance Committee	02	03	• Mr B Ahmed • Mr MB Singwane • Ms GA Deiner
Audit & Risk Committee	06	05	• Mr B Ahmed • Ms GA Deiner • Mr MB Singwane • Mr B Sibanyoni • Ms Mawelele
Board of Directors	10	08	• Mr TR Mkgoshi • Ms TE Mawelele • Mr PP Maoko • Ms GA Deiner • Mr MB Singwane • Mr B Sibanyoni • Mr MI Tibane • Mr JH Mathabe

REMUNERATION OF BOARD MEMBERS

Board member remuneration is aligned to the National Treasury guidelines as set out in the Annual Financial Statements. Board Members who represent other government departments or institutions are not remunerated for the work they perform in the Board of the entity.

Board members who are not remunerated:

- Mr R Oosthuizen – *ex officio* member (Chief Executive Officer: MRTT)
- Mr JR Nkosi – *ex officio* member (Acting Head of Department of Education in Mpumalanga)

NAME	REMUNERATION	PHONE ALLOWANCE	TOTAL
Mr TR Mokgoshi	255 802	4 500	260 302
Ms TE Mawelele	243 786	2 250	246 036
Ms GA Deiner	219 063	2 250	221 313
Mr PP Maoko	236 730	2 250	238 980
Mr MI Tibane	218 106	2 250	220 356
Mr B Sibanyoni	289 544	2 250	291 794
Mr MB Singwane	74 607	2 250	76 857
Mr HJ Mathabe	49 006	2 250	51 256
Total	1 586 644	20 250	1 606 894

5. RISK MANAGEMENT

Risk Management is a strategic imperative rather than an option for high performing entities. MRTT is a Schedule 3C Public Entity under the PFMA and should have sound governance structures that adhere to the requirements of PFMA. An annual risk management workshop was conducted in respect of the strategic and operational risks and was aligned to the operational risk register of MRTT. The risks are monitored on an ongoing basis in relation to risk mitigation strategies or plans, relevance and adequacy of existing controls, identification of emerging key and significant risks. Risk Management and the tabling of the strategic risk register is a standing item on the quarterly meetings of the Senior Management Committee.

The key mitigations implemented to reduce the risk exposure relate to sourcing of additional funds through the Revenue Generation Committee, allocation of surplus funds from MDoe and recovery of losses and collections, implementation of cost cutting measures and the demand management plan.

The entity has a Risk Management Policy and Strategy in place, which is being fully implemented. The entity has a Risk Management Committee that advises Management on the overall system of risk management, especially the mitigation of unacceptable levels of risk. The Audit Committee advises the public entity on risk management and independently monitors the effectiveness of the system of risk management.

6. INTERNAL CONTROL UNIT

The internal audit function was outsourced to Nexia SAB&T for the period under review. The internal auditors performed audits on four quarterly reports and issued four audit reports for the current financial year. These reports were presented during Audit Committee sittings.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

KEY ACTIVITIES AND OBJECTIVES OF THE INTERNAL AUDIT

The Internal Audit function provides an independent appraisal function that is designed to examine and evaluate the entity's internal controls. The main objective of the internal audit is to assist the Board and Senior Management Committee with the effective discharge of their responsibilities by evaluating the adequacy and effectiveness of risk management, the control environment and governance processes. Any major weaknesses detected are brought to the attention of Audit and Risk Committee, the external auditors and members of management for their consideration and remedial action.

Some of the objectives include; developing an annual audit plan for the first year of the three-year rolling plan, using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submitting this together with the three-year rolling plan to the Audit Committee for review and approval. Implementing the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit Committee. Issuing periodic reports to the Audit & Risk Committee and management summarising the results of audit activities and findings. Assisting with the investigations on significant suspected fraudulent activities within the MRTT, and notifying management and the Audit Committee of the results.

SUMMARY OF AUDIT WORK DONE

- Risk Assessment Facilitation
- Human Resource Management
- Internal Audit Charter
- Internal Audit Plans
- Asset Management review
- Inventory Management review
- Audit of Performance Information

KEY ACTIVITIES AND OBJECTIVES OF THE INTERNAL AUDIT

- Obtaining an understanding of management's process of evaluating the effectiveness of the entity's internal control.
- Performing procedures to obtain sufficient evidence about the design, effectiveness and operating effectiveness of the entity's internal controls.
- Assisting the Board in monitoring the integrity and accuracy of the Financial Statements and overseeing the performance reports.

THE AUDIT COMMITTEE'S PRIMARY OBJECTIVES ARE AS FOLLOWS:

The Audit Committee is constituted as a Board sub-committee with responsibilities as delegated by the Board in terms of Section 51(1) (ii) of the PFMA and Treasury Regulations 21.1.1. The role of the audit is to provide independent assurance and assistance to the Board on control, governance and risk management and its primary objectives are to:

- Serve as an independent and objective party to monitor and strengthen the objectivity and credibility of MRTT's financial reporting process and internal control system.
- Interacting with audit functions, review and appraise the efforts of external audit and internal audit functions.
- Providing an open avenue of communication among Senior Management, the external auditors, the internal audit function and the Executive.
- Facilitating the imposition of discipline and control, thus reducing the opportunity for fraud.
- The Committee makes appropriate recommendations, based on its findings, to the MRTT Board.

THE KEY ACTIVITIES AND OBJECTIVES OF THE AUDIT COMMITTEE:

- Review the adequacy of policies, procedures and the internal control system including information technology security and financial controls.
- Review and approve the scope of activities of the internal audit function, ensuring that it covers the key risks and that there is an alignment with the external auditor (AGSA), assess the effectiveness of the internal audit function.
- Monitoring compliance with laws, regulations and policies.
- Review and approve the Internal Audit Charter.
- Conduct its affairs in compliance with the charter and discharge its responsibilities as set out in the charter

The table below highlights information on the Audit Committee members, for the period under review.

NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	IF INTERNAL, POSITION IN THE PUBLIC ENTITY	DATE APPOINTED	DATE RESIGNED	NO. OF MEETINGS ATTENDED
MR B Ahmed	BCom (Info Science) BCompt (Hon) AGA(SA)CIMA	External	External	01-01-2018	31-03-2020	06
Ms GA Deiner	BA, HED, BCompt, Professional Accountant	External	External	06-08-2015	Still serving	06
Mr MB Singwane	LLB	External	External	06-08-2015	Still serving	02
Mr B Sibanyoni	Certificate in Executive Leadership in Municipal Development.	External	External	18-02-2019	Still serving	06
Ms TE Mawelele	LLM Corporate Law LLB Diploma Insolvency	External	External	18-02-2019	04-03-2020	03

8. COMPLIANCE WITH LAWS AND REGULATIONS

The entity has developed policies and procedures in line with legislations, including compliance with Treasury Regulations. Regular workshops and information sharing sessions were conducted for the members of staff to ensure knowledge and implementation of policies. Quarterly reports are developed and submitted to oversight institutions and bodies. These reports are then discussed with the internal auditors, as well as with the Audit Committee, where recommendations are made and implemented, to ensure full compliance with legislation. The institution is in the process of developing a compliance framework with a view of formalising the compliance element to operate in line with the Generally Accepted Compliance Framework.

9. FRAUD AND CORRUPTION

The Public entity's Fraud and Corruption Prevention Policy and the progress made in the implementation of the policy is monitored and reported to stakeholders on a regular basis.

MRTT is committed to the eradication of fraud, corruption, misconduct and any irregularities and takes a zero tolerance position towards fraud. The entity has a fraud and corruption prevention policy that was adopted and approved. The policy is functional and operational and is guided amongst others, by the PFMA and Protected Disclosures Act.

The Board approved the fraud and corruption prevention policy with measures to address the fraud risk management from both a proactive and reactive perspective.

10. MINIMISING CONFLICT OF INTEREST

In accordance with the provisions of the Companies Act and PFMA, all Board members should declare financial interests annually and submit the relevant declaration documents to the Company Secretary for Audit and record keeping. Further, senior management should declare interests at each meeting of the Board and its sub-committees. As part of the process aimed at minimising conflict of interest the Supply Chain Management and Administrative sub-programme provides all employees participating in MRTT procurement committees with declaration of interest forms which must be signed on an annual basis and at each sitting. All employees in the entity are directed not to conduct business with the entity. The code of conduct clearly stipulates that employees must;

- not allow their personal interests to come into conflict with their duties at MRTT; and
- not to do business with MRTT.

Any employee of the entity found to have not declared interests in any tender or procurement process will be liable for a fine or even face expulsion or dismissal.

11. CODE OF CONDUCT

MRTT has adopted a Code of Conduct/ Ethics with the principles of honesty, integrity and accountability. It ensures that MRTT employees are accountable to all MRTT stakeholders, ensuring that the institution's business is conducted in accordance with the highest standards of corporate governance. In addition, employees are expected to always conduct themselves in an ethical manner. The code serves as a guide to assist the Board, senior management staff and service providers of the organisation in making ethical decisions and engaging in appropriate and lawful conduct.

When the code of conduct has been breached, the employee alleged to have breached the code is notified in writing, an investigation is carried out to establish the facts surrounding the circumstances of the breach, and a recommendation is made, based on the findings of the investigator. The employee alleged to have contravened the code of conduct is notified in writing of the outcome of the investigation. Management will then implement the recommendations of the investigation report. If the investigation report recommends disciplinary action, disciplinary action will be taken in terms of the MRTT disciplinary code and procedures.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

MRTT endeavours to adhere to the health and safety standards of the Safety Act, and ensure the safety of its employees and their work environment, including all other persons conducting business on its premises. To ensure compliance with the Occupational Health and Safety Act, the entity has put in place a Health and Safety policy that is currently under review. The entity's Health and Safety policy aims to eliminate incidents, minimise risks, responsibly manage health and safety issues and enable excellence in operations and business performance, while providing a workplace that takes into account the safety and wellness of staff members, learners and service providers. The entity has further established the Health and Safety

committees in all its office premises and satellite centres. Occupational Health and Safety representatives were appointed and capacitated to ensure compliance with the Act.

13. COMPANY/BOARD SECRETARY

MRTT has a Company Secretary in line with the Companies Act 71 of 2008, and the principles of good corporate governance as guided by the King Code. The Company Secretary advises the Board on the appropriate procedures for management of meetings and the implementation of good governance procedures, and is further responsible for providing the board collectively, and individually, with guidance on the discharge of their responsibilities, in terms of legislation and regulatory requirements applicable to South African public entities.

THE COMPANY SECRETARY'S RESPONSIBILITIES:

- providing the directors with guidance as to their duties, responsibilities and powers.
- ensuring that the directors are aware of all laws and legislations relevant to the company and reporting at meetings where these laws have not been complied with.
- ensure that the board committee charters and terms of reference are updated
- assist the board with the yearly evaluation of the individual board members.
- certifying the annual financial statements, and that the company has lodged all relevant returns with the registrar.
- reporting to the board on any failure of the company or a director to comply with the memorandum of incorporation or rules of the company.
- developing the Year Plan for the Board and all Board Committee meetings.

14. SOCIAL RESPONSIBILITY

In partnership with the SABC, the entity embarked on a project to renovate a building, which is mainly used by people living with disabilities. The building is situated in Mbonisweni Trust within the City of Mbombela. The work or renovations done included painting the building, carpentry and tiling of the building.

15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2020.

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from Section 76 (4) (d) of the Public Finance Management Act, Act 1 of 1999, as amended, read with chapter 27 of the Treasury Regulations 3.1.13 issued in terms of the Act. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity and which revealed certain weaknesses, which were then raised with the public entity.

The following internal audit work was completed during the year under review:

- Audit of Predetermined Objectives
- Supply Chain Management
- Hospitality and Tourism Academy
- Asset Management
- Compliance Review
- Annual Financial Statements Review
- Royal Hotel reports
- Human Resource Management
- Supply Chain Management (Expenditure)
- Follow-up on Internal and External Audit Reports
- Internal Audit Plan
- Internal Audit Charter

A few specific control weaknesses were noted, especially with regard to the MRTT Royal Hotel; generally, however, controls evaluated are adequate, appropriate, and partially effective to provide reasonable assurance that risks were being managed and objectives should be met.

IN-YEAR MANAGEMENT AND MONTHLY/ QUARTERLY REPORTS

The public entity has submitted monthly and quarterly reports to the Executive Authority, for the financial and non-financial performance of the entity.

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.

EVALUATION OF FINANCIAL STATEMENTS

We have reviewed the annual financial statements prepared by the public entity.



Dr. Dumisa Reuben Mango

Chairperson of the Audit and Risk Management Committee
Mpumalanga Regional Training Trust

Date: 25 November 2020

AUDITOR'S REPORT

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.

16. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

CRITERIA	RESPONSE YES / NO	DISCUSSION
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	NO	
Developing and implementing a preferential procurement policy?	YES	MRTT SCM policy has been updated to be in line with treasury regulations wherein a preferential procurement policy framework has been incorporated to ensure goods and services are awarded in a fair, transparent and equitable manner. Through purchase of R30 000 and above the BBEE score card of 80/20 is applied up to the value of R50million, which enables the previously disadvantaged individual / companies to compete by submitting quotations for requisitions and tenders.
Determining qualification criteria for the sale of state-owned enterprises?	NO	
Developing criteria for entering into partnerships with the private sector?	NO	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	NO	



PART D

WITS SCHOOL OF HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

OVERVIEW OF HR MATTERS AT THE PUBLIC ENTITY

The Mpumalanga Regional Training Trust (MRTT) Human Resources sub-programme's primary focus is to provide and retain the highest calibre of employees who will contribute effectively to the objectives of the entity. The entity views its employees as valuable assets and a central driver of the entity's strategy and success. The entity places its reliance on its employees to ensure achievement of organisational goals and objectives.

MRTT has embarked on an Organisational Development process that seeks to achieve coordination and integration with overall planning strategies and other managerial functions. A competency framework has been developed, which will inform the current process of reviewing the entity's organisational structure. The functional structure has been developed and approved by the Board.

SET HR PRIORITIES FOR THE YEAR UNDER REVIEW AND THE IMPACT OF THOSE PRIORITIES

TO MONITOR THE IMPLEMENTATION OF PERFORMANCE MANAGEMENT SYSTEM (PMS) AND INDIVIDUAL DEVELOPMENT PLANS (IDP'S)

The entity has an approved Performance Management policy, which is used to assess and monitor employee performance with an aim of achieving the overall company performance. Employees performances were assessed for the period under review using the performance tools emanating from the policy.

TO ENSURE THAT THE HUMAN RESOURCES POLICIES ARE ALIGNED PROPERLY TO CONFORM WITH ALL LEGISLATIVE REQUIREMENTS

The entity has commenced with the policy review process in consultation with organised labour to ensure alignment with relevant legislation. Further engagement has been made with company lawyers to ensure that the review of policies is in line with legislation.

TO REVIEW AND UPDATE HR POLICIES AND PROCEDURES, INCLUDING THE WORKPLACE SKILLS PLAN AND OTHER RELEVANT LEGISLATION

The entity has commenced with the review process of the plans in consultation with organised labour to ensure alignment with relevant legislation. Further engagement has been made with

company lawyers to ensure that the review of the plans is in line with legislation. The Employee Wellness Plan and the Skills Development Plan were updated and implemented in the year under review.

TO ENSURE THAT ALL CRITICAL VACANT POSITIONS ARE FILLED IN ACCORDANCE WITH THE STIPULATED TIME FRAMES

Positions could not be filled as the entity is still undergoing an organisational developmental process where there might be changes in certain positions.

TO ENSURE THAT PAYROLL ADMINISTRATION IS EFFECTIVELY AND EFFICIENTLY MANAGED

Accurate payroll reports are generated on a monthly and quarterly basis.

THE CORE OBJECTIVES OF THE HUMAN RESOURCES MANAGEMENT SUB-PROGRAMME

The HRM core objective is to ensure effective and efficient management of human resources. This will be done through the talent management process which will ensure increased performance and employee engagements at all times.

The actual activities of the HRM sub-programme is the whole human resources value chain, including, amongst others, payroll management, occupational health and safety, employee wellness and industrial relations.

WORKFORCE PLANNING FRAMEWORK AND KEY STRATEGIES TO ATTRACT AND RECRUIT A SKILLED AND CAPABLE WORKFORCE

The competency framework will inform the calibre of employees that the MRTT should plan for and bring on board through aligned strategies. MRTT has approved the competency framework which is the basis for the Workplace Skills Plan and talent management framework.

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The entity has a performance management framework that has worked for the organisation to achieve its goals. In the year under



review, the entity has embarked on improving both individual, team and organisational performance through capacity building programmes. The entity has also commenced with the review of the policy and the tools that are necessary to ensure improved performance, accountability and development of employees.

EMPLOYEE WELLNESS PROGRAMME

The entity has an employee wellness programme in place. The existence of the Employee Wellness Committee continues to play a critical role within the entity by ensuring that the planned Employee Wellness Programmes are executed. Towards the end of the financial year under review, the Committee took up a responsibility of the COVID-19 Steering Committee to ensure compliance with the COVID-19 regulations.

POLICY DEVELOPMENT

The entity embarked on a policy development and policy review process. Amendments had been made to policies and consultations with relevant structures had commenced. The process of policy review aims at updating all existing policies of the organisation and developing new policies.

HUMAN RESOURCE MANAGEMENT HIGHLIGHTS AND ACHIEVEMENTS

- The entity has submitted the Workplace Skills Plan (WSP) to the ETDPSETA and implemented the WSP successfully.
- Training and development of employees was conducted in line with the WSP.
- The entity received its mandatory grant regarding training and development.
- The entity developed the competency framework and the functional organisational structure.
- Performance assessments for the year under review were conducted and employees received their performance bonuses.
- Identified employee wellness programmes were conducted and employees participated in a satisfactory manner.
- Extensive training on Occupational Health and Safety matters such as training for Safety Representatives as well as First Aiders were successfully conducted.

CHALLENGES FACED BY MRTT

The entity has faced challenges with regard to the interrupted sitting of Human Resources Committees that are currently in place. This is as a result of competing priorities and the fact that due to the size of the organisation and the nature of the business that MRTT is conducting, most employees, especially managers, are required to attend projects in remote areas, hence they are mostly not available.

FUTURE HR PLANS/GOALS

- To implement the competency framework, functional structure and finalisation of the organisational structure that is aligned to the new corporate strategy.
- To ensure development of the human resources strategy.
- To develop other critical human resources strategies, such as talent management strategies that are linked to the overall Human Resources Strategy.
- To ensure awareness and compliance to regulations and protocols of COVID-19.

2 HUMAN RESOURCE OVERSIGHT STATISTICS

PERSONNEL COST BY PROGRAMME

PROGRAMME/ACTIVITY/OBJECTIVE	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXP. AS A % OF TOTAL EXP. (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
HTA	18 887	17 294	91,57%	44	393
Technical Training Operations	214 640	34 899	16,25%	117	298
Corporate Services	60 065	23 243	38,70%	36	646
Total	293 592	75 436	25,69%	197	383

PERSONNEL COST BY SALARY BAND

PROGRAMME/ACTIVITY/OBJECTIVE	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top Management	5 861	7,77%	3	1 953
Senior Management	12 727	16,87%	10	1 273
Professional qualified	4 929	6,53%	5	986
Skilled	37 438	49,60%	120	312
Semi-skilled	9 157	12,13%	35	262
Unskilled	5 324	7,05%	24	222
Total	75 436	100%	197	383

PERFORMANCE REWARDS

PROGRAMME/ACTIVITY/OBJECTIVE	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top Management	93	5 861	1,59
Senior Management	298	12 727	2,34
Professional qualified	96	4 929	1,95
Skilled	400	37 438	1,07
Semi-skilled	125	9 157	1,37
Unskilled	47	5 324	0,88
Total	1 059	75 436	1,40

TRAINING COSTS

PROGRAMME//ACTIVITY/OBJECTIVE	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST.	NO. OF EMPLOYEES TRAINED
HTA	17 294	48	0,28	3
Technical Training Operations	34 899	121	0,35	4
Corporate Services	23 243	356	1,53	17
Total	75 436	525	0,70	24

EMPLOYMENT AND VACANCIES

PROGRAMME//ACTIVITY/OBJECTIVE	2019/20 NO. OF EMPLOYEES	2019/20 APPROVED POSTS	2018/19 NO. OF EMPLOYEES	2018/19 VACANCIES	% OF VACANCIES
HTA	36	43	37	6	13,95
Technical Training Operations	28	33	29	4	12,12
Corporate Services	27	29	27	2	6,90
Total	91	105	93	12	11,42

PROGRAMME//ACTIVITY/OBJECTIVE	2019/20 NO. OF EMPLOYEES	2019/20 APPROVED POSTS	2018/19 NO. OF EMPLOYEES	2018/19 VACANCIES	% OF VACANCIES
Top Management	3	5	3	2	40,00
Senior Management	10	13	10	3	23,08
Professional qualified	5	11	7	4	36,00
Skilled	35	36	36	0	0
Semi-skilled	23	24	22	2	8,33
Unskilled	15	16	15	1	6,25
Total	91	105	92	12	11,43

The entity did not plan to fill any position in the organisational structure due to the current organisational development process that is meant to culminate in a new organisational structure that is aligned to the new corporate strategy.



EMPLOYMENT CHANGES ON PERMANENT EMPLOYMENT

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	3	0	0	3
Senior Management	10	0	0	10
Professional qualified	5	0	1	4
Skilled	36	0	0	36
Semi-skilled	24	0	1	23
Unskilled	15	0	0	15
Total	93	0	2	91

REASONS FOR STAFF LEAVING

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	2	2,2
Resignation	0	0
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of contract	0	0
Other	0	0
Total	2	2,2

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissal	0



EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

There were no variance on equity targets and goals. The organisation did not plan for recruitment or replacement of staff, as the organisational development process has not yet been finalised.

LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET		
Top Management	0	0	0	0	0	0	1	1
Senior Management	2	2	0	0	0	0	0	0
Professional qualified	3	3	0	0	0	0	0	0
Skilled	26	26	0	0	0	0	1	1
Semi-skilled	9	9	0	0	0	0	0	0
Unskilled	3	3	0	0	0	0	0	0
Total	43	43	0	0	0	0	2	2

LEVELS	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET		
Top Management	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0
Professional qualified	5	3	0	0	0	0	1	1
Skilled	13	13	0	0	0	0	0	0
Semi-skilled	12	12	0	0	0	0	0	0
Unskilled	16	16	0	0	0	0	0	0
Total	46	44	0	0	0	0	1	1

LEVELS	DISABLED STAFF			
	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	1	1	1	1
Unskilled	1	0	1	0
Total	2	1	2	1



PART E

MPUMALANGA REGIONAL TRAINING TRUST

(REGISTRATION NUMBER 1993/006132/08)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure,

controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the entity's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting authority is primarily responsible for the financial affairs of the entity, it is supported by the entity's external auditors.

The external auditor is responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditor and their report is presented on page 62.

The annual financial statements set out on pages 66 to 146, which have been prepared on the going concern basis, were approved by the accounting authority on 28 July 2020 and were signed on its behalf by:



Mr Riaan Oosthuizen

MRTT: Chief Executive Officer

Date: 24 November 2020



Mr TR Mokgoshi

Chairperson: MRTT Board

Date: 25 November 2020

ACCOUNTING AUTHORITY'S REPORT

The members submit their report for the year ended 31 March 2020.

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the entity was R 22 031 466 (2019: deficit R 6 150 167).

2. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. SUBSEQUENT EVENTS

The Directors of the entity would like to bring to the attention of the users of the financial statements that the country has been on lockdown since 26 March 2020 due to the COVID-19 pandemic that has greatly affected the operations of the entity. The audit has been delayed by up to 2 months.

The World Health Organisation declared a global pandemic, with the spread of the Corona Virus (COVID-19). As a result, the SA Government has declared a National State of Disaster followed by a lockdown that enforced various measures which led to reduced business activities of the entity thus possibly impacting on the future viability of the entity. The declaration of the pandemic does not affect the annual financial statements for the reporting period ended 31 March 2020

4. MEMBERS' INTEREST IN CONTRACTS

The members do not currently have any interests in the contractual dealings of the entity.

5. ACCOUNTING POLICIES

The annual financial statements are prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (RAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. ACCOUNTING AUTHORITY

The members of the entity during the year and to the date of this report are as follows:

- TR Mokgoshi – Chairperson
- TE Mawelele – Deputy Chairperson
- JH Mathabe – Non Executive Director
- B Sibanyoni – Non Executive Director
- MI Tibane – Non Executive Director
- PP Maoko – Non Executive Director
- BM Singwane – Non Executive Director
- GA Deiner – Non Executive Director
- JR Nkosi – Head: Provincial Department of Education – *ex-officio* (Acting)
- R Oosthuizen – Chief Executive Officer – *ex-officio*

7. COMPANY SECRETARY

The Company secretary of the entity is Kedibone Mohlala of:

BUSINESS ADDRESS

Suite No 8
Bureau de Paul
Route N4 Office Park
Emalahleni
1035

POSTAL ADDRESS

Private Bag X7288
Emalahleni
1035

8. CORPORATE GOVERNANCE GENERAL

The accounting authority is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting authority supports the

highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa . The accounting authority discuss the responsibilities of management in this respect at Board meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

BOARD OF DIRECTORS

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
 - non-executive directors, all of whom are independent directors as defined in the Code; and
 - executive directors.
- has established a Board directorship continuity programme.

CHAIRPERSON AND CHIEF EXECUTIVE

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

9. INTEREST IN CONTROLLED ENTITIES

Name of controlled entity	Country of incorporation if not the RSA	Net loss before tax
MRTT Royal Hotel Pilgrims Rest (Pty) Ltd		(2 593 609)

Details of the entity's investment in controlled entities are set out in note 7.

10. NON-COMPLIANCE WITH APPLICABLE LEGISLATION

The entity incurred Irregular expenditure of R2 079 556 in the current financial year and for the prior financial year the expenditure was R4 207 918

The entity did not incur fruitless and wasteful expenditure in the current financial year and in the prior financial year the amount incurred was R1 000

Further details on the Irregular expenditure are in note 30 of the Annual Financial Statements.

COMPANY SECRETARY'S CERTIFICATION

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88(2)(E) OF THE COMPANIES ACT

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



Kedibone Mohlala
Company Secretary

REPORT OF THE AUDITOR GENERAL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the Mpumalanga Regional Training Trust set out on pages 66 to 146, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mpumalanga Regional Training Trust as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International code of ethics for professional accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

EMPHASIS OF MATTERS

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

IRREGULAR EXPENDITURE

7. As disclosed in note 30 to the financial statements, irregular expenditure of R17 458 300 incurred in previous years was still awaiting condonation.

MATERIAL IMPAIRMENTS

8. As disclosed in note 3 to the financial statements, material impairments of R4 260 365 were incurred as a result of the allowance for impairment of receivables from exchange transactions.

EVENTS AFTER THE REPORTING DATE

9. I draw attention to note 28 to the financial statements, which deals with subsequent events and especially the possible effects of the future implications of COVID-19, including the ceasing of operations at the Royal Hotel which is a subsidiary of the public entity, on the public entity's future prospects, performance and cash flows.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA, and 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.
11. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

12. 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.

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

PROGRAMME	PAGES IN THE ANNUAL PERFORMANCE REPORT
Programme 2: technical training operations	25 – 30

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
 - Programme 2: Technical Training Operations

OTHER MATTERS

19. I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

20. Refer to the annual performance report on pages 21 to 39 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets.

ADJUSTMENT OF MATERIAL MISSTATEMENTS

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Technical Training Operations. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

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

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

EXPENDITURE MANAGEMENT

24. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R2 079 556, as disclosed in note 30 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the irregular expenditure was caused by accepting quotations from suppliers who did not declare minimum thresholds for local production.

PROCUREMENT AND CONTRACT MANAGEMENT

25. Some bid documentation for the procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by preferential procurement regulation 8(2) of 2017. Similar non-compliance was also reported in the prior year.
26. Some commodities designated for local content and production were procured from suppliers who did not submit a declaration on local production and content, as required by the Preferential Procurement Regulations of 2017.
27. Sufficient appropriate audit evidence could not be obtained that commodities designated for local content and production were procured from suppliers who met the prescribed minimum threshold for local production and content, as required by preferential procurement regulation 8(5) of 2017.

OTHER INFORMATION

28. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008). The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
29. My opinion on the financial statements and findings on the reported performance information and compliance

with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

30. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained during the audit, or otherwise appears to be materially misstated.
31. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
32. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

33. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
34. Leadership did not always maintain adequate oversight and monitoring controls to ensure adherence to internal policies and procedures and the monitoring of the post-audit action plan. Furthermore, leadership did not address control deficiencies identified in the prior year.
35. Management did not adequately monitor and review compliance with laws and regulations, considering the repeat non-compliance with supply chain management prescripts.

Auditor - General.

Mbombela

2 November 2020



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
 - conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority,

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

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	Note(s)	2020 R	2019 R
ASSETS			
CURRENT ASSETS			
Inventories	2	254 892	382 888
Receivables from exchange transactions	3	901 023	7 909 901
Cash and cash equivalents	4	51 189 524	80 194 658
		52 345 439	88 487 447
NON-CURRENT ASSETS			
Property, plant and equipment	5	113 513 082	119 044 992
Intangible assets	6	236 727	323 024
Investments in controlled entities	7	100	100
Inter company account - Royal Hotel	8	4 534 554	2 814 675
		118 284 463	122 182 791
Total Assets		170 629 902	210 670 238
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	12	4 848 841	22 881 288
Provisions	11	5 220 238	5 196 661
		10 069 079	28 077 949
Total Liabilities		10 069 079	28 077 949
Net Assets		160 560 823	182 592 289
RESERVES			
Revaluation reserve	10	97 017 024	100 413 482
Accumulated surplus		63 543 799	82 178 807
Total Net Assets		160 560 823	182 592 289

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2020

	Note(s)	2020 R	2019 R
REVENUE			
REVENUE FROM EXCHANGE TRANSACTIONS			
Rendering of services	13	14 073 209	30 208 778
Interest received	13	3 495 937	3 314 308
Rental income	13	-	27 000
Bad debts recovered	13	4 941	18 430
Total revenue from exchange transactions	13	17 574 087	33 568 516
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
TRANSFER REVENUE			
Government grants & subsidies	14	113 693 000	107 664 000
Total revenue	13	131 267 087	141 232 516
EXPENDITURE			
Personnel	15	(74 786 596)	(69 887 010)
Depreciation and amortisation	5&6	(7 416 513)	(4 985 984)
Administrative	16	(8 338 069)	(8 093 076)
Debt Impairment	17	(383 723)	(2 096 106)
Operating expenses	18	(62 373 652)	(62 320 507)
Total expenditure		(153 298 553)	(147 382 683)
Deficit for the year		(22 031 466)	(6 150 167)



STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2020

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Balance at 01 April 2018	56 868 597	84 932 516	141 801 113
<i>Changes in net assets</i>			
Increase in revaluation reserve	46 941 343	-	46 941 343
Realisation of revaluation surplus	(3 396 458)	3 396 458	-
Net gain recognised directly in net assets	43 544 885	3 396 458	46 941 343
Deficit for the year	-	(6 150 167)	(6 150 167)
Total recognised income and expenses for the year	43 544 885	(2 753 709)	40 791 176
Total changes	43 544 885	(2 753 709)	40 791 176
Balance at 01 April 2019	100 413 482	82 178 807	182 592 289
<i>Changes in net assets</i>			
Deficit for the year	-	(22 031 466)	(22 031 466)
Realisation of revaluation surplus	(3 396 458)	3 396 458	-
Total changes	(3 396 458)	(18 635 008)	(22 031 466)
Balance at 31 March 2020	97 017 024	63 543 799	160 560 823
Note(s)	10		



CASH FLOW STATEMENT

for the year ended 31 March 2020

	Note(s)	2020 R	2019 R
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Sale of goods and services		21 524 617	29 285 470
Grants		113 693 000	107 664 000
Interest income		3 495 937	3 314 308
Transfers and subsidies (Artisan development)		110 707 000	72 336 000
		249 420 554	212 599 778
PAYMENTS			
Suppliers and Employee costs		(276 627 383)	(241 077 108)
Net cash flows from operating activities	21	(27 206 829)	(28 477 330)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(1 771 275)	(10 756 134)
Proceeds from sale of property, plant and equipment	5	15 198	2 462 339
Purchase of intangible assets	6	(42 228)	(353 713)
Net cash flows from investing activities		(1 798 305)	(8 647 508)
Net decrease in cash and cash equivalents		(29 005 134)	(37 124 837)
Cash and cash equivalents at the beginning of the year		80 194 658	117 319 495
Cash and cash equivalents at the end of the year	4	51 189 524	80 194 658



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2020

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Rendering of services	71 739 819	-	71 739 819	17 574 087	(54 165 732)	32.1
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
Transfer revenue						
Government grants & subsidies	224 400 000	-	224 400 000	224 400 000	-	32.2
Total revenue	296 139 819	-	296 139 819	241 974 087	(54 165 732)	
EXPENDITURE						
Personnel		-	(77 314 471)	(74 786 596)	2 527 875	32.3
Capital expenditure	(3 893 108)	-	(3 893 108)	(1 813 503)	2 079 605	32.4
Goods and Services	(111 974 730)	-	(111 974 730)	(78 511 957)	33 462 773	32.5
Total expenditure	(193 182 309)	-	102 957 510	86 862 031	(16 095 479)	
Surplus before taxation	102 957 510	-	102 957 510	86 862 031	(16 095 479)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	102 957 510	-	102 957 510	86 862 031	(16 095 479)	
RECONCILIATION						
BASIS DIFFERENCE						
Depreciation and amortisation			7 416 513			
Accruals			975 412			
Provision for employee benefits			2 262 408			
Debt impairment						
Actual Amount in the Statement of Financial Performance			383 723			
			97 900 087			

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

TRADE RECEIVABLES / HELD TO MATURITY INVESTMENTS AND/OR LOANS AND RECEIVABLES

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

ALLOWANCE FOR SLOW MOVING, DAMAGED AND OBSOLETE STOCK

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

PROVISIONS

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

ALLOWANCE FOR DOUBTFUL DEBTS

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Buildings	Straight line	20
Plant and machinery	Straight line	20
Furniture and fixtures	Straight line	20
Office equipment	Straight line	20
Computer equipment	Straight line	10
Domestic equipment	Straight line	20

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 INTANGIBLE ASSETS

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Computer software	Straight line	3

1.7 INVESTMENTS IN CONTROLLED ENTITIES

In the entity's separate annual financial statements, investments in investments in controlled entities are carried at cost. The entity applies the same accounting for each category of investment.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate annual financial statements.

1.8 FINANCIAL INSTRUMENTS

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment,

call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

INITIAL MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or

- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

FAIR VALUE MEASUREMENT CONSIDERATIONS

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

RECLASSIFICATION

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

GAINS AND LOSSES

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

IMPAIRMENT AND UNCOLLECTIBILITY OF FINANCIAL ASSETS

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

DERECOGNITION

Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

FINANCIAL LIABILITIES

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

PRESENTATION

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

OPERATING LEASES - LESSEE

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 INVENTORIES

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

POST-EMPLOYMENT BENEFITS

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

POST-EMPLOYMENT BENEFITS: DEFINED CONTRIBUTION PLANS

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

SALE OF GOODS

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

RENDERING OF SERVICES

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

INTEREST, ROYALTIES AND DIVIDENDS

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

RECOGNITION

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

MEASUREMENT

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

TRANSFERS

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

GIFTS AND DONATIONS, INCLUDING GOODS IN-KIND

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.16 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 SEGMENT INFORMATION

A segment is an activity of an entity:

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

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

MEASUREMENT

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

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

1.20 BUDGET INFORMATION

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/04/2019 to 31/03/2020.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.21 RELATED PARTIES

A related party is a person or an entity with 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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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 management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.22 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. INVENTORIES

	2020 R	2019 R
Consumables	254 892	382 888

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	5 157 888	11 783 043
Allowance for impairment	(4 260 365)	(3 876 642)
Deposits	3 500	3 500
	901 023	7 909 901

TRADE AND OTHER RECEIVABLES IMPAIRED

The amount of the provision was R (4 260 365) as of 31 March 2020 (2019: R (3 876 642)).

The ageing of these receivables is as follows:

3 to 6 months	277 770	203 081
Over 6 months	3 982 595	3 673 561

RECONCILIATION OF PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

Opening balance	3 876 642	1 780 536
Provision for impairment	383 723	2 096 106
	4 260 365	3 876 642

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	8 944	13 155
Bank balances	14 716 639	26 344 994
Short-term deposits	36 463 941	53 836 509
	51 189 524	80 194 658

Included in Cash and Cash equivalents above is an amount which has been ring fenced for the Artisan Development Programme

-	15 908 774
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5. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost / Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R	Cost / Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R
Land and Buildings	137 718 862	(34 752 833)	102 966 029	137 718 863	(28 638 862)	109 080 001
Machinery and Equipment	5 592 662	(1 918 982)	3 673 680	4 865 572	(1 685 654)	3 179 918
Office Furniture	6 291 910	(3 632 015)	2 659 895	5 773 970	(3 350 047)	2 423 923
Motor vehicles	4 415 997	(2 938 809)	1 477 188	4 415 997	(2 628 690)	1 787 307
Office equipment	1 023 975	(589 264)	434 711	1 021 510	(538 242)	483 268
Computer equipment	2 865 015	(1 430 090)	1 434 925	2 440 035	(1 212 541)	1 227 494
Domestic equipment	1 592 662	(726 008)	866 654	1 513 510	(650 429)	863 081
	159 501 083	(45 988 001)	113 513 082	157 749 457	(38 704 465)	119 044 992

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2020

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Buildings	109 080 001	-	-	(6 113 971)	102 966 030
Plant and machinery	3 179 918	727 090	-	(233 328)	3 673 680
Office Furniture	2 423 923	517 940	-	(281 969)	2 659 894
Motor vehicles	1 787 307	-	-	(310 119)	1 477 188
Office equipment	483 268	2 465	-	(51 022)	434 711
Computer equipment	1 227 494	444 628	(15 198)	(221 999)	1 434 925
Domestic equipment	863 081	79 152	-	(75 579)	866 654
	119 044 992	1 771 275	(15 198)	(7 287 987)	113 513 082

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2019

	Opening balance R	Additions R	Disposals R	Revaluations R	Depreciation R	Total R
Land and Buildings	56 868 597	9 102 116	-	46 941 343	(3 832 054)	109 080 002
Machinery and Equipment	3 012 086	423 295	(40 241)	-	(215 222)	3 179 918
Office furniture	2 342 344	398 666	(41 974)	-	(275 113)	2 423 923
Motor vehicles	1 819 013	292 689	-	-	(324 395)	1 787 307
Office equipment	495 368	38 144	-	-	(50 244)	483 268
Computer equipment	974 187	438 072	-	-	(184 765)	1 227 494
Domestic equipment	879 089	63 152	(5 660)	-	(73 501)	863 080
	66 390 684	10 756 134	(87 875)	46 941 343	(4 955 294)	119 044 992

5. PROPERTY, PLANT AND EQUIPMENT

2020
R

2019
R

REVALUATIONS

The effective date of the revaluations was Sunday, 31 March 2019. Valuations were performed by independent valuer, Mr Peter Mabelane [Professional Valuer 5063/6], of Montani Property Valuers. Montani Property Valuers are not connected to the entity.

Land and buildings are valued independently every 5 years.

DETAILS OF PROPERTIES

HOSPITALITY AND TOURISM ACADEMY

The property includes a hotel building, a double storey building, a single storey building, a manager's dwelling, a lapa, a guard room, two small garden store rooms and a swimming pool. The site area is 29,423 square meters and is situated in KaNyamazane Nelspruit

Land	2 500 000	2 500 000
Buildings	44 373 264	47 570 000
	46 873 264	50 070 000

KABOKWENI TRAINING CENTRE

The property includes an office block, 2 workshops and ablution block. The site area is 5,328 square metres

Land	500 000	500 000
Buildings	12 699 221	13 540 000
	13 199 221	14 040 000

EMALAHLENI TRAINING CENTRE

The property includes an industrial building, workshops, ablutions and internal offices. The site area is 29,282 square metres.

Land	750 000	750 000
Buildings	29 102 332	31 080 000
	29 852 332	31 830 000

MRTT HOUSE

Erf 312 Witbank Township, Registration Division J.S. in the Province of Mpumalanga (58 French Street Emalahleni).

Land	350 000	350 000
Buildings	1 101 212	1 200 000
	1 451 212	1 550 000

LAND - EMALAHLENI

The land site are in Emalahleni

Corridor Hill	3 490 000	3 490 000
Skills Hub	8 100 000	8 100 000
	11 590 000	11 590 000

6. INTANGIBLE ASSETS

	2020			2019		
	Cost / Valuation R	Accumulated amortisation and accumulated impairment R	Carrying value R	Cost / Valuation R	Accumulated amortisation and accumulated impairment R	Carrying value R
Computer software	1 046 615	(809 888)	236 727	1 004 387	(681 363)	323 024

RECONCILIATION OF INTANGIBLE ASSETS - 2020

	Opening balance R	Additions R	Depreciation R	Total R
Computer software	323 024	42 228	(128 525)	236 727

RECONCILIATION OF INTANGIBLE ASSETS - 2019

	Opening balance R	Additions R	Depreciation R	Total R
Computer software	1	353 713	(30 690)	323 024

7. INVESTMENTS IN CONTROLLED ENTITIES

Name of company	Held by	% holding 2020 R	% holding 2019 R	Carrying amount 2020 R	Carrying amount 2019 R
Royal Hotel	MRTT	100,00 %	100,00 %	100	100

MRTT is the holding company company of Royal Hotel and holds 100% of shares in the subsidiary called MRTT Royal Hotel Pilgrims Rest (Pty) Ltd

8. INTER COMPANY ACCOUNT

CONTROLLED ENTITIES

	2020 R	2019 R
Royal Hotel	4 534 554	2 814 675

During the 2012/13 financial year the entity signed a lease agreement with the Department of Public Works Roads and Transport (DPWRT) for the lease of Royal Hotel in Pilgrims Rest for a period of 9 years effective from the 1st October 2012. MRTT then formed a company (MRTT Royal Hotel Pilgrims Rest (Pty) Ltd) to run the affairs of the Royal Hotel and thereby the company is a subsidiary of MRTT as MRTT has significant control in the strategic operations of the hotel. MRTT performs management and centralized administration functions for the operating subsidiary. The intercompany account is the balance as at the end of the financial year. The balance in the current year is R4 534 554 and in the prior year was R2 814 675

9. EMPLOYEE BENEFIT OBLIGATIONS

2020
R

2019
R

DEFINED CONTRIBUTION PLAN

It is the policy of the entity to provide retirement benefits to all its permanent employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The entity is under no obligation to cover any unfunded benefits.

The total economic entity contribution to such schemes

8 386 606

7 827 638

10. NON DISTRIBUTABLE RESERVES

Revaluations are done every five years to ensure that the carrying amount does not differ materially from that which would be determined using fair value. Items of land and buildings shall be revalued to their fair values. The fair value is determined directly by reference to observable prices in an active market or recent market transaction at arm's length terms or was estimated using other valuation techniques. Revaluations will be done by an independent appraiser registered as a Professional Association of Valuers with the South African Council for the Property Valuers Profession. When an item of land and building is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit. Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. Any accumulated depreciation and any accumulated impairment loss is eliminated against the gross carrying amount of the asset upon revaluation. On disposal of previously revalued property, plant and equipment, any amount relating to that asset remaining in the revaluation reserve is transferred to accumulated surplus. In terms of the articles of association.

Opening balance

100 413 482

56 868 597

Revaluation of Land and Buildings

-

46 941 343

Realisation of revaluation surplus

(3 396 458)

(3 396 458)

97 017 024

100 413 482

11. PROVISIONS

	Opening Balance R	Additions R	Utilised during the year R	Total R
RECONCILIATION OF PROVISIONS - 2020				
Leave days	3 573 168	1 116 885	(933 045)	3 757 008
Bonus	1 623 493	1 145 523	(1 305 786)	1 463 230
	5 196 661	2 262 408	(2 238 831)	5 220 238

	Opening Balance R	Additions R	Utilised during the year R	Total R
RECONCILIATION OF PROVISIONS - 2019				
Leave days	3 022 612	1 093 506	(542 950)	3 573 168
Bonus	2 514 016	63 229	(953 752)	1 623 493
	5 536 628	1 156 735	(1 496 702)	5 196 661

12. PAYABLES FROM EXCHANGE TRANSACTIONS

	2020 R	2019 R
Trade payables	1 906 412	2 610 785
Artisan development training	-	15 908 774
Accruals	975 413	2 416 499
Income received in advance	1 967 016	1 945 230
	4 848 841	22 881 288

13. REVENUE

Rendering of services	14 073 209	30 208 778
Interest received	3 495 937	3 314 308
Rental income	-	27 000
Bad debts recovered	4 941	18 430
Government grants & subsidies	113 693 000	107 664 000
	131 267 087	141 232 516

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	14 073 209	30 208 778
Interest received	3 495 937	3 314 308
Rental income	-	27 000
Bad debts recovered	4 941	18 430
	17 574 087	33 568 516

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

Government grants & subsidies	113 693 000	107 664 000
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14. GOVERNMENT GRANTS AND SUBSIDIES

OPERATING GRANTS

	2020 R	2019 R
Government grant	34 182 000	32 369 000
Comprehensive Rural Development Programme	28 492 000	26 981 000
National Youth Service	34 324 000	32 504 000
Skills Hub	16 695 000	15 810 000
	113 693 000	107 664 000

15. EMPLOYEE RELATED COSTS

Basic	50 790 405	47 597 626
Medical aid - company contributions	907 771	820 846
UIF	678 924	671 372
SDL	648 554	613 094
PAYE	12 985 285	12 001 984
Provident and pension fund	8 386 607	7 827 638
Phone Allowances	389 050	354 450
	74 786 596	69 887 010

16. ADMINISTRATIVE EXPENDITURE

Rates and Taxes	1 254 525	1 307 604
Communication	1 087 505	958 385
Insurance	732 174	496 551
Motor fleet	906 497	1 041 627
Leases	228 418	247 813
Security	1 803 300	1 707 745
Rent	1 094 411	1 195 373
Printing and Stationery	336 718	357 422
Repairs and Maintenance	45 461	108 038
Other administrative	849 060	672 518
	8 338 069	8 093 076

17. DEBT IMPAIRMENT

Debt impairment	383 723	2 096 106
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18. OPERATING EXPENSES	2020 R	2019 R
Auditors remuneration	4 193 820	5 254 683
Bank charges	494 990	353 039
Professional fees	3 164 234	1 217 112
Food and Beverage	420 724	2 801 074
Accommodation	417 473	171 999
Skills development training	476 605	908 027
Marketing	422 731	461 429
Pest control	12 500	27 352
Work placement	1 324 951	1 267 724
Printing and stationery	1 032 521	1 183 648
Learner Protective clothing	1 592 558	1 804 244
Training Material	7 195 089	7 478 231
Subsistence and Travel	4 517 295	3 891 974
Hotel Rates, water and electricity	1 010 616	873 014
Stipends	17 469 401	17 971 323
Staff Appointment and recruitment	546 378	192 162
Learner Toolboxes	3 985 406	3 972 066
Production - Construction	1 701 681	4 514 278
Training Centres and Hotel repairs and maintenance	3 162 050	2 531 384
Directors expenses	2 674 173	1 904 548
Hotel Security	1 216 474	1 189 969
Hotel operating expenses	1 423 198	1 533 104
Training centre operating expenses	1 079 869	431 746
Corporate services operating expenses	2 838 915	386 377
	62 373 652	62 320 507

19. AUDITOR'S REMUNERATION

External audit fees	3 811 399	4 504 533
Internal audit fees	382 421	750 150
	4 193 820	5 254 683

20. TAXATION

MRTT is exempt from both Income tax and Value added tax in terms of the provisions of section 10(1)(cN) of the Income Tax Act and Section 24 (1) of the VAT Act respectively.

21. CASH USED IN OPERATIONS

	2020 R	2019 R
Deficit	(22 031 466)	(6 150 167)
<i>Adjustments for:</i>		
Depreciation and amortisation	7 416 513	4 985 984
Movements in provisions	23 577	(339 967)
non-cash items	-	(260 512)
<i>Changes in working capital:</i>		
Inventories	127 996	(87 628)
Receivables from exchange transactions	7 446 467	(3 916 811)
Inter Company Account - Royal Hotel	(1 719 879)	275 318
Payables from exchange transactions	(18 470 037)	(22 983 547)
	(27 206 829)	(28 477 330)

22. COMMITMENTS

APPROVED AND AUTHORISED COMMITMENTS

- Commitments

3 343 830	119 732 662
-----------	-------------

Commitments represent future contractual commitments the organisation has engaged itself with other parties whereby cash outflows will be legally expected from the organisation. The commitments are made up of Security services, Internal audit services.

OPERATING LEASES - AS LESSEE (EXPENSE)

MINIMUM LEASE PAYMENTS DUE

- within one year	1 325 349	1 190 731
- in second to fifth year inclusive	76 788	324 461
	1 402 137	1 515 192

Operating lease payments represent rentals payable by the entity for certain of its office properties and equipment.

23. CONTINGENCIES

A labour court matter between MRTT and a former employee who is contesting compensation after being dismissed in 2012. Amount being contested is R106 956.

The matter is still in the court roll for a date to be determined in the future.

A labour dispute between MRTT and a former employee who is contesting compensation equivalent to one month salary of R120 832.70. The matter at year end was still no yet finalised

24. RELATED PARTIES

RELATIONSHIPS

Members	Refer to members' report note
Controlling entity	Department of Education
Controlled entities	Refer to note 7

24. RELATED PARTIES (CONTINUED)

2020
R

2019
R

RELATED PARTY BALANCES

INTERCOMPANY ACCOUNTS

MRTT Royal Hotel Pilgrims Rest (Pty) Ltd

4 534 554

2 814 675

RELATED PARTY TRANSACTIONS

RECEIPTS FROM RELATED PARTIES

Department of Education

4 363 028

7 495 246

RECEIPTS FROM RELATED PARTIES

Department of Education

113 693 000

107 664 000

Artisan Development Programme

110 707 000

72 336 000

25. MEMBERS' AND PRESCRIBED OFFICER'S EMOLUMENTS

EXECUTIVE 2020

Members' fees
R

Total
R

TR Mokgoshi - Chairperson

260 302

260 302

TE Mawelele - Deputy Chairperson

246 036

246 036

JH Mathabe* - Non Executive Director

51 256

51 256

B Sibanyoni - Non Executive Director

291 794

291 794

MI Tibane - Non Executive Director

220 356

220 356

PP Maoko - Non Executive Director

238 980

238 980

BM Singwane - Non Executive Director

76 857

76 857

GA Deiner - Non Executive Director

221 313

221 313

1 606 894
1 606 894

2019

Members' fees
R

Total
R

TR Mokgoshi - Chairperson

48 109

48 109

TE Mawelele - Deputy Chairperson

45 950

45 950

JH Mathabe* - Non Executive Director

20 940

20 940

B Sibanyoni - Non Executive Director

49 656

49 656

MI Tibane - Non Executive Director

32 604

32 604

PP Maoko - Non Executive Director

211 602

211 602

BM Singwane - Non Executive Director

128 947

128 947

GA Deiner - Non Executive Director

158 089

158 089

FD Mthembu - Term ended 30 November 2018

237 482

237 482

ND Mashinini - Term ended 30 November 2018

107 018

107 018

NN Kalidass - Term ended 30 November 2018

155 701

155 701

SM Dibakwane - Term ended 30 November 2018

17 757

17 757

RS Tshukudu - Term ended 30 November 2018

203 269

203 269

MJ Sibiya - Term ended 30 November 2018

136 823

136 823

1 553 947
1 553 947

* Member JH Mathabe is only remunerated for travel and subsistence. The member is not paid any other remuneration as he is employed by the state.

25. MEMBERS' AND PRESCRIBED OFFICER'S EMOLUMENTS (CONTINUED)

EXECUTIVE MANAGEMENT 2020	Basic salary R	Short term employment benefits (Includes bonus, acting allowances R	Post employment benefits R	Total R
R Oosthuizen - Chief Executive Officer	1 473 274	240 337	196 022	1 909 633
MG Jafta - Chief Financial Officer	1 328 500	129 223	166 659	1 624 382
MS Makgoba - General Manager - Corporate Services	1 296 692	161 151	166 659	1 624 502
Ms ZL Khoza - Acting General Manager Technical Training	917 441	263 183	120 938	1 301 562
SM Sefanyetso - Acting General Manager - Hospitality and Tourism Academy (Term ended 30 September 2019)	934 741	189 704	120 938	1 245 383
B Hlatshwayo - Acting General Manager - Hospitality and Tourism Academy (from 1 October 2019)	711 542	149 330	89 428	950 300
	6 662 190	1 132 928	860 644	8 655 762

EXECUTIVE MANAGEMENT 2019	Basic salary R	Short term employment benefits (Includes bonus, acting allowances R	Post employment benefits R	Total R
R Oosthuizen - Chief Executive Officer	1 477 078	495 809	192 217	2 165 104
MG Jafta - Chief Financial Officer	1 311 730	148 598	163 430	1 623 758
MS Makgoba - General Manager - Corporate Services	1 263 542	193 815	163 430	1 620 787
Ms ZL Khoza - Acting General Manager Technical Training	894 608	270 490	116 463	1 281 561
SM Sefanyetso - Acting General Manager - Hospitality and Tourism Academy	831 358	332 720	116 463	1 280 541
	5 778 316	1 441 432	752 003	7 971 751

26. RISK MANAGEMENT

LIQUIDITY RISK

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
AT 31 MARCH 2020				
Trade and other payables	4 848 841	-	-	-
Provision for employee benefits	5 220 238	-	-	-
	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
AT 31 MARCH 2019				
Trade and other payables	22 881 288	-	-	-
Provision for employee benefits	5 196 661	-	-	-

CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial assets exposed to credit risk at year end were as follows:

FINANCIAL INSTRUMENT	2020 R	2019 R
Cash and cash equivalents	51 189 524	80 194 659
- Current	(214 422)	1 524 331
- 30 days	18 161	657 332
- 60 days	281 483	1 828 063
- 90 - 120 days	(3 712)	4 225 060
+ 180 days	5 076 378	3 548 257
Total receivables from exchange transactions	5 157 888	11 783 043

26. RISK MANAGEMENT (CONTINUED)

MARKET RISK

INTEREST RATE RISK

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

FOREIGN EXCHANGE RISK

The entity does not hedge foreign exchange fluctuations.

PRICE RISK

The entity is not exposed to equity securities price risk because of no investments held by the entity. The entity is not exposed to commodity price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

27. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

28. EVENTS AFTER THE REPORTING DATE

The Directors of the entity would like to bring to the attention of the users of the financial statements that the country has been on lockdown since 26 March 2020 due to the COVID-19 pandemic that has greatly affected the operations of the entity. The audit has been delayed by up to 2 months.

The World Health Organisation declared a global pandemic, with the spread of the Corona Virus (COVID-19). As a result, the SA Government has declared a National State of Disaster followed by a lockdown that enforced various measures which led to reduced business activities of the entity thus possibly impacting on the future viability of the entity. The declaration of the pandemic does not affect the annual financial statements for the reporting period ended 31 March 2020

The Board of Directors have taken a decision on the 3rd of September 2020 to cease operations at The Royal Hotel which is a subsidiary of MRTT and commence with the statutory processes that are dictated by the laws and regulations that govern such an action. Accordingly the liquidation process is ongoing as at the reporting date.

29. FRUITLESS AND WASTEFUL EXPENDITURE	2020 R	2019 R
Fruitless and wasteful expenditure	1 000	1 000

Fruitless and wasteful expenditure for the previous financial year is due to penalties charged on the late submission of CIPC returns.

30. IRREGULAR EXPENDITURE

Opening balance	17 458 300	13 251 382
Add: Irregular Expenditure - current year	2 079 556	4 206 918
	19 537 856	17 458 300

ANALYSIS OF EXPENDITURE AWAITING CONDONATION PER AGE CLASSIFICATION

Current year	2 079 556	4 206 918
Prior years	17 458 300	13 251 382
	19 537 856	17 458 300

DETAILS OF IRREGULAR EXPENDITURE – CURRENT YEAR

DISCIPLINARY STEPS TAKEN/CRIMINAL PROCEEDINGS

Incident 1	The irregular expenditure is due to extension of key contracts during the 2016-17 financial year.	702 981
Incident 2	Non compliance with local content, local content not applied in invitation of quotations	391 099
Incident 3	Non compliance with local content, supplier did not declare local content	565 891
Incident 4	Recorded reasons for deviation not justifiable	85 000
Incident 5	Expenditure above original quotation	334 585
		2 079 556

31. SEGMENT INFORMATION

GENERAL INFORMATION

IDENTIFICATION OF SEGMENTS

The entity is organised and reports to management on the basis of three major functional areas: Hospitality and Tourism Academy, Technical Training Operations and Corporate Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

31. SEGMENT INFORMATION (CONTINUED)

TYPES OF GOODS AND/OR SERVICES BY SEGMENT

These reportable segments as well as the goods and/or services for each segment are set out below:

REPORTABLE SEGMENT	GOODS AND/OR SERVICES			
Hospitality and Tourism Academy	Skills development in Hospitality and Tourism trades. Offers accommodation conference facilities, food and beverage services			
Technical Training Operations	Skills development in technical trades i.e. welding, agriculture, electrical, building and construction trades. Offers production in electrical, spray painting, panel beating, construction.			
Corporate Services	Corporate services in Finance, Human Resource, Supply Chain, Quality Assurance, Marketing			
SEGMENT SURPLUS OR DEFICIT, ASSETS AND LIABILITIES 2020	Hospitality and Tourism Academy R	Technical Training Operations R	Corporate services R	Total R
Revenue				
Revenue from non-exchange transactions	-	-	113 693 000	113 693 000
Revenue from exchange transactions	4 075 536	9 843 547	3 655 004	17 574 087
Total segment revenue	4 075 536	9 843 547	117 348 004	131 267 087
Entity's revenue				131 267 087
Expenditure				
Administration	-	1 132 162	7 205 907	8 338 069
Operating expenses	8 046 321	37 078 821	17 248 510	62 373 652
Personnel	-	-	74 786 596	74 786 596
Debt impairment	-	-	383 723	383 723
Depreciation and amortisation	-	-	7 416 513	7 416 513
Total segment expenditure	8 046 321	38 210 983	107 041 249	153 298 553
Total segmental (deficit)				(22 031 466)
Assets				
Current Assets	-	-	51 907 850	51 907 850
Non Current assets	-	-	118 284 463	118 284 463
Total segment assets	-	-	170 192 313	170 192 313
Total assets as per Statement of financial Position				170 192 313
Liabilities				
Current liabilities	-	-	9 631 490	9 631 490
Net Assets	-	-	160 560 823	160 560 823
Total segment liabilities	-	-	170 192 313	170 192 313
Total liabilities as per Statement of financial Position				170 192 313

31. SEGMENT INFORMATION (CONTINUED)

SEGMENT SURPLUS OR DEFICIT, ASSETS AND LIABILITIES 2019	Hospitality and Tourism Academy R	Technical Training Operations R	Corporate services R	Total R
Revenue				
Revenue from non-exchange transactions	-	-	107 664 000	107 664 000
Revenue from exchange transactions	12 314 713	16 799 505	4 454 298	33 568 516
Total segment revenue	12 314 713	16 799 505	112 118 298	141 232 516
Entity's revenue				141 232 516
Expenditure				
Administration	-	1 289 441	6 803 637	8 093 078
Operating expenses	9 522 712	40 100 438	12 697 358	62 320 508
Total segment expenditure	9 522 712	41 389 879	19 500 995	70 413 586
Total segmental surplus/(deficit)				70 818 930
Depreciation and amortisation				4 985 984
Debt impairment				2 096 106
Personnel				69 887 010
Entity's surplus (deficit) for the period				(6 150 168)
Current assets				88 487 447
Non - Current Assets				122 182 791
Total assets as per Statement of financial Position				210 670 238
Current liabilities				28 077 949
Net assets				182 592 289
Total liabilities as per Statement of financial Position				210 670 238

MEASUREMENT OF SEGMENT SURPLUS OR DEFICIT, ASSETS AND LIABILITIES

BASIS OF ACCOUNTING FOR TRANSACTIONS BETWEEN REPORTABLE SEGMENTS

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

32. BUDGET DIFFERENCES

MATERIAL DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNTS

The budget is approved on a cash basis by functional classification. The approved budget covers the fiscal period from 1 April 2019 to 31 March 2020

Reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the Year Ended 31 March 2020 is presented in page 11. The financial statements and budget documents are prepared for the same period. There is also a basis difference: the budget is prepared on a cash basis and the financial statements on the accrual basis

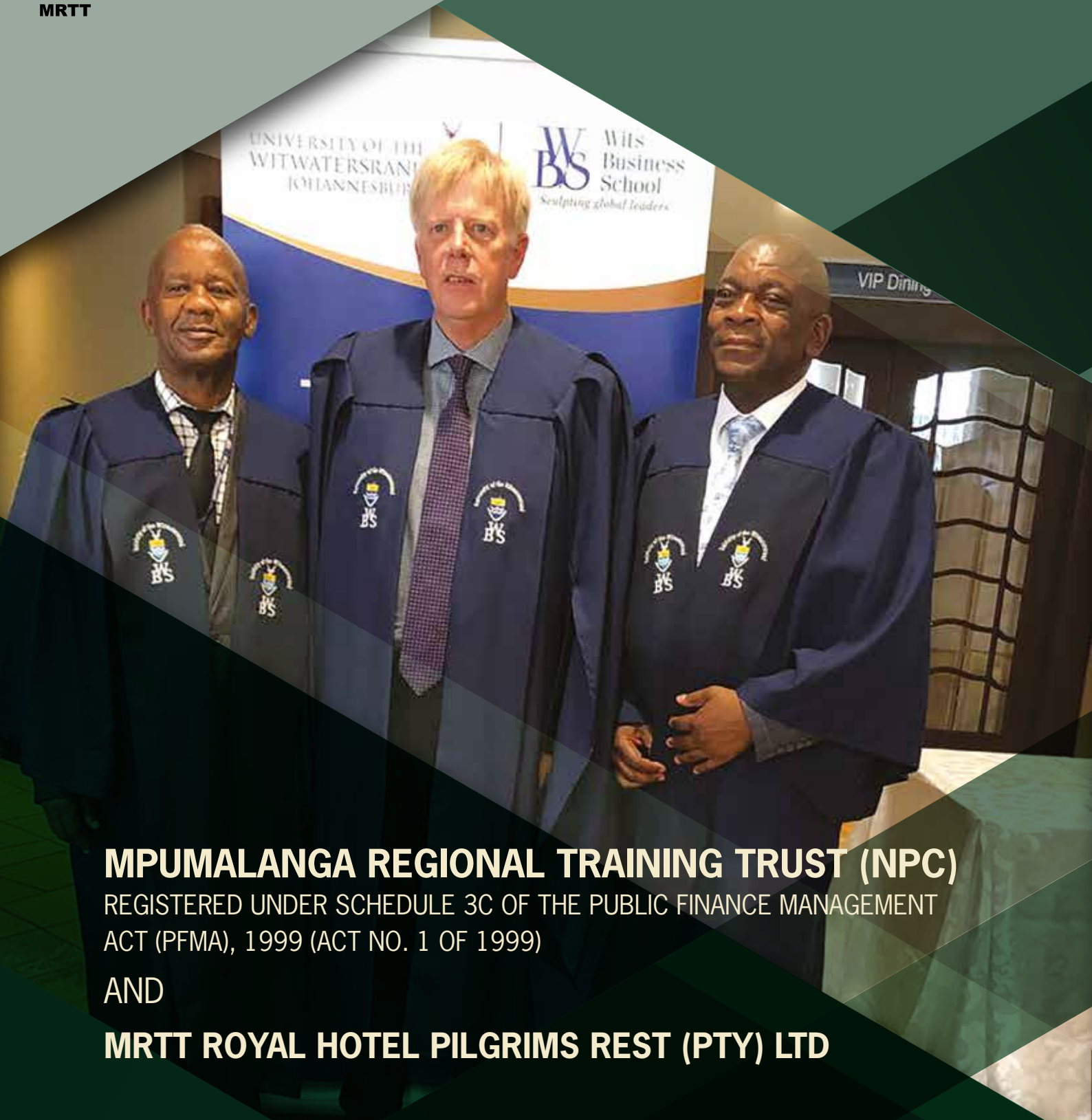
32.1 The unfavourable variance is due to the entity receiving less projects in the financial year than originally anticipated.

32.2 The budget amount was invoiced in full from the Department of Education and there was no adjustment to the allocation.

32.3 The favourable variance is due to vacant positions that were not filled during the year.

32.4 The favourable variance in capital expenditure is due to less capital assets being procured as envisaged

32.5 The favourable variance is due to the fact that in the current year some projects commenced later than envisaged.



MPUMALANGA REGIONAL TRAINING TRUST (NPC)

REGISTERED UNDER SCHEDULE 3C OF THE PUBLIC FINANCE MANAGEMENT ACT (PFMA), 1999 (ACT NO. 1 OF 1999)

AND

MRTT ROYAL HOTEL PILGRIMS REST (PTY) LTD

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Skills Development
MEMBERS	TR Mokgoshi - Chairperson TE Mawelele - Deputy Chairperson JH Mathabe - Non Executive Director B Sibanyoni - Non Executive Director MI Tibane - Non Executive Director PP Maoko - Non Executive Director BM Singwane - Non Executive Director GA Deiner - Non Executive Director R Oosthuizen Chief Executive Officer - ex-officio
REGISTERED OFFICE	Corridor Crescent Route N4 Business Park Witbank Dam Road Bureau de Paul Building No 8 Ben Fleur X11 Emalahleni
BUSINESS ADDRESS	Corridor Crescent Route N4 Business Park Witbank Dam Road Bureau de Paul Building No 8 Ben Fleur X11 Emalahleni
POSTAL ADDRESS	Private Bag X7288 Emalahleni 1035
TELEPHONE NUMBER	013 656 0875
FAX NUMBER	013 656 0632
BANKERS	Standard Bank of South Africa
EXTERNAL AUDITORS	Auditor - General South Africa
INTERNAL AUDITORS	SAB&T Auditors
SECRETARY	Ms KM Mohlala
COMPANY REGISTRATION NUMBER	1993/006132/08

DIRECTORS RESPONSIBILITY AND APPROVAL

The Directors responsible for monitoring the preparation and the integrity of the financial statements and related information included in this annual report. In order for the Directors to discharge these responsibilities, as well as those bestowed on it in terms of the Public Finance Management Act and other applicable legislation, it has developed and maintained a system of internal controls.

The Directors acknowledge that the Directors is ultimately responsible for a system of internal financial controls established by MRTT and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout MRTT and all employees are required to maintain the highest ethical standards in ensuring the MRTT's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management is on identifying, assessing and monitoring all known forms of risk across MRTT.

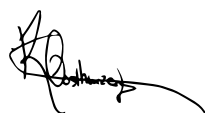
While operating risk cannot be fully eliminated, MRTT endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints. Monitoring of these controls includes a regular review of their operations by the Directors and independent oversight by an audit committee.

As part of the system of internal control, the outsourced internal audit function conducts operational, financial and specific audits and co-ordinates audit coverage with the external auditors. The external auditors are responsible for reporting on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and with the prescribed Standards of Generally Recognised Accounting Practices (GRAP). They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgment and estimates.

The Directors believes that the Mpumalanga Regional Training Trust will continue to be a going concern in the foreseeable future due to the availability of funding for its operations. For this reason the Directors continues to adopt the going concern basis in preparing the Annual Financial Statements.

The Directors approved the Annual Financial Statements for the year ended 31 March 2020 as set out on pages 66 to 146 on 28 July 2020 which were signed on its behalf by –



Mr Riaan Oosthuizen

MRTT: Chief Executive Officer

Date: 24 November 2020



Mr TR Mokgoshi

Chairperson: MRTT Board

Date: 25 November 2020

REPORT OF THE AUDITOR GENERAL

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

UNMODIFIED OPINION ON THE SEPARATE FINANCIAL STATEMENTS AND DISCLAIMER OF OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. I was engaged to audit the consolidated and separate financial statements of the Mpumalanga Regional Training Trust and its subsidiary set out on pages 118 to 146, which comprise the consolidated and separate statement of financial position as at 31 March 2020, consolidated and separate statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, the separate financial statements present fairly, in all material respects, the financial position of the Mpumalanga Regional Training Trust as at 31 March 2020 and the separate financial performance and separate cash flows for the year then ended, in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).
3. I do not express an opinion on the financial statements of the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS SUBMITTED WITHOUT THE AUDITED FINANCIAL STATEMENTS OF THE ROYAL HOTEL (PTY) LTD (SUBSIDIARY)

4. I was unable to obtain sufficient appropriate audit evidence regarding the consolidated financial statements as a whole, as the financial statements were presented for audit purposes without the audited financial statements for the subsidiary. I was unable to audit the financial statements of the subsidiary by alternative means. Consequently, I was unable to determine whether any further adjustments to this subsidiary's financial statements would have been necessary.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

5. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
6. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group'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 group or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

7. My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.
8. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on

the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

10. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators / measures included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
11. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the entity for the year ended 31 March 2020:

PROGRAMME	PAGES IN THE ANNUAL PERFORMANCE REPORT
Programme 2: Technical Training Operations	25 – 30

12. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
13. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
 - Programme 2: Technical Training Operations

OTHER MATTERS

14. I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

15. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year and explanations provided for the under/ overachievement of a significant number of targets.

ADJUSTMENT OF MATERIAL MISSTATEMENTS

16. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of technical training operations. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

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

EXPENDITURE MANAGEMENT

19. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R2 079 556, as disclosed in note 20.2 to the consolidated and separate financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the irregular expenditure was caused by accepting quotations from suppliers who did not declare minimum thresholds for local production.

PROCUREMENT AND CONTRACT MANAGEMENT

20. Some bid documentation for the procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.

21. Some commodities designated for local content and production were procured from suppliers who did not submit a declaration on local production and content, as required by the 2017 Preferential Procurement Regulations.
22. Sufficient appropriate audit evidence could not be obtained that commodities designated for local content and production were procured from suppliers who met the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5).

OTHER INFORMATION

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008). The other information does not include the consolidated financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
24. My opinion on the consolidated and separate financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained during the audit, or otherwise appears to be materially misstated.
26. As a result of the disclaimer of opinion expressed on the consolidated financial statements, I do not conclude on material misstatements of the other information relating to the financial statements. If, based on the work I have performed relating to the audit of performance information and compliance with legislation, I conclude that there is a material misstatement of this other information, I am required to report that fact.
27. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

28. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
29. Leadership did not always maintain adequate oversight and monitoring controls to ensure adherence to internal policies and procedures and the monitoring of the post-audit action plan. Furthermore, leadership did not address control deficiencies identified in the prior year.
30. Management did not adequately monitor and review compliance with laws and regulations, considering the repeat non-compliance with supply chain management prescripts.

Auditor-General

Mbombela

4 November 2020



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the consolidated and separate 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 entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
 - conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority,

in the preparation of the consolidated and separate 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 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 consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate 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 an entity to cease operating as a going concern

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

REPORT OF THE ACCOUNTING AUTHORITY

The accounting authority has pleasure in presenting its report for the year ended 31 March 2020.

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

The company is engaged in skills development and operates principally in South Africa - Mpumalanga Province.

The operating results and state of affairs of the company are fully set out in the attached financial statements. Deficit 2019: R7 146 954

Deficit 2020: R25 172 421

2. POST BALANCE SHEET EVENTS

The Directors of the entity would like to bring to the attention of the users of the financial statements that the country has been on lockdown since 26 March 2020 due to the COVID-19 pandemic that has greatly affected the operations of the entity.

The audit has been delayed by up to 2 months.

The World Health Organisation declared a global pandemic, with the spread of the Corona Virus (COVID- 19). As a result, the SA Government has declared a National State of Disaster followed by a lockdown that enforced various measures which led to reduced business activities of the entity thus possibly impacting on the future viability of the entity. The declaration of the pandemic does not affect the annual financial statements for the reporting period ended 31 March 2020

The Board of Directors have taken a decision on the 3rd of September 2020 to cease operations at The Royal Hotel which is a subsidiary of MRTT and commence with the statutory processes that are dictated by the laws and regulations that govern such an action. Accordingly the liquidation process is ongoing as the reporting date.

3. DIRECTORS' INTEREST IN CONTRACTS

Directors do not currently have any interest in the contractual dealings of the company.

4. DIRECTORS

The directors of the company during the year are as follows:

- Mr. TR Mokgoshi – Chairperson
- Adv. TE Mawelele – Deputy Chairperson
- Mr. JH Mathabe – Non-Executive Director
- Mr. B Sibanyoni – Non-Executive Director
- Mr. MI Tibane – Non-Executive Director
- Mr PP Maoko - Non Executive Director
- Mr BM Singwane - Non Executive Director
- Ms GA Deiner - Non Executive Director
- Mr JR Nkosi - Acting HoD Department of Education (*ex-officio*)
- Mr R Oosthuizen - Chief Executive Officer (*ex-officio*)

5. SECRETARY

The secretary of the company during the year was Ms KM Mohlala.

BUSINESS ADDRESS Corridor Crescent
Route N4 Business Park
Witbank Dam Road
Bureau de Paul Building No 8
Ben Fleur
X11
Emalahleni

POSTAL ADDRESS Private Bag X7288
Emalahleni
1035

6. AUDITORS

The Auditor-General South Africa audits the financial statements in accordance with Section 4(3) of the Public Audit Act, Act No. 25 of 2004.

7. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The entity incurred Irregular expenditure of R2 079 556 in the current financial year and for the prior financial year the expenditure was R4 206 918.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2020

		GROUP		COMPANY	
	Note(s)	2020 R	2019 R	2020 R	2019 R
REVENUE					
Revenue from non-exchange transactions	1	113 693 000	107 664 000	113 693 000	107 664 000
Revenue from exchange transactions	2	26 208 255	44 863 797	17 569 146	33 550 084
Other Income	3	4 941	18 430	4 941	18 430
Total revenue		139 906 196	152 546 227	131 267 087	141 232 514
EXPENSES					
Personnel	4.1	81 457 831	76 273 677	74 786 596	69 887 010
Administrative	4.2	8 338 069	8 093 077	8 338 069	8 093 077
Other operating expenses	4.3	67 135 644	67 814 618	62 373 652	62 320 507
Depreciation and amortisation expense	5&6	7 463 633	5 080 733	7 416 513	4 985 984
Taxation		299 717			
Debt impairment		383 723	2 204 994	383 723	2 096 106
Total expenses		165 078 617	159 467 099	153 298 553	147 382 684
Profit / (Loss)for the period		(25 172 421)	(6 920 872)	(22 031 466)	(6 150 170)



STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

		GROUP		COMPANY	
		2020	2019	2020	2019
	Note(s)	R	R	R	R
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	113 513 082	119 149 896	113 513 082	119 044 992
Intangible assets	6	236 727	323 024	236 727	323 024
Inter Company account - Royal Hotel	21	0	0	4 534 554	2 814 675
Deferred tax		0	299 717		
Investment in Subsidiary		0	0	100	100
		113 749 809	119 772 637	118 284 463	122 182 791
CURRENT ASSETS					
Cash and cash equivalents	7	51 409 769	81 141 788	51 189 524	80 194 658
Property plant and equipment (Liquidation)	5	90 755			
Receivables from exchange transactions	8	3 400 444	10 784 493	901 023	7 909 901
Receivables from non-exchange transactions	9	0	0	0	0
Inventories	10	474 857	676 849	254 892	382 888
Prepayments		0	2 991	0	0
		55 375 825	92 606 121	52 345 439	88 487 447
Total Assets		169 125 634	212 378 758	170 629 902	210 670 238
LIABILITIES					
NON-CURRENT LIABILITIES					
Operating lease liability		0	40 350		
CURRENT LIABILITIES					
Payables from exchange transactions	11	6 037 592	24 874 808	4 848 841	22 881 288
Operating lease liability		26 321			
Employee benefits	12	5 220 238	5 196 661	5 220 238	5 196 661
Total Liabilities		11 284 151	30 111 819	10 069 079	28 077 949
NET ASSETS					
Accumulated surplus		60 824 459	81 853 457	63 543 799	82 178 807
Reserves	27	97 017 024	100 413 482	97 017 024	100 413 482
		157 841 483	182 266 939	160 560 823	182 592 289
Total liabilities and reserves		169 125 634	212 378 758	170 629 902	210 670 238

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2020

	Note(s)	Non-distributable Reserves R	Accumulated surplus R	Total Equity R
Balance as at 1 April 2018	27	56 868 597	85 660 225	142 528 822
Loss for the year		-	(6 920 872)	(6 920 872)
Prior period error			(282 354)	(282 354)
Realisation of revaluation reserve		(3 393 458)	3 393 458	-
Revaluation of land and buildings		46 941 343		46 941 343
Balance as at 1 April 2019		100 416 482	81 850 457	182 266 939
Loss for the year		-	(25 172 421)	(25 172 421)
Prior period error			746 966	746 966
Realisation of revaluation reserve		(3 393 458)	3 393 458	-
Balance as at 31 March 2020		97 023 024	60 818 460	157 841 484



CASH FLOW STATEMENT

for the year ended 31 March 2020

	Note(s)	GROUP		COMPANY	
		2020 R	2019 R	2020 R	2019 R
CASH FLOWS FROM OPERATING ACTIVITIES					
CASH RECEIPTS FROM STAKEHOLDERS					
Cash receipts from government entities (Transfers)		113 693 000	107 664 000	113 693 000	107 664 000
Cash receipts from own generated income		21 524 617	29 285 470	21 524 617	29 285 470
Interest received		3 495 937	3 314 308	3 495 937	3 314 308
Other cash items		110 707 000	72 336 000	110 707 000	72 336 000
CASH PAID TO STAKEHOLDERS					
Personnel and Suppliers		(279 041 176)	(242 329 765)	(276 627 383)	(241 077 108)
Net cash flows from operating activities	13	(29 620 622)	(29 729 987)	(27 206 829)	(28 477 330)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of fixed assets and intangible assets	5 & 6	(1 846 474)	(11 187 815)	(1 813 503)	(11 109 846)
Proceeds from disposal of fixed asset		15 198	2 462 339	15 198	2 462 339
Net cash flows from investing activities		(1 831 276)	(8 725 476)	(1 798 305)	(8 647 507)
CASHFLOWS FROM FINANCING ACTIVITIES					
Movement of intercompany account - MRTT		1 719 879	-	-	-
Net cash flow from financing activities		1 719 879	-	-	-
Net increase / (decrease) in cash and cash equivalents		(29 732 019)	(38 455 463)	(29 005 134)	(37 124 837)
Cash and cash equivalents at beginning of the year	7	81 141 788	119 597 251	80 194 658	117 319 495
Cash and cash equivalents at end of period	7	51 409 769	81 141 788	51 189 524	80 194 658

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2020

	Approved budget R	Actual Amounts R	Difference: Budget and Actual R	Note on variance
BUDGET ON CASH BASIS				
RECEIPTS				
Transfers from other government entities	224 400 000	224 400 000	-	25.1
Revenue from exchange transactions	71 739 819	17 574 087	(54 165 732)	25.2
Total receipts	296 139 819	241 974 087	(54 165 732)	
PAYMENTS				
Personnel	77 314 471	74 786 596	2 527 875	25.3
Goods and services	111 974 730	78 511 957	33 462 773	25.4
Capital Expenditure	3 893 108	1 813 503	2 079 605	25.5
Total payments	193 182 309	155 112 056	38 070 253	
NET RECEIPTS	102 957 510	86 862 031	(92 235 985)	
RECONCILIATION				
BASIS DIFFERENCE				
Depreciation and amortisation		7 416 513		
Accruals		975 412		
Provision for employee benefits		2 262 408		
Debt impairment		383 723		
Actual Amount in the Statement of Financial Performance excluding the non cash items		97 900 087		



ACCOUNTING POLICIES

1. BASIS OF PREPARATION

1.1 BASIS FOR MEASUREMENT

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.

1.2 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in South African Rands, which is the Mpumalanga Regional Training Trust's functional currency. All financial information presented in Rands has been rounded to the nearest rand, unless otherwise stated.

1.3 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimated and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is given in the following notes:

IMPAIRMENT OF DEBTORS

Impairment is recognised for estimated losses on individually significant trade receivables and on a group of trade receivables with similar credit risk that are assessed to be impaired based on objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables as a result of one or more events that occurred during the reporting year. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that the debtor is impaired.

FAIR VALUE ESTIMATES

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

ALLOWANCE FOR SLOW MOVING, DAMAGED AND OBSOLETE STOCK

An allowance for stock is made to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items.

PROPERTY, PLANT AND EQUIPMENT

Property, vehicles, plant and equipment is depreciated over their useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Intangible assets are amortised over their useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Mpumalanga Regional Training Trust assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Mpumalanga Regional Training Trust estimates the recoverable amount of the asset.

PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

A provision is a liability of uncertain timing or amount. Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note for Provisions.

1.4 GOING CONCERN

These financial statements are prepared in accordance with the going concern principle. The going concern basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.5 ACCRUAL BASIS OF ACCOUNTING

These financial statements are prepared in accordance with the accrual basis where transactions, other events and conditions are recognised when they occur and are recognised in the period to which they relate and not only recognised when cash is paid or received.

2. STANDARDS OF GENERAL RECOGNISED ACCOUNTING PRACTICE APPROVED BUT NOT YET EFFECTIVE

GRAP 18 Segment reporting
GRAP 20 Related party disclosure
GRAP 32 Service Concession Arrangement Grantor
GRAP 109 Accounting Principals and Agents
GRAP 110 Living and Non Living Resources

No effective date has been determined by the Minister of Finance

3. FINANCIAL INSTRUMENTS

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

RECOGNITION

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

All "regular way" purchases and sales of financial liabilities are recognised using trade date accounting.

MEASUREMENT

FINANCIAL ASSETS

Financial assets are initially measured at their cost; which is the fair value of the consideration given, plus the transaction costs, except in the case of financial assets carried at fair value through profit or loss where transaction costs are immediately expensed.

3.1. RECEIVABLES FROM NON-EXCHANGE TRANSACTION

Accounts receivables are stated at amortised cost using the effective interest rate method reduced by appropriate allowances for impairment. Accounts receivables are financial assets that have fixed or determinable payments and are not quoted in an active market.

IMPAIRMENT OF RECEIVABLES

Impairment is recognised for estimated losses on individually significant trade receivables and on a group of trade receivables with similar credit risk that are assessed to be impaired based on objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables as a result of one or more events that occurred during the reporting year. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that the debtor is impaired.

For customers who have defaulted, management makes judgments based on an assessment of their ability to make payments based on credit worthiness and historical write-off experience. Should the financial condition of the customers change, actual write-offs could differ significantly from the impairment.

3.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by MRTT unless otherwise stated. All financial liabilities are measured at amortised cost, comprising original debt less principle payments and amortisations.

3.3 FINANCIAL LIABILITIES

MRTT's principle financial liabilities are accounts payable.

PAYABLES FROM EXCHANGE TRANSACTIONS

Accounts and other payables are stated at their nominal value.

Short-term payables with no interest rate are measured at the original invoice amount if the effect of discounting on individual transactions is immaterial. All payables are settled within 30 days.

DE-RECOGNITION

MRTT derecognises a financial asset (or where applicable part thereof) only when:

- the right to receive cash flows from the asset have expired;
- MRTT retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

- MRTT has transferred its rights to receive cash flows from the asset and either
 - I. has transferred substantially all the risks and rewards of the asset or
 - II. Has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same customer on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability, and the difference in the respective carrying amounts is recognised in the surplus or deficit for the year.

OFFSET OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position only when MRTT has a legally enforceable right to set off recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES:

It is the policy MRTT to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk

Each class of financial instrument is disclosed separately. Maximum exposure to credit risk not covered by collateral is specified. Financial instruments covered by collateral are specified.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Sufficient cash is maintained to manage MRTT's liquidity risk.

Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuates because of changes in market interest rates. Management has assessed the impact of interest rate risk on the operations of the entity and considers the risk to be negligible.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the entities income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that it will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of MRTT

; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

3.4. REVENUE

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the MRTT and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

REVENUE FROM NON-EXCHANGE TRANSACTIONS

Transfers from other government entities are recognized as income only when there is reasonable assurance that the grant will be received from government during the relevant financial year.

Revenue from service-based activities is recognised after making an appropriate adjustment for the provision of future services. This deferred income provision is determined by the amount of work that still needs to be performed in relation to the total transaction.

Revenue from non-exchange transactions constitutes transfer payments from the Department of Education of Mpumalanga.

REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from the rendering of services is recognised upon performance of services and when services are consumed by the customer.

INTEREST INCOME

Interest income is recognised on a time proportion basis taking account of the principal outstanding and the nominal rate over the period to maturity when it is determined that such income will accrue to the Mpumalanga Regional Training Trust. Rental income is recognised on a straight line over the term of the lease.

GAINS OR LOSSES ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Gains or losses on disposal are included in surplus or deficit for the year and are determined by comparing sales proceeds to the carrying amounts.

OTHER INCOME

Other income is recognised when it is probable that future economic benefits will flow to MRTT and is measured at their fair-value of the consideration received or receivable.

IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation including the Public Finance Management Act.

Irregular, fruitless and wasteful expenditure that has been condoned or will not be recovered from employees will be included in the Statement of Financial Performance, and where the expense is recoverable from the employee, the necessary debtor is created.

3.5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise of Land and Buildings, domestic equipment, computer equipment, furniture and fittings, office equipment and motor vehicles and are stated at historical costs less accumulated depreciation.

RECOGNITION

The cost of an item of property, plant and equipment is recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment and depreciated accordingly.

MEASUREMENT AT RECOGNITION

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

REPAIRS AND MAINTENANCE

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are expensed during the financial year in which they are incurred.

SUBSEQUENT EXPENDITURES

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits or service potential associated with the item will flow to MRTT and the cost of the item can be measured reliably.

DEPRECIATION

Depreciation is charged against the assets on a straight line basis so as to fully depreciate the asset to its net residual at the end of its useful live, from the date available for use.

The assets bought specifically for a project and intended for donation at the end of the project's life are depreciated over the life of the contract as the residual value at that point will be nil.

The assets residual values, useful lives and methods of depreciation are reviewed and adjusted if necessary, at each financial year-end.

Depreciation on movable assets is charged to the Statement of financial performance.

USEFUL LIVES

The following are the estimated useful lives of the different categories of assets and which are depreciated on the straight-line method over the following periods:

Machinery and equipment	20 years
Motor vehicles	10 years
Office equipment	20 years
Office furniture	20 years
Domestic equipment	20 years
Computer equipment	10 years

The useful lives and residual values of property, plant and equipment are reviewed at the end of each financial year. These useful lives and residual values are estimated by management based on historic analysis and other available information.

DE-RECOGNITION

The carrying amount of an item of property, plant and equipment is de-recognized:

On disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. Gains are not be classified as revenue.

Immovable assets

Items of land and buildings are stated at revalued amounts, less accumulated depreciation on buildings and accumul impairment losses. Additions to items of land and buildings are recorded at cost.

Cost comprises of all expenditure directly attributable to bringing the asset to its condition necessary for it to be capabl of operating in the manner intended by management.

Revaluations are done every five years such that the carrying amount does not differ materially from that which would be determined using fair value. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit. Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current

period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. Any accumulated depreciation and any accumulated impairment loss is eliminated against the gross carrying amount of the asset upon revaluation. On disposal of previously revalued property, plant and equipment, any amount relating to that asset remaining in the revaluation reserve is transferred to accumulated surplus.

Land is not depreciated. Depreciation on the buildings is calculated on a straight line basis over the expected useful lives of each major component of buildings assets. Depreciation on buildings is charged to the Statement of Financial Performance.

USEFUL LIFE

Buildings	20 years
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3.6. INTANGIBLE ASSETS

INITIAL RECOGNITION

Intangible asset is recognised if, and only if it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and the cost or fair value of the asset can be measured reliably.

Intangible assets consist of computer software. Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Purchased computer software and the direct costs associated with the customisation and installation thereof, are capitalised and amortised over estimated useful lives of the assets from the date that they are available for use.

MEASUREMENT

Intangible assets are initially recognised at cost

SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands is recognised in surplus/ (loss) as incurred.

AMORTISATION

Each item is amortised over its useful life once it is available for use. Amortisation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values, and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

USEFUL LIVES

Intangible assets are amortised over the following periods, considered to be their estimated useful lives: Computer software 3 years

DE-RECOGNITION

The carrying amount of intangible assets is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are included in surplus or deficit for the year and are determined by comparing sales proceeds with the carrying amounts.

3.7. INVENTORY

RECOGNITION

Inventories is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably.

MEASUREMENT

Inventories that qualify for recognition as assets are initially measured at cost.

Where inventories are acquired at no cost, or for nominal consideration, their costs is their fair value as at the date of acquisition.

MEASUREMENT AFTER RECOGNITION

Inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for: distribution at no charge or for a nominal charge, or consumption in the production process of goods to be distributed at no charge or for a nominal charge.

RECOGNITION AS AN EXPENSE

When inventories are sold, exchanged or distributed the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventory is carried in the financial statements at the lower of cost and net realisable value. Cost is determined using the fair value method. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Any write down of inventory to net realisable value is recognised immediately in the Statement of Financial Performance as an expense.

The cost of inventories is assigned by using the first-in, first-out (FIFO) .

3.8. IMPAIRMENT OF NON-MONETARY ASSETS

At each reporting date, MRTT reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating) is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense,

unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard. Losses and reversals of impairment losses are separately disclosed in the income statement.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is recognized whenever the carrying amount of the cash generating unit exceeds its recoverable amount.

A previously recognized impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior years.

Revalued assets reversal of impairment is done through the revaluation surplus / reserve

3.9. PROVISIONS

RECOGNITION

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that it will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

MEASUREMENT

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

3.10. LEASED ASSETS

OPERATING LEASES

Leases that MRTT enters into as a lessee, and where the lessor retains substantially all the risks and rewards of ownership of the underlying asset, are classified as operating leases. Payments made under operating leases are charged against revenue on a straight-line basis over the term of the lease.

3.11. EMPLOYEE BENEFITS LEAVE BENEFITS

Annual leave is provided over the period the leave accrues. In the case of accumulating compensated leave benefit, the Mpumalanga Regional Training Trust recognizes the cost when the employee renders the service that increases their entitlement to the future compensated absences. In the case of non-accumulating compensated absences, the Mpumalanga Regional Training Trust recognizes the leave cost when the absence occurs.

ANNUAL BONUS PLANS

The Mpumalanga Regional Training Trust recognizes the expected cost of annual bonus payments where there is a present legal or constructive obligation to make these payments as a result of past events and a reliable estimate of the obligation can be made by the Mpumalanga Regional Training Trust. The Mpumalanga Regional Training Trust considers the present obligation to exist when the Mpumalanga Regional Training Trust has no realistic alternative but to make the payments related to performance bonuses.

RETIREMENT BENEFITS

The Mpumalanga Regional Training Trust contributes to the employees' retirement benefits through a contribution to the funded defined contribution plan. Once the Mpumalanga Regional Training Trust has paid the contributions, the Mpumalanga Regional Training Trust has no further payment obligations. The contribution paid is charged to employee expenses in the same year as the related service is provided.

MEDICAL BENEFITS

The Mpumalanga Regional Training Trust contributes to the employees' medical benefits through a contribution to the employees' medical aid scheme. Once the Mpumalanga Regional Training Trust has paid the contributions, the Mpumalanga Regional Training Trust has no further payment obligations. The contribution paid is charged to employee expenses in the same year as the related service is provided.

The Mpumalanga Regional Training Trust has no payment obligations for retired employees; as such no provision is made for post-retirement medical benefits.

3.12 UNAUTHORISED, 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 1999 (Act No.1 of 1999).

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of Government or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act 1999 (Act No.1 of 1999).

Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised.

All unauthorized, irregular, fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

3.13 RELATED PARTY TRANSACTIONS

The Mpumalanga Regional Training Trust constitutes part of the provincial government in terms of the Public Finance Management Act (Act no. 1 of 1999).

In terms of IPSA 20 Related party means parties are considered to be related if one party has the ability to:

- (a) control the other party, or
- (b) Exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control. Related parties include:
 - (a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by, the reporting entity
 - (b) Associates (see IPSAS 7, "Investments in Associates");
 - (c) Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
 - (d) Key management personnel, and close members of the family of key management personnel; and
 - (e) Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.

The following are deemed not to be related: [IPSAS .12]

- In the context of this Standard, the following are deemed not to be related parties:
 - (i) Providers of finance in the course of their business in that regard; and
 - (ii) Trade unions;
- in the course of their normal dealings with an entity by virtue only of those dealings (although they may circumscribe the freedom of action of an entity or participate in its decision-making process).

3.14 INVESTMENTS IN SUBSIDIARIES

Subsidiaries are entities, including unincorporated partnerships and companies without a share capital that are controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated Annual Financial Statements incorporate the assets, liabilities, income, expenses and cash flows of the Corporation and its subsidiaries. The results of the subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. Inter-company transactions and balances are eliminated on consolidation.

COMPANY ANNUAL FINANCIAL STATEMENTS

In the Company's separate Annual Financial Statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Corporation; plus
- Any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably

3.15 PRIOR PERIOD ERRORS

Prior period errors are omissions from and misstatements in the financial statements for one or more prior periods arising from failure to use/misuse of reliable information that was available when the financial statements for that period were issued, and could not have been reasonably expected to be taken into account in those financial statements.

Corrections of all errors will be made retrospectively as follows:

Restatement of comparative amounts for prior periods in which error occurred or if the error occurred before that date, restate opening balance of assets, liabilities and net assets for earliest period presented.

Where it is impractical to determine the period specific effects of the error, opening balances for the Earliest period practicable will be restated.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	GROUP		COMPANY	
	2020 R	2019 R	2020 R	2019 R
1. REVENUE FROM NON EXCHANGE TRANSACTIONS				
Transfers from provincial government	113 693 000	107 664 000	113 693 000	107 664 000

2. REVENUE FROM EXCHANGE TRANSACTIONS

Rendering of service	26 208 255	44 863 797	17 569 146	33 550 084
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3. OTHER REVENUE

Bad debts recovered	4 941	18 430	4 941	18 430
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Total Revenue	139 906 196	152 546 227	131 267 087	141 232 514
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4. OPERATING AND ADMINISTRATIVE EXPENDITURE

Operating and administrative expenditure includes:

4.1 PERSONNEL

Basic	57 461 640	53 984 293	50 790 405	47 597 626
Medical aid	907 771	820 846	907 771	820 846
Statutory payments	14 312 763	13 286 450	14 312 763	13 286 450
Provident and Pension fund	8 386 607	7 827 638	8 386 607	7 827 638
Allowances	389 050	354 450	389 050	354 450
	81 457 831	76 273 677	74 786 596	69 887 010

4.2 ADMINISTRATIVE

Rates and Taxes	1 254 525	1 307 604	1 254 525	1 307 604
Communication	1 087 505	958 385	1 087 505	958 385
Insurance	732 174	496 551	732 174	496 551
Motor fleet	906 497	1 041 627	906 497	1 041 627
Lease costs	228 418	247 813	228 418	247 813
Security	1 803 300	1 707 745	1 803 300	1 707 745
Rent	1 094 411	1 195 373	1 094 411	1 195 373
Printing and stationary	336 718	357 423	336 718	357 423
Repairs and maintainance	45 461	108 038	45 461	108 038
Other Admin Expenses	849 060	672 518	849 060	672 518
	8 338 069	8 093 077	8 338 069	8 093 077

4. OPERATING AND ADMINISTRATIVE EXPENDITURE (CONTINUED)	GROUP		COMPANY	
	2020 R	2019 R	2020 R	2019 R
4.3 OTHER OPERATING EXPENSES				
Professional fees	3 164 234	1 217 112	3 164 234	1 217 112
Audit fees	4 345 820	5 360 066	4 193 820	5 254 682
Bank charges	557 482	397 741	494 990	353 039
Training material cost	7 195 089	7 478 232	7 195 089	7 478 232
Staff appointment and Recruitment cost	546 378	192 162	546 378	192 162
Marketing costs	422 731	461 429	422 731	461 429
Subsistence and travel	4 517 295	3 891 975	4 517 295	3 891 975
Other operating costs	46 386 615	48 815 901	41 839 115	43 471 876
	67 135 644	67 814 618	62 373 652	62 320 507

5. PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS	Cost R	Accumulated depreciation R	Carrying Value R
Land and buildings	137 718 862	(34 752 833)	102 966 029
Machinery and equipment	5 592 662	(1 918 982)	3 673 680
Motor vehicles	4 415 997	(2 938 809)	1 477 188
Office equipment	1 023 975	(589 264)	434 711
Office furniture	6 291 910	(3 632 015)	2 659 895
Domestic equipment	2 065 493	(1 144 830)	920 663
Computer equipment	3 035 601	(1 563 930)	1 471 671
TOTAL	160 144 500	(46 540 663)	113 603 837

The land and buildings were revalued as at 27 March 2019 by an independent appraiser registered as a Professional Associated Valuer with the South African Council for the Property Valuers Profession on a depreciated net replacement value with reference to recent market transactions on arm's length basis. The next revaluation will be performed by the entity for during the year that will end 31 March 2024. Land and buildings are re-valued every 5 years.

The fair values were determined directly by reference to observable prices and an active market or recent market transactions on arms length terms.

5.1 MOVEMENT MARCH 2020 FINANCIAL YEAR	31 March 2019 Carrying Value R	Additions R	Disposals R	Depreciation R	31 March 2020 Carrying Value R
OWNED ASSETS					
Land and buildings	109 080 001			(6 113 971)	102 966 030
Machinery and equipment	3 179 918	727 090		(233 328)	3 673 680
Motor vehicles	1 787 307			(310 119)	1 477 188
Office equipment	483 268	2 465		(51 022)	434 711
Office furniture	2 423 923	517 940		(281 969)	2 659 894
Domestic equipment	916 551	100 267		(94 119)	922 699
Computer equipment	1 278 928	456 484	(15 198)	(250 579)	1 469 635
TOTAL	119 149 896	1 804 246	(15 198)	(7 335 107)	113 603 837

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	31 March 2018 Carrying Value R	Additions R	Disposals R	Revaluation R	Depreciation R	31 March 2019 Carrying Value R
Land and buildings	56 868 597	9 102 116	-	46 941 343	(3 832 054)	109 080 002
Machinery and equipment	3 012 086	423 295	(40 241)	-	(215 222)	3 179 918
Motor vehicles	1 819 013	292 688	-	-	(324 395)	1 787 306
Office equipment	495 368	38 144	-	-	(50 243)	483 269
Office furniture	2 342 344	398 666	(41 974)	-	(275 113)	2 423 923
Domestic equipment	973 563	91 624	(6 037)	-	(144 635)	914 515
Computer equipment	1 001 578	487 569	(500)	-	(207 684)	1 280 963
TOTAL	66 512 549	10 834 102	(88 752)	46 941 343	(5 049 346)	119 149 896

DETAILS OF PROPERTIES:

REF Farm Nyamassan 137 JU. The property includes a hotel building, a double storey building, a single storey building, a manager's dwelling, a lapa, a guard room, two small garden store rooms and a swimming pool. The site area is 29,423 square meters.

Erf 1603, Kabokweni (Registered as Erf 1458). The property includes a office block, 2 workshops and ablution block. The site area is 5,328 square metres.

Erf 5 Ferrobank. The property includes an industrial building, workshops, ablutions and internal offices. The site area is 29,282 square metres.

Erf 21 Corridor Hill Township in Emalahleni, remainder of Zeekoeiwater Number 31, JS Stand 19, and the site area measures 1, 995 square metres and situated in a proposed township to be known Corridor Hill.

Erf 312 Witbank Township, Registration Division J.S. in the Province of Mpumalanga (58 French Street).

TOTAL

**2019
R**

32 044 278

5 173 952

14 910 898

3 205 000

1 534 469

62 212 324

DETAILS OF PROPERTIES:

REF Farm Nyamassan 137 JU. The property includes a hotel building, a double storey building, a single storey building, a manager's dwelling, a lapa, a guard room, two small garden store rooms and a swimming pool. The site area is 29,423 square meters.

Erf 1603, Kabokweni (Registered as Erf 1458). The property includes a office block, 2 workshops and ablution block. The site area is 5,328 square metres.

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Erf 21 Corridor Hill Township in Emalahleni, remainder of Zeekoeiwater Number 31, JS Stand 19, and the site area measures 1, 995 square metres and situated in a proposed township to be known Corridor Hill.

Erf 312 Witbank Township, Registration Division J.S. in the Province of Mpumalanga (58 French Street).

TOTAL

**2020
R**

34 294 108

5 567 285

15 828 285

3 205 000

1 627 559

56 868 596

6. INTANGIBLE ASSETS

	31 MARCH 2020			31 MARCH 2019		
	Cost R	Accumulated Amortisation R	Net Book Value R	Cost R	Accumulated Amortisation R	Net Book Value R
Computer Software	1 046 615	(809 888)	236 727	1 004 387	(681 363)	323 024
RECONCILIATION OF INTANGIBLE ASSETS - 2020				Carrying value R	Amortisation for the year R	Net Book Value R
Computer Software				323 024	(86 297)	236 727
RECONCILIATION OF INTANGIBLE ASSETS - 2019				Carrying value R	Amortisation for the year R	Net Book Value R
Computer Software				1	323 023	323 024

	GROUP		COMPANY	
	2020 R	2019 R	2020 R	2019 R

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balance with the bank. Cash and cash equivalents included in the cash flow statement

Cash on hand and balances in banks	14 945 828	27 305 279	14 725 583	26 358 150
Short term investments	36 463 941	53 836 509	36 463 941	53 836 509
	51 409 769	81 141 788	51 189 524	80 194 659

8. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Gross trade receivables	9 444 015	16 193 090	5 157 888	11 783 043
Bad debts written off	-	-	-	-
Allowance for impairment	(6 047 071)	(5 412 097)	(4 260 365)	(3 876 642)
	3 396 944	10 780 993	897 523	7 906 401
Prepayments	-	-	-	-
Deposits	3 500	3 500	3 500	3 500
	3 400 444	10 784 493	901 023	7 909 901

9. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Transfers from provincial government	-	-	-	-
Bad debts written off	-	-	-	-
Allowance for impairment	-	-	-	-
	-	-	-	-

The carrying value of trade and other receivables is at their fair value due to the short term nature of these instruments

	GROUP		COMPANY	
	2020 R	2019 R	2020 R	2019 R
10. INVENTORIES				
Consumables	474 857	293 961	254 892	382 888

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	3 095 163	4 604 305	1 906 412	2 610 785
Artisan development training	-	15 908 774	-	15 908 774
Accruals	975 413	2 416 499	975 413	2 416 499
Income received in advance	1 967 016	1 945 230	1 967 016	1 945 230
	6 037 592	24 874 808	4 848 841	22 881 288

12. EMPLOYEE BENEFITS

Balance at the beginning of the year	5 196 661	5 536 628	5 196 661	5 536 628
Provision utilised	(2 238 831)	(1 496 702)	(2 238 831)	(1 496 702)
Provision raised in current year	2 262 408	1 156 735	2 262 408	1 156 735
Balance at the end of the year	5 220 238	5 196 661	5 220 238	5 196 661

This provision is created based on staff leave days outstanding at year end which might have to be paid out to them if they are to leave the company. The leave pay provision was calculated based on cost to company for each individual and the leave days not taken at year end for each individual employee.

13. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES

Surplus / for the year	(25 172 421)	(6 920 872)
<i>Adjustments for the year</i>		
Depreciation of property, plant and equipment	(7 335 107)	
Bad debts written off	5 080 036	
Impairment	-	-
Movement in provisions of employee benefits	-	-
Income received in advance recognised in current year	23 577	(339 967)
Movements in consolidation	15 080 671	(2 374 467)
<i>Changes in working capital</i>		
Decrease in inventories	201 994	(55 625)
Decrease / (Increase) in trade and other receivables	7 570 387	(3 940 752)
Impairment	383 723	2 096 106
Intercompany account	(1 719 879)	275 319
Prepaid expenses	-	(2 991)
Increase in trade and other payables	(18 653 567)	(22 949 034)
Cash generated by operations	(29 620 622)	(29 132 247)

14. AUDITORS' REMUNERATION

External audit fees	3 963 399	4 609 916	3 811 399	4 504 532
Internal audit fees	382 421	750 150	382 421	750 150
	4 345 820	5 360 066	4 193 820	5 254 682

15. DIRECTORS AND MANagements EMOLUMENTS

DIRECTORS' REMUNERATION: NON EXECUTIVE MEMBERS

FEES FOR SERVICES AS BOARD MEMBERS

	2020 R	2019 R
Mrs FD Mthembu	-	237 482
Mr MJ Sibiya	-	136 823
Mr PP Maoko	238 980	211 602
Mr BM Singwane	76 857	128 947
Mr NN Kalidass	-	155 701
Mrs ND Mashinini	-	107 018
Mr SM Dibakwane	-	17 757
Ms GA Deiner	221 313	158 089
Mr RS Tshukudu	-	203 269
Mr TR Mokgoshi Chairperson	260 302	48 109
Ms TE Mawelele	246 036	45 950
Mr JH Mathabe	51 256	20 940
Mr B Sibanyoni	291 794	49 656
Mr MI Tibane	220 356	32 604
	1 606 894	1 553 947

	Basic Salary R	Short term employment benefits R	Post employment benefits R	Total R
EXECUTIVE MANAGEMENT				
R Oosthuizen - Chief Executive Officer	1 473 274	240 337	196 022	1 909 633
MG Jafta - CFO	1 328 500	129 223	166 659	1 624 382
MS Makgoba - GM Corporate	1 296 692	161 151	166 659	1 624 502
ZL Khoza - Acting GM Technical Training Centres	917 441	263 183	120 938	1 301 562
SM Sefanyetso - Acting GM HTA (Term ended 30 September 2019)	934 741	189 704	120 938	1 245 383
B Hlatshwayo - Acting GM HTA (From 1 October 2019)	711 542	149 330	89 428	950 300
	6 662 190	1 132 928	860 644	8 655 762

16. RETIREMENT BENEFITS

DEFINED CONTRIBUTION PLAN

The employer contributes a percentage of an employee's salary to the Sanlam pension fund which is subject to the Pension Fund Act. The employer has no obligation other than to make the monthly payments and no further risk. The risk of market movements lies with the employee. The treatment is to expense the contributions in the month to which they relate.

Total company contribution	8 386 606	7 827 638
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17. LEASE COMMITMENTS

Operating lease payments represent rentals payable by the organisation for certain of its office properties.

FUTURE MINIMUM LEASE PAYMENTS AS AT 31 MARCH 2020	0 to 1 year R	2 to 5 years R
Future lease payments	1 347 922	135 088

FUTURE MINIMUM LEASE PAYMENTS AS AT 31 MARCH 2019		
Future lease payments	1 213 304	418 664

18. COMMITMENTS

Commitments represent future contractual commitments the organisation have engaged itself with other parties whereby cash outflows will be legally expected from the organisation.

	2020 R	2019 R
Commitments	3 343 830	119 732 662

19. TAXATION

The company is exempt from both Income Tax and Value Added Tax in terms of the provisions of section 10(1) (cN) of the Income Tax Act and section 24(1) of the VAT Act respectively.

20. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

20.1. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure	1 000	1 000
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Fruitless and wasteful expenditure for the previous financial year is due to penalties charged on the late submission of CIPC returns.

20.2 IRREGULAR EXPENDITURE

Opening balance	17 458 300	13 251 382
Add: Irregular Expenditure - current year	2 079 556	4 206 918
Total	19 537 856	17 458 300

DETAILS OF IRREGULAR EXPENDITURE – CURRENT YEAR – 2019-2020	2020 R
Incident 1 The irregular expenditure is due to extension of key contracts during the 2016-17 financial year.	702 981
Incident 2 Non-compliance with local content, local content not applied in invitation of quotations	391 099
Incident 3 Non-compliance with local content, supplier did not declare local content	565 891
Incident 4 Recorded reasons for deviation not justifiable	85 000
Incident 5 Expenditure above original quotation	334 585
TOTAL	2 079 556

21. RELATED PARTIES DISCLOSURES

During the year the company entered into the following transaction with the following related parties

Nature of business	Relationship to company	Artisan Development Programme R	Purchases by related party R	Receipts from related party R	Inter Company account R
Department of Education	Controlling Department	110 707 000	4 363 028	113 693 000	
MRTT Royal Hotel Pilgrims Rest (Pty) Ltd	Subsidiary				4 534 554

AMOUNTS INCLUDED IN TRADE RECEIVABLES (TRADE PAYABLE) REGARDING RELATED PARTIES	2020 R	2019 R
Department of Public Works Roads and Transport	165 556	128 953

KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly and indirectly. Information regarding the earnings of directors, executive and non – executive, has been disclosed separately in note 15.

22. CONTINGENT LIABILITY

A labour court matter between MRTT and a former employee who is contesting compensation after being dismissed. Amount being contested is R106 956.

The matter is still in the court roll for a date to be determined in the future.

A labour dispute between MRTT and a former employee who is contesting compensation equivalent to one month salary of R120 832.70. The matter at year end was still no yet finalised.

23. RISK MANAGEMENT

LIQUIDITY RISK

MRTT's risk to liquidity is a result of the funds available to cover future commitments. MRTT manages the liquidity risk through an ongoing review of future commitments and the cash flows arising from allocations by the Provincial Department of Education.

INTEREST RATE RISK

MRTT's exposure to the interest rate is limited MRTT has no significant interest bearing liabilities.

LIQUIDITY RISK

The financial liabilities maturity analysis of MRTT, for the reporting period shows contractual cash outflows on an undiscounted basis as below

23. RISK MANAGEMENT (CONTINUED)

Financial Instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other payables	10.25%	4 848 841	-	-	-	-
Provision for employee benefits		5 220 238	-	-	-	-

CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. MRTT only deposits cash with major banks with high quality credit standing and limits exposure to any other counter party.

	2020 R	2019 R
Cash and cash equivalents	51 189 524	80 194 659
Receivables ageing is as follows:		
- Current	(214 422)	1 524 331
- 30 days	18 161	657 332
- 60 days	281 483	1 828 063
- 90 - 120 days	(3 712)	4 225 060
- 180 days	5 076 378	3 548 257
TOTAL OF RECEIVABLES FROM EXCHANGE TRANSACTIONS	5 157 888	11 783 043

CURRENCY RISK

Foreign exchange rate risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. MRTT is not exposed to any material foreign exchange risk arising from various currency exposures. MRTT does not hedge foreign exchange fluctuations.

PRICE RISK

MRTT is not exposed to equity securities price risk because there are no investments held by MRTT and classified as either for sale or at fair value through surplus or deficit.

24. INVESTMENT IN SUBSIDIARY

During the financial year 2012/13 review the entity signed a lease agreement with the Department of Public Works Roads and Transport (DPWRT) for the lease of Royal Hotel in Pilgrims Rest for a period of 9 years effective from the 1st October 2012. MRTT then formed a company (MRTT Royal Hotel Pilgrims Rest (Pty) Ltd) to run the affairs of the Royal Hotel and thereby the company is a subsidiary of MRTT as MRTT has significant control in the strategic and operations of the hotel. MRTT performs management and centralized administration functions for the operating subsidiary. The consolidated Annual Financial Statements include the financial information for the 12 months ended 31 March 2020 of Royal Hotel.

25. BUDGET VS. ACTUAL INFORMATION

The budget is approved on a cash basis by functional classification. The approved budget covers the fiscal period from 1 April 2019 to 31 March 2020.

Reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the Year Ended 31 March 2018 is presented above. The financial statements and budget documents are prepared for the same period. There is an entity difference: the budget is prepared for the general government sector and the financial statements consolidate all entities controlled by the entity. There is also a bases difference: the budget is prepared on a cash basis and the financial statements on the accrual basis

The reasons for variances are listed below:

- 25.1** The budget amount was received in full from the department of Education and there was no adjustment to the allocation.
- 25.2** The positive variance is due the entity getting more projects in the financial year.
- 25.3** The favourable variance is due to bad debts recovered in the financial year
- 25.4** The unfavourable variance is due to the increase in projects that were not envisaged in the budget.
- 25.5** The favourable variance in capital expenditure is due to less capital assets being procured as envisage.

26. ACCOUNTING FRAMEWORKS OF HOLDING COMPANY AND SUBSIDIARY

The holding company uses GRAP as the accounting framework and the subsidiary uses IFRS for SMEs. There has been no adjustment necessary and the consolidated AFS are consistent.

27. RESERVES

Revaluations are done every five years to ensure that the carrying amount does not differ materially from that which would be determined using fair value. Items of land and buildings shall be revalued to their fair values. The fair value is determined directly by reference to observable prices in an active market or recent market transaction at arm's length terms or was estimated using other valuation techniques. Revaluations will be done by an independent appraiser registered as a Professional Association of Valuers with the South African Council for the Property Valuers Profession. When an item of land and building is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit. Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. Any accumulated depreciation and any accumulated impairment loss is eliminated against the gross carrying amount of the asset upon revaluation. On disposal of previously revalued property, plant and equipment, any amount relating to that asset remaining in the revaluation reserve is transferred to accumulated surplus.

97 017 024	100 413 482
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28. PRIOR PERIOD ERROR

The prior period error relates to the following errors that were in the current year 2019/20 and have been adjusted

The prior period error relates to VAT liability that was erroneously raised in the financial year 2012-13 before the entity was registered as a VAT vendor. The VAT returns were submitted and the liability with SARS that was raised in 2012-13 was declared as being null and void and the entity was declared from the 1st of April 2019 to be having no liability with SARS.

The corrections of the errors results in adjustments as follows:

	2019 R
STATEMENT OF FINANCIAL POSITION	
CURRENT LIABILITIES	
Trade payables	(746 966)
STATEMENT OF CHANGES IN RETAINED EARNINGS	
Retained Earnings	746 966

29. POST BALANCE SHEET EVENTS

The Directors of the entity would like to bring to the attention of the users of the financial statements that the country has been on lockdown since 26 March 2020 due to the COVID-19 pandemic that has greatly affected the operations of the entity.

The audit has been delayed by up to 2 months.

The World Health Organisation declared a global pandemic, with the spread of the Corona Virus (COVID- 19). As a result, the SA Government has declared a National State of Disaster followed by a lockdown that enforced various measures which led to reduced business activities of the entity thus possibly impacting on the future viability of the entity. The declaration of the pandemic does not affect the annual financial statements for the reporting period ended 31 March 2020

The Board of Directors have taken a decision on the 3rd of September 2020 to cease operations at The Royal Hotel which is a subsidiary of MRTT and commence with the statutory processes that are dictated by the laws and regulations that govern such an action. Accordingly the liquidation process is ongoing as the reporting date.

NOTES



Handwriting practice lines consisting of 30 horizontal dotted lines.



NOTES

[illegible]



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