



merSETA

MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA

merSETA Presentation to the Portfolio Committee on Higher Education, Science & Innovation

Zoom meeting, 8 March 2024

Outline

1

**Background:
Presentation to the portfolio committee on 1 November
2023**

2

merSETA update on forensic investigations

3

Progress Report: Audit Action Plan

4

Management Declaration

Background: merSETA Presentation to the Portfolio Committee 1 November 2023

On 23 October 2023 – the merSETA received a letter of invitation to the virtual meeting of the Portfolio Committee on Higher Education, Science and Innovation.

The merSETA were requested to present on the following:

- The reasons for deviation in each of the targets that were not achieved in the 2022/23 financial year and progress towards achieving them;
- Details of irregular, fruitless and wasteful expenditure incurred during the year under review and progress on the investigation as well as implementation of consequence management against those who transgressed the Supply Chain Management policy; and
- Action plan with timeframes to address the audit findings raised by the Auditor-General.

The meeting convened on 1 November 2023 @ 9am.

Today, 8 March 2024, the merSETA has been invited to update the Committee on:

- Forensic investigation report and recommendations
- Progress report on the merSETA Audit Action Plan

merSETA Update: Forensic Investigations

Background: Forensic Investigation

1. During December 2021, a whistleblower report was received that an employee had been conducting himself in an unethical manner.
2. A forensic investigation was commissioned and in May 2022 a report was issued, implicating several other employees as well.
3. During September 2022, another whistleblowing report surfaced, alleging certain executives were involved in fraudulent activities.
4. A draft report was received report was received in October 2022 which led to the suspension of the COO.
5. The draft report and additional information resulted in the CEO also being placed on precautionary suspension during November 2022.

Forensic investigations report and recommendations

ITEM	ITEM DESCRIPTION & EMPLOYEE STATUS	CONSEQUENCE MANAGEMENT
Forensic investigation: Accounting Authority – Former Members	Forensic investigation into the CEO raised allegations against former members of the Accounting Authority. Employee status is not applicable.	A forensic investigator has been appointed to conduct probity checks into the allegations raised against the former AA members. The probity checks are still in progress with the final areas requiring more information
Forensic investigation: Accounting Authority – Current Member	Forensic investigation into the CEO raised allegations against a current AA member.. Employee status is not applicable.	A forensic investigator was appointed to conduct probity checks into the allegations raised against the AA member. The probity check has concluded and are currently finalizing the process.
Forensic Investigation: Chief Executive Officer	The employee was placed on precautionary suspension pending the finalization of the investigation. The final forensic report was adopted and instructions to implement recommendations commenced with a disciplinary hearing. The employee continues to remain on suspension without pay.	The Disciplinary hearing commenced with the issuing of charges against the CEO. The CEO and merSETA began preparations for exchanging legal documentation to commence with the formal hearing. The disciplinary hearing chairperson and the parties' legal representatives in December 2023 to hear arguments on the CEO's request for a postponement due to the CEO's representative acting a sitting judge from January to March 2024. The Disciplinary Chairperson issued a ruling on granting the postponement. The matter is now postponed until April 2024.
Forensic Investigation: Chief Operations Officer	The employee was placed on precautionary suspension pending the finalization of the investigation. The final forensic report was adopted and instructions to implement recommendations commenced with a disciplinary hearing.	A disciplinary hearing is currently underway with both parties leading their cases. Both parties were directed to file closing arguments on or before 26 February 2024. Findings are expected to be issued by the Disciplinary Chairperson on or before 21 March 2024.

Forensic investigations report and recommendations

ITEM	ITEM DESCRIPTION & EMPLOYEE STATUS	CONSEQUENCE MANAGEMENT
Forensic Investigation: Senior Manager – Program Implementation	Investigation finalised, final forensic report adopted and instructions to implement recommendations commenced with a disciplinary hearing where upon the employee resigned.	Due to the employee's resignation, merSETA instituted legal action to recover civil damages. Litigation is currently underway.
Forensic Investigation: Client Relation Manager – Mpumalanga	The employee was placed on precautionary suspension pending the finalization of the investigation. The final forensic report was adopted and instructions to implement recommendations commenced with a disciplinary hearing. Employee continues to remain on suspension.	The disciplinary hearing is currently in the final stages with the Disciplinary hearing issuing a recommendation. Both parties have been requested to submit their mitigating and aggravating factors which will culminate in a final decision.
Forensic Investigation: Coordinator ICT	Forensic investigation into the CEO raised allegations against the Coordinator: ICT. The employee was placed on precautionary suspension pending the outcome of the investigation. The final forensic report was adopted and instructions to implement the recommendations began. It was established that the employee in question would be material for the CEO disciplinary and it was recommended by the legal representative to pend any action against the employee until the conclusion of the CEO's hearing. The Employee continues to remain on precautionary suspension pending the outcome of the CEO's hearing	Disciplinary action is still on hold however the merSETA is consulting with its legal representatives on this matter.
AGSA COMAF Finding	AGSA tested the merSETA employee conflicts of interests. All current and former employees raised in this finding are being investigated through the services of a forensic investigator who has been appointed to conduct a probity check.	Thirteen employees were submitted to the forensic investigator conducting probity checks. The final report is being tabled at the ARC. The merSETA has also begun the probity checks on the remaining 5 employees (both former and current).

Progress on the merSETA Audit Action Plan

The following 3 categories of Audit findings and initial remedial actions were identified at the end of 2023. The merSETA has compiled a detailed action plan which is currently being implemented and monitored.

CATEGORY OF AUDIT FINDING	REMEDIAL ACTION PLAN
<p>ANNUAL FINANCIAL STATEMENTS Unadjusted misstatements of commitments and consequently the misstatement of expenditure and accruals leading to a qualification</p>	<p>Strengthen end-to-end process of DG payments and reporting from claiming to payment to recording of accrual. Improve internal controls for discretionary grant contract management and related commitments</p>
<p>PERFORMANCE INFORMATION (AOPO) Material findings on performance information relating to the reliability of the achievements reported</p>	<p>Strengthen the quality control processes and documentation for capturing performance information. Build validation controls into the current Learner Management System Provide targeted training to improve compliance with data capture procedures</p>
<p>COMPLIANCE WITH LAWS AND REGULATIONS Non-compliance with laws and regulations in relation to understatement, prevention and disclosure of irregular and fruitless & wasteful expenditure, including consequence management</p>	<p>Implement training on Irregular Expenditure Framework Improve management of irregular expenditure register Strengthen management of contracts (both discretionary grants and operational) Review Terms of Reference of the Loss Control Committee for more effective functioning</p>

Finding	Unit	Recommendation	Actions required	Status update Feb 2024	Status	Responsible person	Timeline
COMAF 63 - Discretionary grants understatement of discretionary grants expenditure, accruals overstatement of DG commitments	Operations/ Finance	Management should: Improve controls in place with regard to the daily and monthly processing of details as per the commitment schedule. Enhance controls with regards to review and supervision of the latter must also be approved in order to ensure that the commitments are supported by accurate and reliable supporting documents.	1. Revise SOPs for financial and operational management of DGs in terms of triggers for when tranches due 2. Monthly meeting between Finance and PI unit to reconcile 4. Implement a Discretionary Grant Claim form/ invoicing system 5. Make sure all expired contracts are closed out or addendums in place 5. Training of Finance and Operations staff on financial principles Internal Audit to review this component	Update for SOPs for financial and operational management in progress. MoA Management SOP to include triggers to ID tranches when they are due. Process needs to ensure claims managed at all levels i.e. From entity > region, region > PI and PI > FIN	In progress	Snr Manager PI/ Finance Managers PI/ Finance Coordinators	Q4 2023/24
				Accrual checks for completeness must include: - check to post month end/ year end invoices processed (FIN/PI)	In progress		
				- Check claim register against what has been processed for payment (PI)	Implemented		
				- Regional offices to check all claims processed have been submitted to PI and included on register. Follow up on rejections and give feedback to PI. (SM: Client services)	Implemented and ongoing		
				Prior year Accruals (audit adjustment) March 2023 - Updated list to be finalised by 15 March 2024	In progress		
Expired contracts - project owners to submit close out report or addendums for all expired contracts (expiring up to 31 March 2024) by 20 Feb 2024. Feb commitment register must have NO expired contracts reflecting.	In progress						
Review of DG Claim form under review - awaiting regional review - to be finalised by end of March 2024. To be implemented in the 2024/25 financial year.							

Finding	Unit	Recommendation	Actions required	Status update Feb 2024	Status	Responsible person	Timeline
COMAF 48- Indicator 3.41 : Number of people trained on entrepreneurship supported to start their business (number of people funded for enterprise growth/enterprise development skills. COMAF 32 Programme 3. COMAF 40 indicator 3.3. COMF 18 indicator 3.37 Prior year achievements reported in the current year.	AOPO	Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. Ensure that there are proper internal controls for identifying errors and misstatements before reporting.	Review and develop all SOPs for Learner enrolments. Train all staff involved in learner enrolments Update performance agreements for all staff involved in enrolments Consequence Management	SOPs draft awaiting final review from legal. To be submitted to QMS by 16 Feb 2024. Training is ongoing. Follow up to be done with CRMs and Specialists within regions Role Profiles to change by 1 April 2024. New performance agreement by 1 April 2024 Consequence management is ongoing - internal audit. Repeat findings to be discussed with CRMs	In progress Ongoing In progress Done	Snr Manager Client Services CRMs Regional Coordinators	Q4 2023/24
COMAF 46: Completeness on indicator 3.12 and 3.13 COMAF 18- Indicator 3.37. Number of unemployed learners registered and completed for learnership programmes. COMAF 50 various indicators. COMAF 43 - Indicator 3.9 The supporting evidence did not support to the reported achievement.	AOPO	Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. Ensure that there are adequate review control process to ensure that the reported achievement is accurate and supported by reliable information. Strengthen the internal control processes to ensure that a detailed review of the completeness of the performance information is performed at different levels, to ensure: 1) That evidence filed on TPMIS for each indicator is complete and relates to the indicator being reported on. 2) that the information recorded on the Consolidated Quarterly Monitoring Report is accurate.	Review and develop a records management SOP for APP indicators Review and develop all SOPs for Learner enrolments. Train all staff involved in records management on TPMIS Update performance agreements for all staff involved in enrolments Consequence Management	SOPs for records management in draft to be submitted by 16 Feb 2024. Training is ongoing. Follow up to be done with CRMs and Specialists within regions Role Profiles to change by 1 April 2024. New performance agreement by 1 April 2024 Consequence management is taking place and is ongoing - internal audit. Repeat findings to be discussed with CRMs	In progress Ongoing In progress Done	Snr Manager Client Services CRMs Regional Coordinators	Q4 2023/24

Finding	Unit	Recommendation	Actions required	Status update Feb 2024	Status	Responsible person	Timeline
COMAF 31 – Program 3 AOPO Internal Control Deficiency. Inaccurate reported achievements. Various capturing errors in the data reported, for example surnames vs Id record, roman date does not match learner agreement...	AOPO	Strengthen their internal control processes to ensure that a detailed review of the accuracy of the performance information is performed at different levels, to ensure that the information recorded on the Consolidated Quarterly Monitoring Report is accurate.	Review and develop all SOPs for Learner enrolments. Train all staff involved in learner enrolments Update performance agreements for all staff involved in enrolments Consequence Management	SOPs in draft to be submitted by 16 Feb 2024. Training is ongoing. Follow up to be done with CRMs and Specialists within regions Role Profiles to change by 1 April 2024. New performance agreement by 1 April 2024 Consequence management is taking place and is ongoing - internal audit. Repeat findings to be discussed with CRMs	In progress Ongoing In progress Done	Snr Manager Client Services CRMs Regional Coordinators	Q4 2023/24
COMAF 17 - Indicator 3.19 : Learner reported under incorrect indicator	AOPO	Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. Ensure that there were review processes in place are in order to ensure that errors are identified before reporting. Ensure that there are proper internal controls for identifying errors and misstatements before reporting.	Review and develop all SOPs for Learner enrolments. Train all staff involved in learner enrolments Update performance agreements for all staff involved in enrolments Consequence Management	SOPs in draft to be submitted by 16 Feb 2024. Training is ongoing. Follow up to be done with CRMs and Specialists within regions Role Profiles to change by 1 April 2024. New performance agreement by 1 April 2024 Consequence management is taking place and is ongoing - internal audit. Repeat findings to be discussed with CRMs Discussion with MIS with linking learners to the survey hub indicators - 16 Feb 2024	In progress Ongoing In progress Done In progress	Snr Manager Client Services CRMs Regional Coordinators	Q4 2023/24

Finding	Unit	Recommendation	Actions required	Status update Feb 2024	Status	Responsible person	Timeline
COMAF 33 - Reported percentages not as per the TID for: Indicators 3.1; 3.2 ; 3.3 There was an error in the calculation of the reported achievements. (This calculation is based on the TID indicator).	AOPO	Management should strengthen their internal control processes to ensure that a detailed review of the accuracy of the performance information is performed at different levels, to ensure that the information recorded on the Consolidated Quarterly Monitoring Report is accurate. Management should consider review the figures disclosed , reperform the calculations as per the TID and amend the amounts reported in the APR	Develop a standardised procedure to calculate the percentages as per TIP and re-train staff members. Implement an independent review of calculated percentages recorded	SOP in draft to be submitted by 16 Feb 2024. Review of performance indicator calculations at three levels has been implemented.	In progress	Snr Manager PI Managers	Q4 2023/24
COMAF 39 & COMF 61- Limitation of Scope - Discretionary Grants sampled documents and verification reports for various allocations. Documents not submitted on time and documents that could not be found. COMAF 62 No evidence submitted for evaluation, verification for the awarded discretionary grants. Therefore AG could not confirm award met the criteria in terms of DG policy and criteria	PI	Management should: Honor information submission to 2 days and communicate the need for extensions if they cannot make the 2 days. It is recommended that that management should implement a document management system for each directorate to ensure that information/documents are kept in an easily retrievable manner and can be submitted for audit without significant delays. And that the discretionary grant applications for projects and programmes must subjected to an evaluation, verification process before submission to MANCO for approval	1. Review and improve the document management system 2. Scan and archive manual documents for prior years 3.Create a repository for all active documents for easy accessibility 3. Ensure that all manual evidence is uploaded and saved electronically. 4. Create a repository for all active contract for easy accessibility . Train all staff involved on how to file documents.	Active MoAs on the commitments schedules - created sharepoint folders -At 80% saved MoAs. Due date for completion by end of March Training of staff in progress and ongoing	In progress Ongoing	Snr Manager PI Managers PI Coordinators	Q4 2023/24

Finding	Unit	Recommendation	Actions required	Status update Feb 2024	Status	Responsible person	Timeline
COMAF 58 - Verifications done after MANCO approval instead of before.	PI	<p>Management should tighten controls to assess the financial viability of companies that are funded in the DG windows. Management should consider including a checklist attached to the MOAs before signing of MOAs:</p> <p>The checklist may include the following prompting questions: Approved application/Proposal Approved CLO documents Approved CRM documents MOA in line with approved verification documents MOA within approved MANCO award</p>	Implementation of the new DG awards process. DGVCC, DGEC, DGAC	The implementation of the new DG Awards process has been implemented	Completed	Snr Manager PI Managers PI Coordinators	Completed
COMAF 69, 70,71- Understatement of irregular and fruitless and wasteful expenditure in the AFS	Finance	It is recommended that proper project management principles be adopted that covers the following aspects: the schedule of tasks and milestones, the involvement and feedback of users, and the cost-effectiveness of the resources and budget. It must meet the needs and expectations of the stakeholders, delivers the desired outcomes within the agreed time frame, and optimizes the use of available resources.	<p>Improve awareness of irregular and fruitless and wasteful expenditure. Training required on irregular expenditure framework</p> <p>Ensure compliance with irregular expenditure framework and related disclosure requirements</p> <p>improved management of irregular expenditure and fruitless and wasteful expenditure register</p>	<p>Training has been completed. This was run over two sessions, one in December and one in Feb. This was compulsory for all managers.</p> <p>In the process of strengthening the working of the Loss Control Committee (LCC)</p> <p>Registers updated according to framework</p>	<p>Completed</p> <p>In progress</p> <p>Completed</p>	SM SCM/ SM Finance	Q4 2023/24

Finding	Unit	Recommendation	Actions required	Status update Feb 2024	Status	Responsible person	Timeline
COMAF 26- Prevention of irregular, fruitless and wasteful expenditure	Finance	A compliance checklist should be designed and implemented to avoid recurring instances of non-compliance and the accounting authority should implement consequence management for officials who have contravened the laws and regulations resulting in the irregular expenditure and fruitless and wasteful expenditure.	Improved management of contracts through better monitoring of payment milestone reports Better planning to avoid too many urgent RFQs and overruns on contracts	One on one sessions are being held with contract owners to capacitate them and identify gaps in the process, particularly regarding payment milestone schedules. The first focus has been with ICT and Facilities who have the majority of contracts.	One on one sessions completed but continual monitoring ongoing.	ALL	Implemented but ongoing monitoring required
COMAF 59- Shortcoming in management of irregular expenditure in terms of Irregular Expenditure Framework	Finance	Management to complete the determination tests timeously Management to submit both annexure A, B and C with the annual financial statements Management to adhere to the regulations in terms of time lines for assessments and determination tests.	Training required on irregular expenditure framework Ensure compliance with irregular expenditure framework. Do a gap analysis Tighten controls managed through LCC	Training has been completed. This was run over two sessions, one in December and one in Feb. This was compulsory for all managers. Gap analysis completed. In the process of updating processes where gaps identified	Completed Completed gap analysis corrective measure in progress	SM SCM/ SM Finance	Q3 2023/24

Finding	Unit	Recommendation	Actions required	Status update Feb 2024	Status	Responsible person	Timeline
COMAF 13- Differences between disclosure in the financial statements and commitment sub schedules	Finance	<p>Management should consider the need for monthly reconciliations of the commitments register and the subsequent sub schedules to ensure that the completeness and accuracy of the commitment register</p> <p>Management should strengthen its review of the annual financial statements against the relevant source documents to ensure it is accurate and complete.</p> <p>Management should ensure that the underlying schedules supporting the AFS are submitted with the AFS and are accurate and complete.</p>	Ensure commitment sub schedules agree to commitment summary every month	Sub schedules are being checked monthly and recons done. These have been checked and balanced. Will ensure this is carried through to AFS at year end.	Completed	Manager Grants & levies	Completed
COMAF 18, 52 & 65- MOA contract management:- not recorded as commitment in the correct year, addendum not recorded, contract signed subsequent year, not signed by both parties, signed without witnesses	Finance	<p>Ensure there is an agreement (written) signed by both parties with specific terms between a merSETA and a third party.</p> <p>Ensure that Memorandum of agreements are recognised as new commitments in the year that MerSETA and a third party fully agree to the terms and conditions of the contract.</p> <p>Improve controls in place with regard to the ensuring that skills development providers are furnished with a signed version of the MOA</p>	<p>SOPs to be review and amended</p> <p>Each contract to be checked to make sure it is signed by all parties, including witnesses and recorded in correct year.</p> <p>Check and review all new MOAs completeness and to ensure that only valid contracts are submitted to FN for commitment purposes.</p> <p>Train all staff involved on checking MOA compliance.</p> <p>Monthly meeting with Finance to reconcile the commitment register</p> <p>Record of addendums to be kept by Operations and Finance to ensure these are recorded on the commitment register</p> <p>Create a SharePoint repository for all active MoAs for easy accessibility by regional offices</p> <p>Ensure DG Awarded entitles have access to signed MoAs</p>	<p>MoA Management SOP is in draft - engaging regions and PI.</p> <p>Managing the risk errors due to the influx of MoA submissions during the 4th Quarter.</p> <p>Strength internal controls on submission dates and the checking of documents i.e. MoAs.</p> <p>Training</p> <p>Regular meetings are held</p> <p>PI/Finance to implement the checking of addendums uploaded on sharepoint against signed addendums</p>	<p>In progress</p> <p>To be done in Q4</p> <p>Completed but ongoing</p> <p>Completed</p> <p>Actioned but ongoing</p> <p>Actioned and ongoing</p>	<p>PI/ Fin SM</p> <p>PI/Fin managers</p>	Completed

Detailed Progress Report: Audit Action Plan

Finding	Unit	Recommendation	Actions required	Status update Feb 2024	Status	Responsible person	Timeline
COMAF 38- Amendments required to some disclosure items in the AFS, some material in nature.	Finance	The entity should ensure that the notes are updated on the AFS and that the financial statements comply with the requirements of the GRAP standards.	Thorough checking of AFS disclosure to supporting schedules Thorough review by CFO and Internal audit AFS to be checked to GRAP compliance AG to advise on any changes in prior year disclosure changes prior to commencement of audit	Disclosure was corrected in the 2023 AFS and will again be thoroughly checked when the 024 AFS is prepared at year end. Will also be submitted to Internal audit for review.	Not yet started	SM/Finance CFO Internal Audit ARC	Y/end 2023/24
COMAF 24- Differences between operational commitments and contract value	Finance	Management should consider the need for monthly reconciliations of the commitments register and ensure that the completeness and accuracy of the commitment register Management should strengthen its review of the annual financial statements against the \relevant source documents to ensure it is accurate and complete.	Improved control over contracts and payment milestones Training of all project owners on contract management Operational commitment register to be updated on a monthly basis	One on one sessions are being held with contract owners to capacitate them and identify gaps in the process, particularly regarding payment milestone schedules. The first focus has been with ICT and Facilities who have the majority of contracts. Update for SOPs for contracts management in progress. To be signed off by end of March 2024	Completed but requires ongoing monitoring In progress	SM SCM/ SM Finance Manger: Risk & Reporting	Q3 & Q4 2023/24

Declaration: AA & Executive Management

In light of recent challenges and with unwavering commitment to our collective success, we, the management, hereby declare our dedication to reinvigorate our organisation and propel it to greater heights. Recognising the potential within each member and the power of collaboration, we embark on this journey with a clear vision and determination.

We will immediately ensure:

- Implementation of the Transformed organisational structure, ensuring all staff are working optimally within their teams and revised role profiles.
- Ensure continued contact and communication with our stakeholders to meet targets and facilitate skills development for a growing economy.
- Ensure optimal productivity in the merSETA by filling all vacancies and streamlining systems for efficient, effective and ethical operations.



