



merSETA

MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA

ANNUAL REPORT



2010 / 11



NEW TYRE MANUFACTURING

This sector has a long history of contributing to import and export markets. Given steady investment over an extended period, the industry has maintained a viable presence in southern hemisphere markets and made inroads into markets abroad via vehicle export contracts and original equipment sales.

METAL AND ENGINEERING

The sector is becoming increasingly linked with the electronics industry and places more emphasis on innovation and product globalisation.

PLASTICS MANUFACTURING

It is a significant participant in the country's manufacturing sector, accounting for more than 50 per cent of materials used.

AUTOMOBILE MANUFACTURING

It is a significant contributor to the country's manufacturing output guided by policy instruments and initiatives from the Department of Trade and Industry.

RETAIL MOTOR AND COMPONENTS MANUFACTURING

This sector is closely linked to the automotive manufacturing sector as the supply of components for motor vehicle assembly and manufacture is a prime source of trade. Government policy instruments and initiatives apply to this sector.



VISION

merSETA, leaders in closing the skills gap.

MISSION

To facilitate the sustainable development of skills transformation and to accelerate growth in manufacturing, engineering and related services.

VALUES

- Respect
- Service Excellence
(External and Internal)
- Innovation
- Integrity
- Honesty

Registration Number: 18/merSETA/01/04/08

16 Manufacturing, Engineering and Related Services

RP: RP156/2011

ISBN: 978-1-77018-752-8

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higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



merSETA
MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA



Minister B N Nzimande

MP, Minister of Higher Education
and Training

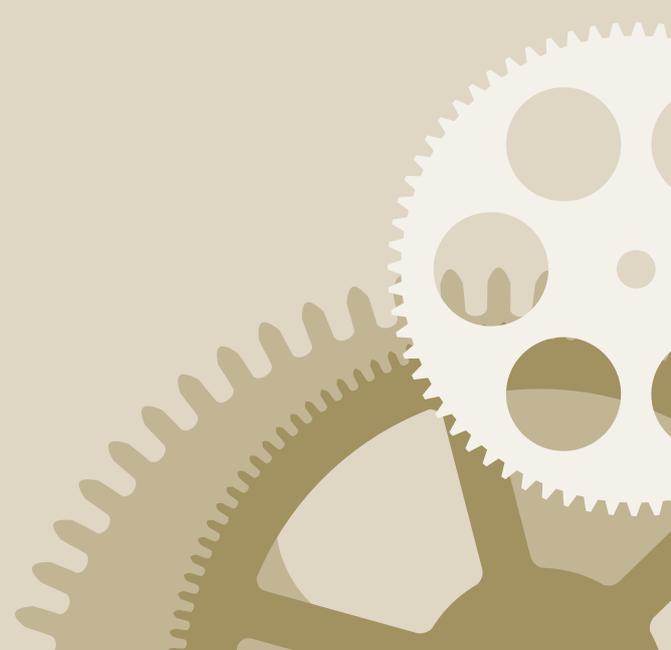
Honourable Minister

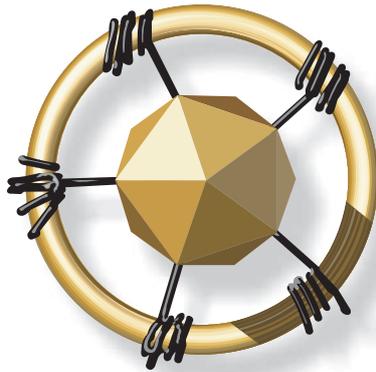
It is indeed a pleasure and a privilege to present to you the annual report of the Manufacturing, Engineering and Related Services SETA for the period 1 April 2010 to 31 March 2011. I thank you and your Ministry for the unwavering support received during this accounting period and trust that you will find the report in order and share our pride in contributing to the strategic objectives of meaningful skills development in South Africa.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ray Patel', written over a dotted line.

Raymond Patel (Dr)
Chief Executive Officer





merSETA

MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA

Strategic objectives

Increase skills available to the sector to meet its short-term needs by investing and encouraging investment and innovative thinking	Stock of skills
Strengthen the skills pipeline in the medium to long-term supply of skills into the sector	Flow of skills
Enhance the capacity of various types of employers in the sector to realise greater returns on training investment to enable employees to benefit from training	Workplace learning
Empower beneficiaries and employers to realise greater benefit from training by improving the base	Growing the base
Strengthen sector mechanisms for skills planning, implementation and partnerships	Skills infrastructure

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CHAIRPERSON'S OVERVIEW

"We are entering a reconfigured post-school training landscape that needs commitment and revitalised strategies for the success of our economy."

It is with honour and humility that I present the 11th annual report of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) in terms of our legislative requirements.



Ms Jeanne Esterhuizen

This is also the final annual report under the auspices of this board, whose term ended on 31 March 2011. In the course of the past financial year, the Department of Higher Education and Training (DHET) assumed control over SETAs which previously fell within the ambit of the Department of Labour.

It has been a challenging year for post-school education and training – not least because of the bureaucratic minefield we have had to navigate during the hand-over from the Department of Labour to the DHET.

Policies and priorities changed and personnel in government departments shifted, leading to different emphases, while there were backlogs in mandatory and discretionary grant output due to bureaucratic confusion.

The Minister of Higher Education and Training, Dr Blade Nzimande, announced in November 2010 that SETAs would have reconstituted Boards and reconfigured constitutions to align them with reinvigorated government thinking on boosting skills and training effectiveness.

When extending the mandate of the SETAs for a further five years from April 2011 to 2016, the minister also announced a reduction in the number, from 23 to 21 sector education and training authorities.

Certain constituent parts of various SETAs were merged with others, with the merSETA having to transfer the Fuel Retailers Association (FRA) to the Wholesale & Retail SETA.

Fortunately, there was no concomitant shedding of jobs at merSETA during this transfer. Natural attrition served its purpose of keeping administration expenditure within the 10 per cent legislated limit.

Initial staff anxiety over job security proved misplaced as the stability of SETAs was guaranteed through numerous government pronouncements.

And with the extension of the SETAs' mandate, the minister demonstrated that government believes that SETAs are the training fulcrum of our economy.

At the close of the financial year in March 2011, the minister announced the appointment of new, independent Board chairpersons and reduced the number of Board members to enhance efficiency and effectiveness.

The new governing structure took effect from 1 April 2011.

This annual report, then, is the final of the Board headed by myself this last financial year.

It maps our achievements and progress for the financial year 1 April 2010 to 31 March 2011.

While the economic recession continued to batter the South African economy, the automotive industry, a major component of the merSETA, saw significant recovery towards the end of the financial year.

Thus, the financial affairs of the merSETA this past financial year were sound and it achieved desired targets in most areas.

Following on 11 years of unqualified audits, the merSETA experienced a better than expected year in terms of levy income. The merSETA levy income grew by 8.4% in the 2010/11 financial year over the prior year to reach R776 million. The levy income exceeded the budgeted amount by six per cent. The number of contributing employers increased slightly to 11 003 from 10 792, most of which are large companies employing more than 150 employees.

The merSETA maintained a constant monthly stream of mandatory and discretionary grant disbursements. The organisation's financial position in the year 2010/11 was strong with substantial financial assets. Its substantial reserves are 84% committed in learnerships, apprenticeships and projects stretching over the next four years to the value of R773 million.

The merSETA had good responses on the electronic WSP application platform for another year, and the claim ratio increased to 77% from 73% the prior year. The merSETA's mandatory grant disbursements were, however, negatively impacted by the DHET's inability to provide the levy download file which provides employer information necessary to pay mandatory grants.

The mandatory grant expense increased to R369 million from R334 million compared to the prior year, as full provision was made based on the claims ratio even if the merSETA did not have the information to pay the mandatory grants.

Discretionary grant expense, including project expense, for the 2010/11 financial year amounted to R331 million – a 30.8% decrease from the prior year's expense of R478 million. This translates to 65% of budgeted expenditure. The merSETA was unable to meet the full budget due mainly to the economic recession which the industry experienced, leading to some employers phasing down training and/or delaying the implementation of training programmes.

In tandem with Government initiatives to cushion the economic recession on employment and sustainability, merSETA received funds through Government's Training Layoff Scheme which increased government grant funding. This initiative was successfully implemented.

The merSETA has augmented its presence in all provinces via requisite talent attraction.

The social impact of these programmes has been enormous by any standards. The number of unemployed people entering our learning programmes for the year under review was 9032, up from the previous financial year's 8023. Success rates on other fronts detailed further on in this report also rose significantly in 2010/11.

The merSETA maintained its ISO 9001 Certification in recognition of the great strides made in the formalisation and management of our business processes, while it maintained its green status with the South African Qualifications Authority (SAQA) on the upload of Provider, Assessors and Learner Information on the National Learners' Records Database (NLRD).

In the year under review, our Governing Board continued to receive praise for its adherence to corporate governance and its best practice.

I am privileged to report success on all fronts.

The Way Forward

The coming financial year sees a new governing structure as well as the refocus of the merSETA's activities.

In particular, a hallmark of our operations will be forging closer ties with tertiary institutions as well as further education and training colleges (FETs).

The social impact of our programmes will also be crucial – it is fruitless to provide thorough training without the whole of society benefiting. merSETA is in the fortunate space of having laid the foundation for greater impact on South Africa's economic society.

Our success rate in forging Memoranda of Agreements with various education institutions is a testament to our commitment to broadening the base of skills and artisanship in South Africa. With the new Board in place, our stakeholders will participate closely in all processes aimed at ending the dearth of appropriate training and skills in South Africa.

Based on informed studies and recommendations on a recent roadmap, it is envisaged that the following should be addressed:

- The challenges in reaching learners must include promoting training access in rural areas, improving the quality of the teaching/learning processes as well as other relevant issues related to access to education;
- merSETA need to further study comparative costs of different technologies, languages of instruction, deeper partnerships with the private sector, intellectual property concerns, cultural relevance of training programmes etc. Here, the merSETA's rural roadshows in 2011/12 are integral to information dissemination and choice;

- Preferences regarding the methodology and interface preferred for this resource by the target audience including suggestions on what sort of material and what media would be most effective for the target audience; and
- Acceptance by the target audience for Open and Distance Learning at tertiary level as well as the flexibility processes of such learning.

Some of these ground-breaking processes are contained in recent studies emerging from collaboration with tertiary institutions. It will be important to implement these approaches for the sake of societal progress.

Conclusion

Within the context of a constantly changing Skills Development and Training landscape and tremendous socio-economic challenges, the merSETA has achieved commendable synergy of vision with stakeholders in the past 11 years. It is this consensus that makes us see the world economy as an opportunity and the platform for innovative methods of operation.

It was a privilege to serve with an exceptionally talented Board, merSETA management and staff in the past 30 months during which all made a tangible difference in the lives of thousands of learners and companies in our sector by maintaining the spirit of *Ubuntu*.

The unequivocal commitment of the new merSETA Board and stakeholders, both organised labour and employers, will ensure we remain key partners with government and other sectors in actively promoting post-school education and training.

We are entering a reconfigured post-school training landscape that needs a renewed commitment from all stakeholders for the success of our economy.

I wish the new Governing Board immense success in implementing merSETA strategies in the new financial year.

A strong foundation is already in place.

I thank you!



.....
Ms Jeanne Esterhuizen
Chairperson
Manufacturing, Engineering and Related Services SETA



CEO'S FOREWORD

Inspiring the New Generation of Artisans

In line with its mandate of upskilling and training South Africa's learners and employees, the merSETA powered its way forward in the 2010/11 financial year, yet again achieving major milestones.

The merSETA believes that the object of education is to prepare the youth to educate themselves throughout their lives. Famed author Victor Hugo once said: "He, who opens a school door, closes a prison."

This annual report shows that the merSETA is building an enabling society – a society steeped in promoting best learning practice within our post-school sphere.

Eric Fromm famously asked: "Why should society feel responsible only for the education of children, and not for the education of all adults of every age?" In answering, merSETA has a dedicated and successful ABET programme that segues with the school curriculum as well as other post-school training assurance programmes.

Thus, continuous improvement is not only our byword – we stand and act consistently by this progressive stance which supports lifelong learning.

Our results for the financial year ended 31 March 2011 were indicative of this belief.

At the end of March 2011, the **Accelerated Artisan Training Programme (AATP)** project uptake reached **3093** apprentices of whom **1432** were funded by the National Skills Fund (NSF) and **1661** by merSETA. Of these apprentices (who started in October 2007), **1291** have successfully reached the final milestone by passing their trade tests. **merSETA-funded candidates have had 90% successful completions in metal trades and 50% in motor related trades.**

The merSETA is consolidating a broader platform for this project in the NSDS III period. Post-trade test career paths are receiving attention through further support for the Government Certificate of Competence (GCC), FET and university-based engineering lecturer development. Furthermore, a concept research assignment on the feasibility of a proposed **"Master's in Technopreneurship"** has been completed.

The pilot of the **Occupational Trainer Qualification**, developed as a QCTO project by the merSETA, **commenced with five Master Trainers from each of the Chambers** and a training resource file and website were developed. Following site visits to the training centres, the next phase is to commence with the training and development of **40 candidate occupational trainers**, and full registration of the qualification, for broader roll-out and release into the public domain. The social impact of such programmes influences scores of potential SMEs and single-source providers.



Dr Raymond Patel

The **Recognition of Prior Learning Project** launched in mid-2010 relied on an approach rooted in each of the chambers. This project has provided a sound platform to mainstream RPL through Discretionary Grants, matched by support and capacity-building interventions for companies.

The second year of the **Science Engineering and Technology (SET) Project** was highly successful with an intake of **600 learners in the 2010/2011** financial year. **Grade 12 learners had a 100% pass last year with 105 distinctions and 85% university entrance passes.** Looking ahead, the merSETA plans to expand this intervention with a **stronger focus on rural areas** through linkages with FETs and institutions of higher learning in remote areas as well as the merSETA Bursary and Career Guidance Units.

As underscored by research, the global economic recession had a significant impact on the manufacturing, engineering and related services sectors. But the merSETA assuaged its negative impact through several initiatives. Through the **Retrenchment Assistance Programme (RAP)**, the merSETA provided direct assistance to **32** companies and **4127** retrenched workers to the value of about **R51-million**. Through the national government initiative, the **Training Layoff Scheme (TLS)**, merSETA was able to assist a further **11** companies and **4768** workers to the value of about

R56-million. These interventions included Skills Programmes, Learnerships and short courses. A further **eight** Training Layoff applications involving **880** workers were approved by the CCMA and are being processed via the NSF.

The **Toolbox Project** was designed to ease the learning pathways of candidate artisans in SME workplace learning settings by providing custom-assembled toolboxes for merSETA-funded learners. A total of **1488** toolboxes have been issued, with **556** SMEs and learners expressing satisfaction with the standard and quality of the tools.

The key objective of the **Accounting Technicians Project** is to improve the entry and middle management level financial skills in

participating organisations. The project is implemented in association with SAICA (AAT) SA and runs over three years with a budget of R2 million per annum for 100 candidates.

In July 2007, the merSETA Board approved the **SME Training Voucher Implementation Programme (VIP)** as part of a three-year strategy – the SME Skills Development and Support Programme – to assist SMEs in our sector to easily access training for their employees. The **project value per annum** is around **R30 million**, and **several thousand learners and SMEs** have been reached through this initiative.

The purpose of the **merSETA bursary scheme** is to create a supply of qualified employable engineers to fulfil industry requirements to stimulate economic growth and competitiveness at all levels of the economy. The number of students supported by the merSETA bursary project has grown from **nine** in the 2004 academic year to about **750 (250 employed and 500 unemployed)** in the 2010/11. In all, the merSETA has sponsored more than **2500** students. **There have been some notable success stories** – a woman graduate in Mechatronics from NMMU, having gained experience with one of the Auto Chamber stakeholder companies, is now employed as an engineer in Germany; and our first MSc Engineering Management student who graduated in December 2010 is now employed by Stellenbosch University Centre for Renewable and Sustainable Energy Studies.

480 candidates were reached in the past financial under the **New Venture Creation (NVC)** project across all provinces. **This year, merSETA was privileged to work with six FET colleges** which ran programmes of this nature.

Currently, the merSETA provides direct funding support to **14 NGOs and CBOs**. Significant challenges have arisen with regards to skills development compliance issues that were not anticipated in the tendering and appointment phase. This calls for a more considered and integrated strategy. The merSETA has engaged in this exercise.

The purpose of the **HIV & AIDS Workplace Project** is to minimise the negative social and economic impact of HIV and AIDS within the working environment in SMEs across the sector. **The intervention was measured in terms of overall progress, Economic Impact Assessments (EIA), Knowledge, Attitudes and Practices / Perceptions (KAP), and development of workplace HIV & AIDS strategies and policies.** Looking ahead, the primary task is one of promoting and disseminating best practices.

The merSETA **Adult Basic Education and Training (ABET)** project aims to provide centrally-funded and managed support for learners in need of ABET. The project, aimed at furthering education and training opportunities, lifelong learning and enhanced career opportunities, has proved a resounding success. In February 2008, the merSETA commissioned a research study to determine the status and impact of ABET training. In addition to implementing both Business and Accelerated ABET modules, the merSETA custom-designed an Occupational ABET programme. **This involved developing five (5) ABET curricula and learning materials at ABET L2, L3 and L4 customised to each of the merSETA Chambers** in order to build a closer fit between ABET and the needs of these sub-sectors.

Registered **apprenticeships** numbered **5169**, more than 800 compared to the previous financial year, while more than **15 700** employed and unemployed people completed **learnerships**.

The purpose of the **People with Disabilities (PWD)** project was to develop a strategic and implementation plan to promote training and placement for the disabled in certain occupations. **A useful research report detailing learning and career pathways for people with various forms of disabilities has been developed and is available for the sector.**

The unit engaged in a range of initiatives designed to assist stakeholders in completion of their WSPs in terms of the OFO codes. **A publication identifying key OFO codes in merSETA chambers/sectors was developed together with a range of "step-down" reports**, designed to ensure the research findings were more accessible to a wider audience, **including an updated Scarce and Critical skills list (2011/2).**

The R&D Unit was also engaged in a range of national and international academic initiatives. These included academic papers delivered at the **World Association of Co-operative Education (Hong Kong)** and the **World Teaching and Learning Conference (Cairo)**. Notable national conferences at which papers were delivered included the **South African Society for Co-operative Education (SASCE)** and the bi-annual conference of the **Development Policy Research Unit (DPRU)**. The unit was also actively involved in the **SAQA Research engagement on RPL**. The merSETA was invited to present papers at the **UMALUSI Adult and Vocational Education and Training (AVET) Conference (Johannesburg)** and the national **Pan African Technical and Vocational Education and Training Conference (Cape Town)**.

In addition, **partnerships and MoUs** with the **HSRC, the University of Bremen and the University of Witwatersrand (Johannesburg)** have been developed. Collaborative research ventures with the **REAL (Research into Employment and Learning)** at Wits University's Education Policy Unit (EPU) and the **Further Education and Training Institute (FETI)** at the **University of the Western Cape** are being explored. The merSETA also engaged with the **UNESCO initiative on the 2012 Global Monitoring Report** which intends to explore the country context of skills development.

We indeed are not an inward looking enabling institution but one that competes with best learning practice around the globe.

We are well-placed to inspire the next generation of artisans.

Way Forward

As noted, the merSETA ensured its programmes benefited key industries and communities in its sector.

But much more needs to be done. In the 2011/12 financial year, we began the process of measuring the social impact of our programmes. This is a major plank of government's thinking on skills development. The social impact assessment will be completed in the 2011/12 financial year.

Expanding the skills flow and pipeline through more effective strategies is also under consideration. Industrial tourism has become increasingly popular in recent years, particularly in Europe. From power stations to distilleries, from light manufacturing to automobile service and maintenance, all sorts of factories and plants are opening their doors to industrial tourists.

In Europe, the automotive industry in particular is attracting considerable interest with production and assembly sites welcoming tens of thousands of visitors each year. The merSETA is studying industrial tourism as a complementary mode of attracting South Africa's youth into industry and learnerships/apprenticeships.

The benefits to companies are manifold and include the attraction of new employees, building brand loyalty, getting closer to customers to ensure customer satisfaction and building a pool of expertise. In Europe, Autostadt opened its doors in 2000. Volkswagen invested about R4,5-billion to establish what it calls "a world forum for automobility". This site enables visitors to discover state-of-the-art technology and experiences relating to automobiles in a brand new form.

The merSETA hopes to partner major companies to make their work processes attractive to potential employees.

It is only with the help of the Board and our stakeholder commitment that we have achieved so much. merSETA management takes this opportunity of wishing the previous Board well, knowing that their leadership has successfully steered and guided numerous strategic projects.

We have a mandate to produce several thousand qualified artisans and this gap between scarce and critical skills must be overcome if we are to have the meaningful impact our society needs.

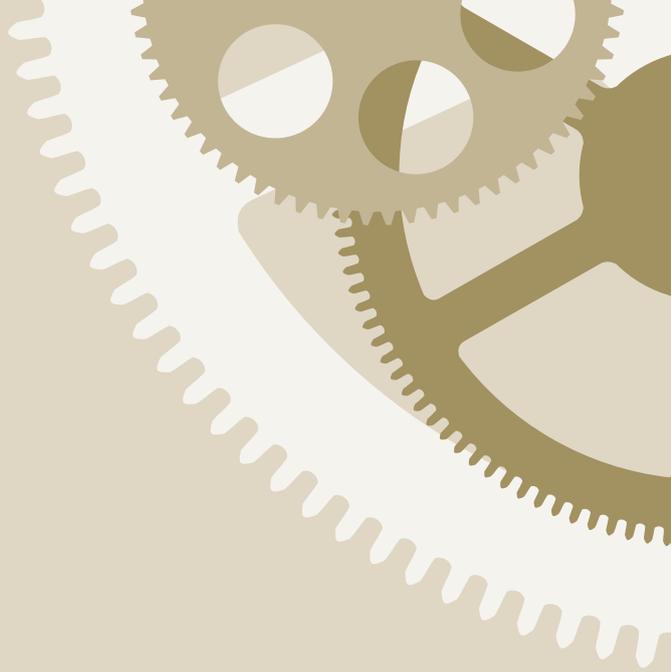
We welcome our new Board and trust their guidance will enable the merSETA to meet its objectives.

I also take this opportunity to thank all the staff who faced anxiety and apprehension as the fate of the SETAs remained uncertain. They remained steadfast in their commitment and loyalty to training all South Africans and supporting our economic growth objectives.

I thank you.



.....
Dr R Patel
Chief Executive Office
merSETA



Manufacturing, Engineering and Related Services Sector Education and Training Authority

The merSETA Governing Board



Back row (left to right): Mr Karl Cloete, Mr Zamo Xaba (Alternate), Mr Dave Rule, Mr Blackie Swarts, Mr Pierre Bezuidenhout, Ms Chrystal Christian, Ms Monica Netshandama, Mr Piet Verryne (Alternate), Mr Abe Dunn, Ms Carla Mchintosh, Mr John Wilson, Mr Neil Abrahams, Mr Jakkie Olivier, Mr Guy Harris

Front row (left to right): Mr Thapelo Molapo, Mr Anton Hanekom, Mr Vukani Mthethwa, Mr Xolani Tshayana (Deputy Chairperson), Ms Jeanne Esterhuizen (Chairperson), Ms Malebo Mogopodi, Ms Janet Lopes, Mr Ephraim Tshikwavhava

Members not present: Mr Phumzile Nodongwe, Mr Dana de Villiers, Mr Raymond Kgagudi, Mr Gibson Lephallo, Mr Piet Veldtman, Mr Piet Weigemoed, Mr Len Whiteley, Mr Anton Gerresten (Alternate), Mr Wickus Greyling, Mr William Nsele, Mr Thabang Tsiboli (Alternate)

Manufacturing, Engineering and Related Services Sector Education and Training Authority

The merSETA Management Team



Dr Raymond Patel
(Chief Executive Officer)



Ms Beaula Dziruni
(Chief Financial Officer)



Mr Wayne Adams
(Chief Operations Officer)



Mr Tom Mkhwanazi
(General Manager: Corporate Governance)



Ms Moketenjana Mayongo
(General Manager: Corporate Services)



Mr Derrick Peo
(General Manager: Projects)



FINANCIAL OVERVIEW

The merSETA had mixed results in terms of financial performance for the 2010/11 financial year. Whilst the levy income grew and the financial position remained strong, the merSETA did not reach its targets on expenditure.



Ms Beaula Dziruni

Levies

The merSETA levy income grew by 8.4% in the 2010/11 financial year over the prior year to reach R776 million and exceeded the budgeted levy income by 6%. The number of contributing employers increased slightly to 11,003 from 10,792, most of which were large companies employing more than 150 employees. SARS implemented a new tax and levy system which impacted negatively on the merSETA, resulting in remittances to merSETA fluctuating widely as well as delays in levy transfers during the year.

The breakdown of levies received per chamber (Graph 4) shows a similar pattern to the prior year, with the Metal Chamber contributing the largest share of levies at 51% as well as having the largest number of companies, both contributing and exempted. As in prior years, most of the firms, registered, active or contributing, were based in Gauteng.

Grants and Projects

The merSETA had good responses on the electronic WSP application platform for another year and the claim ratio increased to 77% from 73% in the prior year. The merSETA's mandatory grant disbursements were, however, negatively impacted by the DHET's delay in providing levy download files, which provides the employer information necessary to pay mandatory grants. The merSETA had to undertake time-consuming and cumbersome procedures to obtain information on levies paid directly from employers to maintain a consistent flow of mandatory grant payments. However, the mandatory grant expense increased to R369 million from R334 million in the prior year.

Mandatory grants are based on levy income so follow a similar distribution pattern over chambers and provinces.

Discretionary Expenditure

Discretionary grant expense, including project expense, this year amounted to R331 million – a 31% decrease from the prior year expense of R478 million. The decrease was due to several factors being:

- a. The amounts of second and final grant payments were below budget. The merSETA only pays the second and final tranches on attainment of the 50% and the 100% training completion milestones respectively. Training at employer companies was negatively affected by the economic recession in the previous two years. Companies that had taken on apprentices during that period often lagged behind schedule in attaining the 50% and

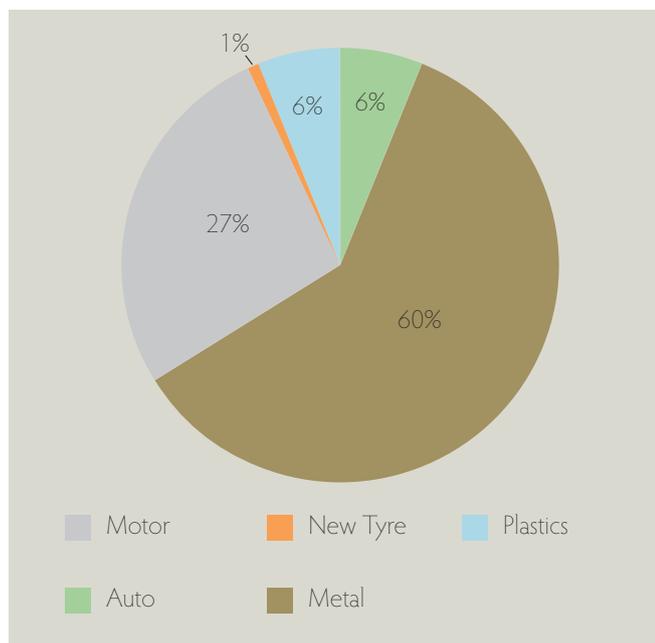
100% training completion stages and, therefore, could not claim the complete budgeted second and third payment tranches;

- b. Delays in allocation of grants under Discretionary Grant 3. DG3 allocation was only approved in October 2010 and most first tranche disbursement was effected in February and March 2011. Therefore, a number of short programmes budgeted to reach second tranche milestones in 2010/11 did not achieve this;
- c. All first tranche payments during the year were at the lower level of 10%. When the merSETA started allocation of grants based on MoAs, the first tranche payment was at 33%. This was changed to 10% in 2009/10, but the change was slowly phased in as some companies already had multi-year MoAs, providing for payment of the first tranche at 33%. In 2010/11 all companies were only paid 10% as the first tranche.
- d. The merSETA continues to monitor companies receiving discretionary grants as prepayments last year to ensure that training is implemented. The merSETA also vigorously pursues all companies not implementing remedial actions or requires them to return the grants already paid.
- e. Project expenditure was below budget due to a number of projects undergoing review.

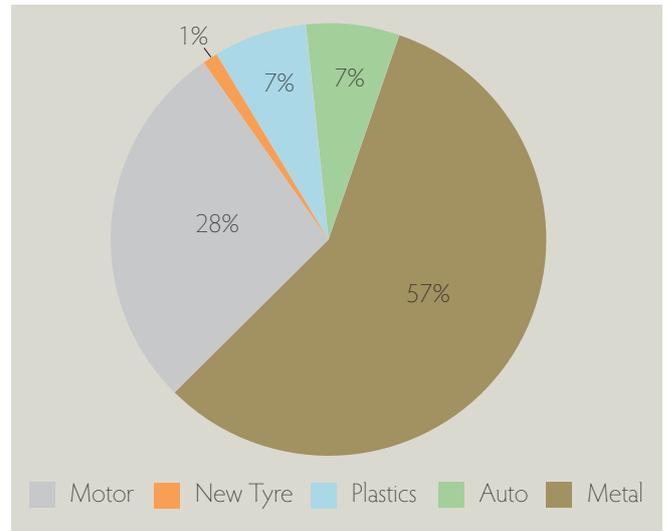
Financial Systems and Internal Controls

During the year, audits and losses highlighted weaknesses with Supply Chain and Grant Administration which the merSETA is addressing.

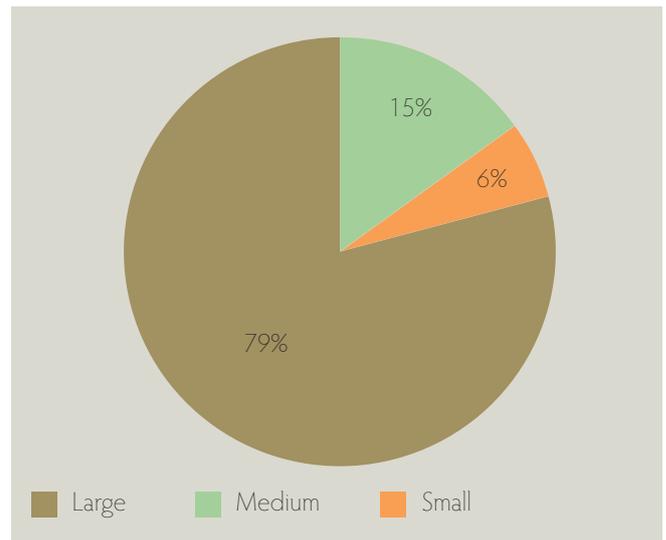
Graph 1: Percentage of Total Levies Paid by Chamber 2010/11



Graph 2: Percentage of Total Levies Paid by Chamber 2009/10

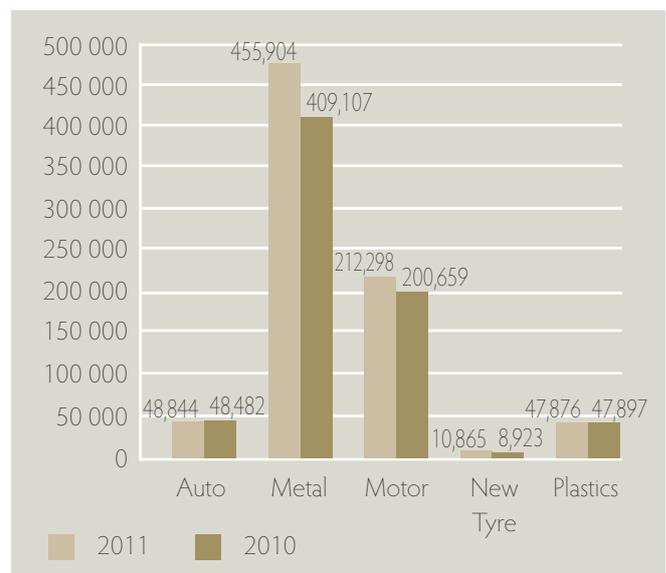


Graph 3: Composition of merSETA Contributing Companies By Number of Employees

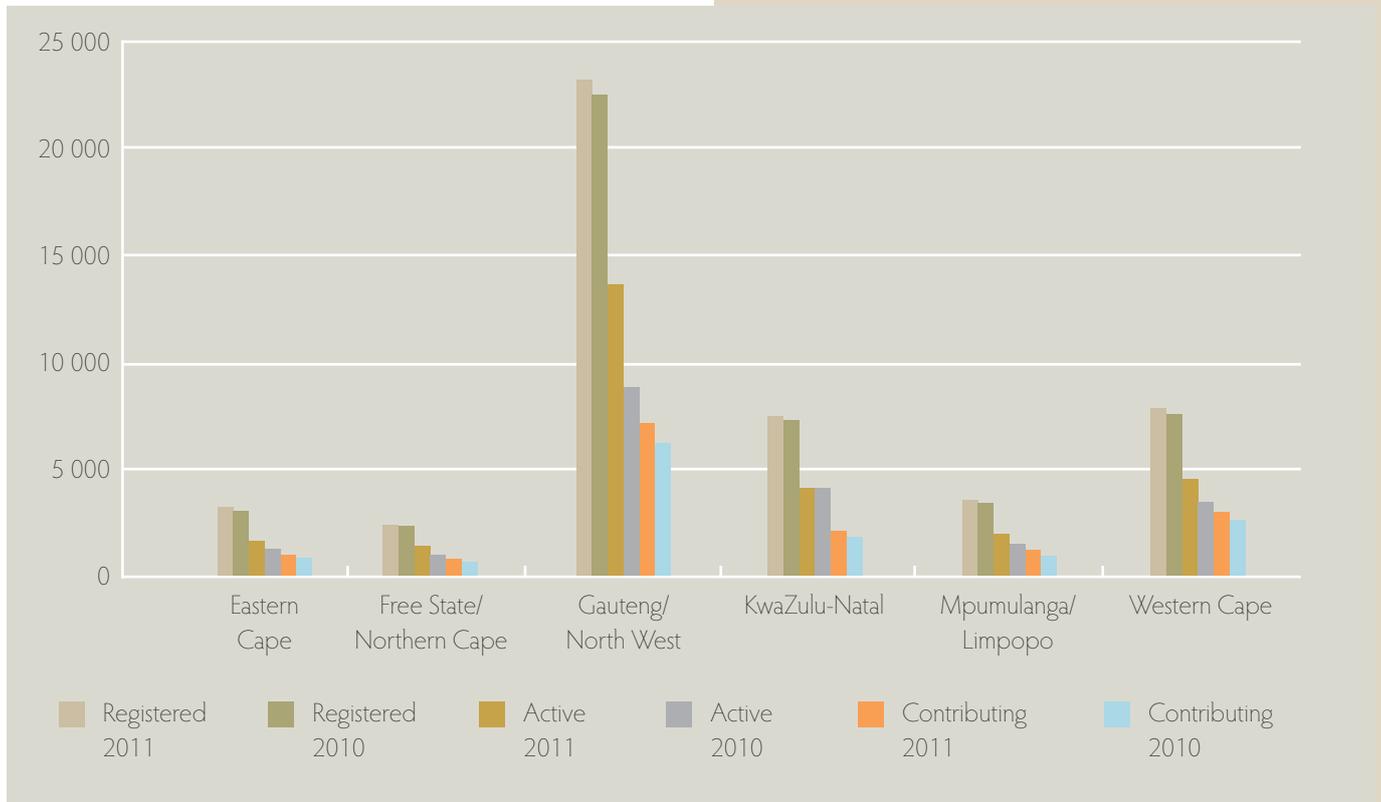


Graph 4: Levy Contribution by Chamber 2010/11 vs. 2009/10

Rand 000's



Graph 5: Total Levy Analysis by Region



Graph 6: 2010/11 Income and Expenditure
Rand 000's



CORPORATE SERVICES REPORT

The Corporate Services Division consists of the Human Resource Unit, the ICT Unit and the Marketing and Communications Unit.

HUMAN RESOURCES UNIT

In the financial year April 2010 – March 2011, the merSETA Human Resources unit achieved the following:

1. Recruitment

The recruitment process is competency based. During the ISO Audit, the Human Resources Recruitment process obtained a clean audit without any findings. During the latter part of the period, a moratorium was placed on all recruitment.

The table represents all the appointments that were made in the financial year:

New Appointments

Race	Gender	Job Level	Start Date
White	Female	B5	April 2010
African	Male	C2	April 2010
Indian	Male	C4	May 2010
White	Male	C4	May 2010
White	Male	C4	May 2010
African	Male	C3	June 2010
African	Male	C2	June 2010
Coloured	Female	D2	July 2010
Coloured	Male	B5	July 2010
Indian	Female	B5	July 2010
African	Female	A2	August 2010
African	Female	A2	August 2010
African	Female	D2	September 2010
Indian	Male	C2	September 2010
Coloured	Male	B5	September 2010
African	Female	C3	November 2010



Ms Moketenyana Mayongo

2. Staff Complement

Permanent Staff	228
Temporary Staff	12

The following external consultants performed work for the Human Resources unit:

- LR Group – development of Online Induction Programme;
- 21st Century – salary benchmarking and job grading;
- VIP – Payroll and Electronic Payslips; and
- CBARS – Performance Management System.

3. Integrating New Staff

An Online Induction Programme was developed and implemented to introduce new staff to the merSETA's mission, vision, values and general operations. A Buddy Programme was implemented to introduce new staff into the workings of their respective units. All new staff are introduced to merSETA nationally in the electronic monthly newsletter as well as through email.

4. Legal Compliance

The merSETA WSP and ATR was submitted to ETDP SETA by 30 June 2010 and payment of the mandatory grant payout is still in process. The merSETA has engaged with ETDP SETA to participate in their Intern Project in 2011/2012 so as to qualify for a Discretionary Grant.

The merSETA EE Report was submitted to the EE Registry by 31 October 2010. EE Reports for each region and unit within the merSETA was developed and informs recruitment and appointment within the merSETA.

5. Performance Management

All staff performance is managed by means of an interactive electronic performance management system. A year-end performance moderation process is implemented to ensure fairness in the rating process. Upon the conclusion of the moderation process, performance bonuses are paid based on a moderated performance score.

Staff who obtained a below average score at the 2010–2011 year-end assessments were put onto a performance improvement process.

6. Training and Development

Staff and managers develop Personal Development Plans that inform their individual training during the year. Group Training Sessions for Team Leadership, Strategic and Risk Management and Public Finance Management and Coaching and Mentoring Training were conducted at Head Office during October and September 2010.

7. Disciplinary Action

The tables below provided a summary of the disciplinary action taken during the financial year:

Misconduct

Thirty-one staff employees underwent disciplinary measures on a range of issues ranging from excessive use of merSETA facilities (telephones etc) to poor time-keeping.

8. Grievances

The following grievances and CCMA matters were lodged and resolved:

Gender	Race	Grade	Month	Outcome
Female	African	B5	1 May 2010	Resolved at stage 1
Female	African	B5	14 June 2010	Resolved at stage 2
Female	African	C2	15 February 2011	Resolved at stage 1
CCMA Cases				
Gender	Race	Grade	Month	Outcome
Male	Coloured	D5	February 2011	Unfair labour practice case settled before the session

9. Wellness

A number of social wellness events took place such as the Soccer Challenge, Woman's Day Function and the Potjiekos Challenge. The Annual Staff Celebration and Award Evening and Kids Party took place in December 2010.

Wellness talks were hosted in all regions addressing Financial Wellness, Personal Development and Emotional Intelligence. An HIV/AIDS Awareness session was hosted along with the Tshepang Trust on Mandela Day. This session was followed up by Voluntary Counselling and Testing in December 2010 along with a "hands on experience" that saw staff visiting HIV/AIDS aligned NGOs.

The engagement rate with the ICAS Toll Free Line amounts to 75.6% which is significantly higher than the 11% international engagement rate average.

10. Employee Relations

The merSETA Management and Union Forum met monthly during the period and a positive, cooperative relationship is well established.

11. Talent Management and Retention

All new staff underwent the merSETA Talent Assessment. Each participant received an individual report during a face-to-face feedback session. An updated Talent Management Matrix has been compiled. Top talent was identified through this process.

A retention strategy was developed and approved by the Remuneration Committee.

12. Remuneration and Recognition

The remuneration practice is guided by an independent Remuneration Committee. All positions are graded according to the Patterson Grading system. 21st Century has been engaged in the evaluation and benchmarking of the Senior Management Team packages. Staff cost to company salary packages are based on independently determined salary bands and paid on or before every 25th of the month. The following table provides the salary bands for the financial year:

Salary Bands

Patterson Grade	Salary Bands
F	1 050 000 – 1 750 000
E	724 976 – 1 130 963
D	255 036 – 682 810
C	157 596 – 324 900
B	77 244 – 191 076
A	56 388 – 83 076

No jobs were downgraded. The following positions were independently re-graded:

Re-graded positions

Position	Paterson Grade
IP and Communications Specialist	C3
Senior ICT Specialist	C5
Project Manager: Career Development	D2
Senior Coordinator Travel	C3
HR Coordinator	C2
RAP & TLS Project Coordinator	C2
Call Centre Supervisor	C3
Events Coordinator	C3

A Recognition Committee was established to manage the annual Staff Recognition awards. In November 2010, staff and managers nominated top performers who best represented the merSETA Values. Winners were announced at an Award Ceremony aimed at boosting staff morale and loyalty.

13. Career Pathing

In light of the re-establishment of the SETA, work on a merSETA Career Map is well under way and will be implemented in the new financial year. The map aims to provide staff with guidance on merSETA career paths. Staff received financial support towards achieving their career related development.

14. Voluntary Terminations and Exit Trends

One female was dismissed for misconduct. No staff member was terminated for operational reasons. All other exits were voluntary terminations.

A standardised exit procedure was implemented to ensure that all merSETA property is returned when staff members resign. During the recent ISO audit, the HR Team received a clean audit with regards to the termination process.

During the period, 20 employees tendered resignations. This constitutes a 7% staff turnover rate. Such resignations were based primarily on better career prospects elsewhere.

The most common reason for resignation was career and growth opportunities and when asked what would have made them stay, a common answer was nothing as merSETA could not offer the growth and exposure the new company offered.

15. Focus areas for the new financial year

The following will be the focus of the HR unit:

- Establishing a Wellness Centre;
- Conducting Resilience Workshops and Team Building following the re-establishment phase;
- Establishing a Corporate Social Responsibility Programme; and
- Reviewing all role profiles following the re-establishment of the SETA.

ICT UNIT

Call Centre

During the 2010/11 financial year, the Customer Interactive Centre received 125 713 calls and successfully resolved 92.5% of requests while clients were on the phone. The Customer Interactive Centre managed to answer 82.3% of calls within 20 seconds which is higher than its contracted service level with the merSETA. The Customer Interactive Centre has an average speed of answer of 14 seconds. The Customer Interactive Centre obtained the quality score of 90% from the internal quality assurance rating.

To improve efficiency, the merSETA centralised its business by phone routing all incoming calls for its major regional offices (Gauteng, Western Cape, KZN and Port Elizabeth) to the Customer Interactive Centre. This centralisation allowed the larger regional offices to improve administrative processing while customer queries were successfully dealt with by the Customer Interactive Centre. The Customer Interactive Centre also dealt successfully with a number of customer requests via e-mail and fax. These requests were successfully resolved on the same day.

The Customer Interactive Centre has conducted a number of successful outbound campaigns on behalf of other divisions:

- Assisting Operations by proactively contacting clients during the Mandatory Grants Campaign; and
- Contacting clients on behalf of Finance to confirm levy payments and updating and confirming customer details, etc.

The Customer Interactive Centre consists of six (6) Call Centre Consultants and one (1) Supervisor.

Travel Desk

During May 2010, the travel booking function was moved from Corporate Governance to Corporate Services under the care of the IT and Call Centre Manager. A Travel Desk was re-established and a Senior Coordinator was appointed to facilitate the financial aspect of travel transactions. The Domestic and International Travel policy was updated to improve the administration of all travel arrangements and the Travel Policy was closely aligned with legislation.

Due to the volume and the need to improve response times, a Travel Agent was temporarily appointed to assist with reservations, while internal staff concentrated on clearing backlogs. After using the temporary Travel Agent for three months, the function was moved back in-house.

The Travel Desk makes approximately 130 travel booking for internal and external stakeholders per month and travellers are able to receive their booking confirmations two days prior to travel. The following improvements were made during the 2010–2011 financial year;

- Improved turnaround times;
- Cost saving by securing discounted rates;
- Improved relations with stakeholders, vendors and staff; and
- Enhanced financial acumen.

The Travel Desk received an award for the **"Most Improved Unit"** at the 2010 annual presentation of awards to staff at the annual Year End Function.

Information Communication and Technology (ICT)

The ICT unit successfully conducted the Bloemfontein office move to their new premises without experiencing any down time or loss of service.

The ICT unit also successfully set up the Kimberley office, enabling the merSETA to extend its footprint in the Northern Cape.

The merSETA has improved its disaster recovery process by implementing mirror images on core files servers in one of our regional offices with real-time replication of data between sites. New and updated software was procured to reduce the merSETA risk of operating with old unsupported operating systems. The update of software and operating systems will continue in the 2011–2012 financial year. The new SMS server has been moved to a data warehouse where the merSETA core application, SETA Management System, is under 24-hour surveillance. Regular backups are scheduled and tested for all regional offices to ensure data kept locally by the regions is protected.

The introduction of a help-desk application in 2010 assisted the ICT unit to improve its fault monitoring and tracking. Users were better supported via the helpdesk which allowed for each request to the ICT unit to be logged, tracked and escalated where necessary.

Since the move of the Mobile Account to ITC and the implementation of APN (Access Point Name) the following benefits were realised during the 2010–2011 financial year:

- Standardised and consistent application of Cell Phone Policy;
- Negotiated improved discounts with Vodacom from 10% to 17% on all accounts;
- Better administration of accounts; and
- Improved response times to users and 25% saving on the total mobile account.

Marketing and Communications

The Marketing and Communications Unit promotes the products and services of merSETA, using a wide range of channels and instruments to reach stakeholders and the general public.

It also ensures the organisation's brand equity is maintained.

During the financial year, the merSETA coordinated mass publicity around the Mandatory Grants campaign for stakeholders, using print, electronic and radio channels.

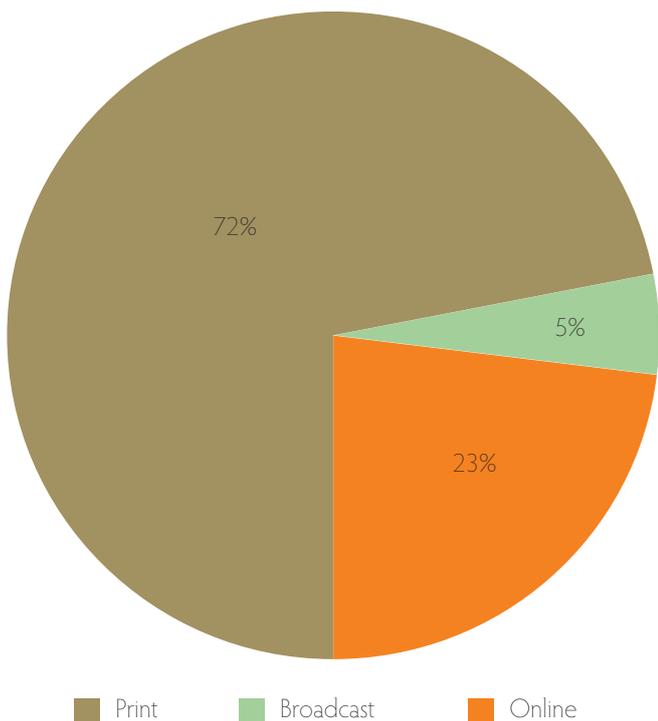
General branding in targeted publications for stakeholders was also effected, particularly in media aimed at the automotive, plastics, engineering and tyre manufacturing industries.

The merSETA magazine for stakeholders, *Achieve*, was printed and produced quarterly with four editions for the year ending March 2011. The demand for copies escalated as individual companies requested further copies for their own national and regional distribution. This footprint was further evidence of its effectiveness.

The unit was responsible for content management and updating of the merSETA website, with a turnaround time of 24-hours for updates and new documentation. A significant amount of intranet and Internet channelling was received from various merSETA departments.

An Advertising and Sponsorship Policy, an Intergrated Marketing Communications Policy and an Editorial Policy were developed, with refinement of the Corporate Identity Manual completed.

Breakdown of clip/insert count in percentages

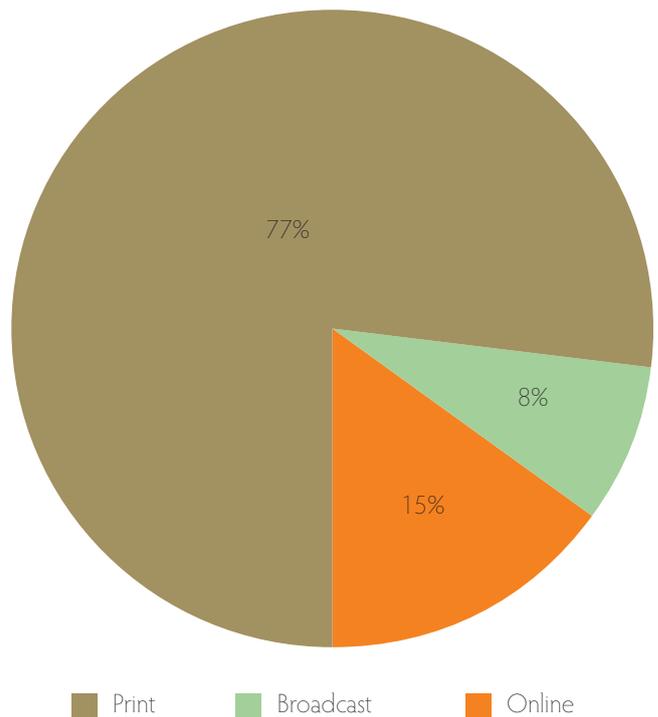


Summary of Media Coverage

The table below shows the number of articles and Advertising Value Equivalent (AVE) generated in each medium. The Manufacturing, Engineering and Related Services Education and Training Authority (merSETA) generated a total of 506 media items and a total of Advertising Value Earned of R11,674,794, according to a reputation score card survey.

	#	AVE
	506	11,674,794
Print	365	9,025,993
Broadcast	23	877,362
Online	118	1,771,439

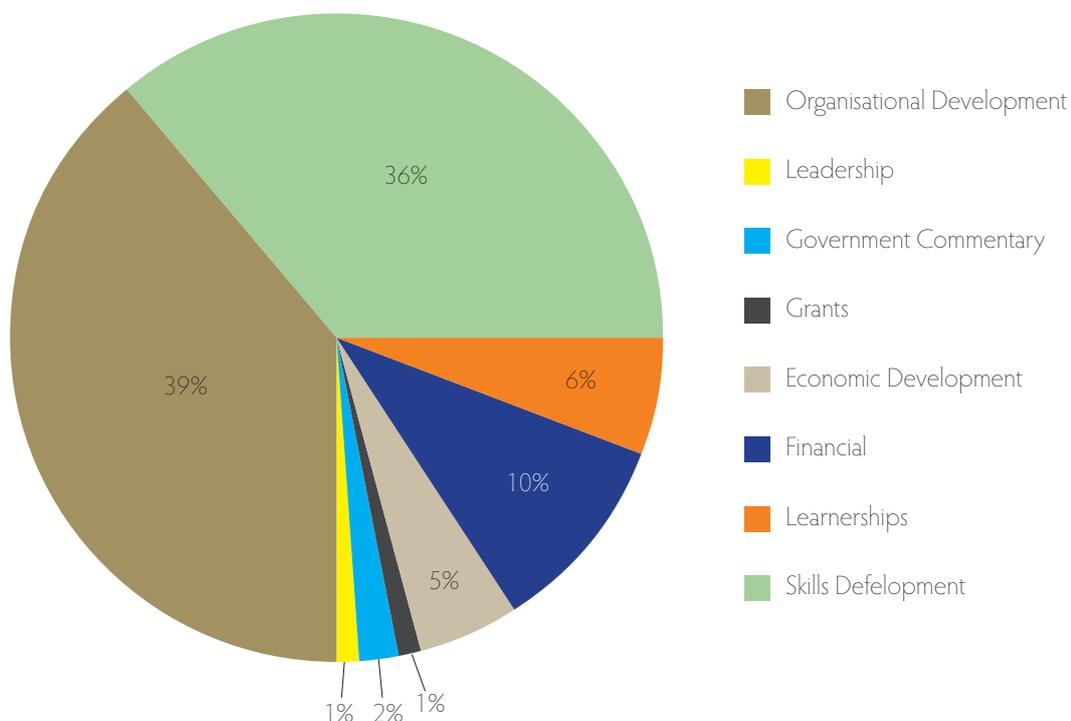
Breakdown of AVE in percentages



The table below indicates the Key Performance Areas and their AVE. Coverage across all mediums focused mainly on Organisational Development followed by Skills Development. Organisational Development comprises companies that trained their employees using merSETA-approved accredited training, while Skills Development refers to training programmes and workshops provided directly by merSETA to South Africa's current workforce.

	Print	Broadcast	Online	Total				
	#	AVE	#	AVE	#	AVE	#	AVE
	365	9,025,993	23	877,362	118	1,771,439	506	11,674,794
Organisational Development	163	3,619,038	-	-	34	370,515	197	3,989,552
Skills Development	134	3,647,945	10	146,840	37	673,681	181	4,468,466
Learnerships	26	462,072	-	-	3	38,605	29	500,676
Leadership	20	819,684	11	462,933	20	270,285	51	1,552,902
Economic Development	8	80,341	-	-	19	331,065	27	411,406
Grants	7	38,378	-	-	-	-	7	38,378
Government Commentary	5	349,029	-	-	4	81,318	9	430,347
Financial	2	9,508	2	267,589	1	5,971	5	283,067

Key performance areas



The Organisational Development focused key performance area generated the highest clip/insert count, followed by Skills Development.

Marketing and Communications (Cont)

Targets	Actual	Comments
Communications		
Website:	Contract with Dell expired. Blacklight appointed	Completed: • SLA operative
	Re-launch and rebranding of Website	Completed: • Project plan approved and implemented • Two-month testing and updating phase • Rebranded website live launch on 1 February 2011
Intranet Management: 1. Continuous update	QMS documents uploaded and users interact with the intranet as a tool for communication	Ongoing: • Marketing and Communications policies, procedures and processes on intranet
Publications: 1. Achieve Newsletter	All editions	Completed: • Four quarterly editions distributed according to schedule
Digital Publications: 1. Digital Newsletter	All editions completed in-house	Completed: • Three editions completed • Electronic distribution to staff
Promotional Material: 6. 6 X 10 000 brochures	10 000 of each brochure: Bursary brochure, Learnership brochure, Assessor and Moderator, Accreditation, a providers' guide, Role of merSETA in my business	Completed: • Distribution to regional offices • Stock maintained for events, exhibitions and promotions
7. 6 X New Career Guide booklet procured	Printed 1000 of each guide: Boilermaker, Diesel Mechanic, Welding, Motor Mechanic	Completed: • Distribution to regional offices • Stock maintained for events, exhibitions and promotions
8. Business Cards	Ongoing	Completed • As per request
9. 1000 t-shirts	Youth Day promotion (June 16)	Completed
10. Swish water bottle – 800	Promotional material procured for regional offices	Completed: • Distribution to regional offices • Stock maintained for events, exhibitions and promotions
11. Colours wrist band – 300		
12. Flexi rule – 800		
13. Minihorn – 300		
14. Leyton pencil case in yellow – 800		
15. Pieces pen – 1000		
16. Super sub soccer pen – 1000		
17. San siro soccer key holder bottle opener – 800		
18. Crew soccer note book – 600		

Targets	Actual	Comments
Marketing Campaigns:		
Mandatory Grants	Marketing campaign planned and executed	Completed: <ul style="list-style-type: none"> • 1st advertisement 21 March, 2 and 19 April, 3 and 6 June 2010
Stakeholder Roadshows	Advertised on SAFM, RSG, METRO FM and ALIVE advertising	Completed: <ul style="list-style-type: none"> • Adverts flighted on 3 June on digital screens and radio ads started on Friday, 4 until 9 June 2010
	Annual General Meeting, five regional AGMs completed, participation excellent	Completed: <ul style="list-style-type: none"> • Branded banners, notepads, folders, electronic invitations, programme, speeches
Media Relations and Publicity:	Automobile Magazine – guest column for CEO.	Monthly column by CEO
	Air conditioning Magazine – guest column by CEO	Bi-Monthly column by CEO
	Achiever magazine	Completed: <ul style="list-style-type: none"> • May 2010
	Engineering News, including corporate video profile	Completed: <ul style="list-style-type: none"> • May 2010–March 2011 • Corporate video profile May 2010 – March 2011
	Financial Mail	Completed: <ul style="list-style-type: none"> • 8-page focus in August 2010
	MIW	Completed: <ul style="list-style-type: none"> • May 2010
	BBQ – merSETA Achievements	Completed <ul style="list-style-type: none"> • June 2010
	Business Report Top CEOs	Completed <ul style="list-style-type: none"> • June 2010
	Learnerships in SA – editorial on bursaries	Completed <ul style="list-style-type: none"> • June 2010
	Wits Journal – the secret behind the success of merSETA	Completed <ul style="list-style-type: none"> • June 2010
	HR Skills M&G	Completed <ul style="list-style-type: none"> • July 2010
	Solidarity	Completed <ul style="list-style-type: none"> • August 2010
	Top Performing Companies	Completed <ul style="list-style-type: none"> • December 2010 – January 2011

Targets	Actual	Comments
	National Conference	Completed: <ul style="list-style-type: none"> • Reportage received from Business Day, SABC radio and TV, CNBC, Radio 702, Kaya FM; Bloomberg • Estimated listenership/ viewership at 1.2 million
	The Star	7 January 2011 <ul style="list-style-type: none"> • Matriculant Congratulatory message from merSETA CEO – readership 690 000
	Daily Sun	8 January 2011 <ul style="list-style-type: none"> • Matriculant Congratulatory message from merSETA CEO – readership 1.1 million
Events Management		
Exhibitions and Expos:	Participants:	May 2010:
1. Participate in career expo at National Conference	i. Sci-Bono ii. Scania iii. MacSteel iv. Damelin Technical v. SA Institute of Welding	<ul style="list-style-type: none"> • 500 Learners attended the career expo during national conference week
2. Participate in Nelson Mandela Career Day Festival	18 July 2010 in Giyani	2000 Learners attended the career festival
3. SABC Career Expo	27 – 29 July 2010 in Gauteng	8 092 Learners attended the career festival
4. CEO Career Exhibition	30 July 2010 in Gauteng	
5. National Science Week	5 – 7 August 2010 in Free State	1000 Learners attended the National Science Week Career Expo
6. Durban University of Technology Career Exhibition	10 – 12 August 2010 in Durban	2000 Learners attended the Career Exhibition
7. Bruin Belange Inisiatief Career Exhibition	28 August 2010 in Reigerpark	400 Learners attended the Career Exhibition
8. Department of Labour Career Expo	17 August 2010 in Tongaat	700 learners attended the career expo
9. Mthashane FET Career Exhibition	2 – 3 September 2010 at Kwaggikazi	1000 learners attended the career expo
10. Giyani Career Exhibition	4 September 2010 at Gwabeni High School	1200 learners attended the career expo
11. CJC Job Fair	30 November 2010 – Parktown Campus	merSETA sponsored the event and the HR dept together with Gauteng South Regional Office assisted students visiting our stand. The Job fair created a platform where learners could interact directly with companies and recruitment agencies.
12. NYDA Roadshows	24 – 26 November 2010 – Hammanskraal	A presentation on scarce and critical skills enabled unemployed learners the opportunity to pose relevant questions.
Young Communist League	8 – 12 December 2010 – UNW Mafikeng Campus	Over 2000 YCL members attended the congress. Although there were many challenges, merSETA used the opportunity to inform the delegates of our services available to the youth.

Targets	Actual	Comments
14. Automechanika	9 – 12 March 2011 – Nasrec Expo Centre	Completed: <ul style="list-style-type: none"> • merSETA hosted more than 2000 learners • merSETA Board and Senior Management hosted Deputy President K. Motlanthe
15. Rural Women Empowerment W/shop	March 2011 – Mmabatho	300 Delegates attended
Events Management:		70 Delegates from 11 different institutions attended the conference
1. South African Women in Engineering	18 – 23 July 2010	
Strategy		Completed
1. Advertorials	Strategic positioning in media	
2. Media Relations Policy	Publicity processes	Completed
3. Editorial Policy	Achieve magazine and digital newsletter	
4. Corporate Identity Manual		Completed
Interns		
1. Two internships for Marketing and Comms	Interview and placement in June	Graphics intern for website, intranet and advertisements and Public Relations intern appointed
ISO Requirements		
1. Process Evaluation	Ensure processes are according to guidelines	Provided documentation to show adherence to ISO processes: <ul style="list-style-type: none"> a. Minutes of Marketing and Communications weekly meetings b. Strategy c. Reputation Scorecard d. Customer Satisfaction Survey executive summary e. Receipt and distribution processes of promotional items

OPERATIONS REPORT



Mr Wayne Adams

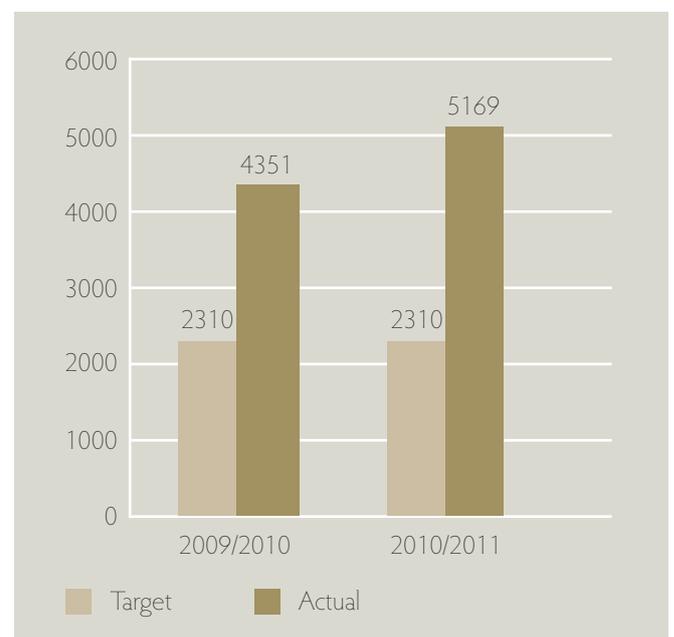
The Operation's division has, despite the uncertainties surrounding the SETA relicensing kept it focus on the achievement of the objectives set for the year under review. All the units played a vital role in ensuring that we once again exceeded the target agreed to with the merSETA CEO, as the chief in command, and our political principal, the Department of Higher Education and Training.

Our Administration unit has continued on the path carved during the last three years and one can safely say that the unit has grown in stature and maturity, being able to assist wherever their services were required.

The period under review saw the processing of 5 506 Level and Trade Test applications. This resulted in the issuing of 5 511 trade test dates with 3 542 candidates being declared competent as artisans.

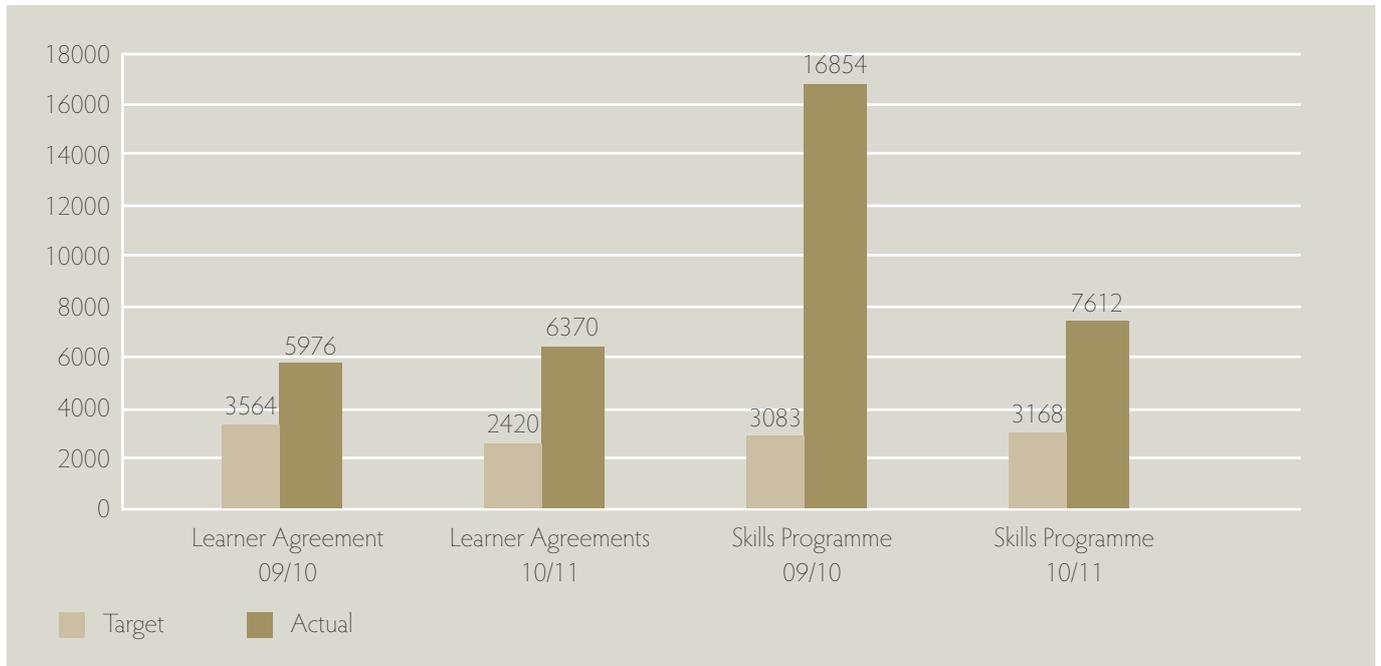
The targets set for the registration of apprentices were once again exceeded by 80% during the period under review.

Registered Apprenticeships



The unit has registered 6 370 learnership agreements and 7 612 skills programme learners – with 3 775 of learners obtaining full qualifications and 7 731 skills programme learners obtaining statement of results towards qualifications at various levels on the National Qualifications Framework (NQF).

*Learnerships & Skills Programme Learners Entered
Target vs Achievements*

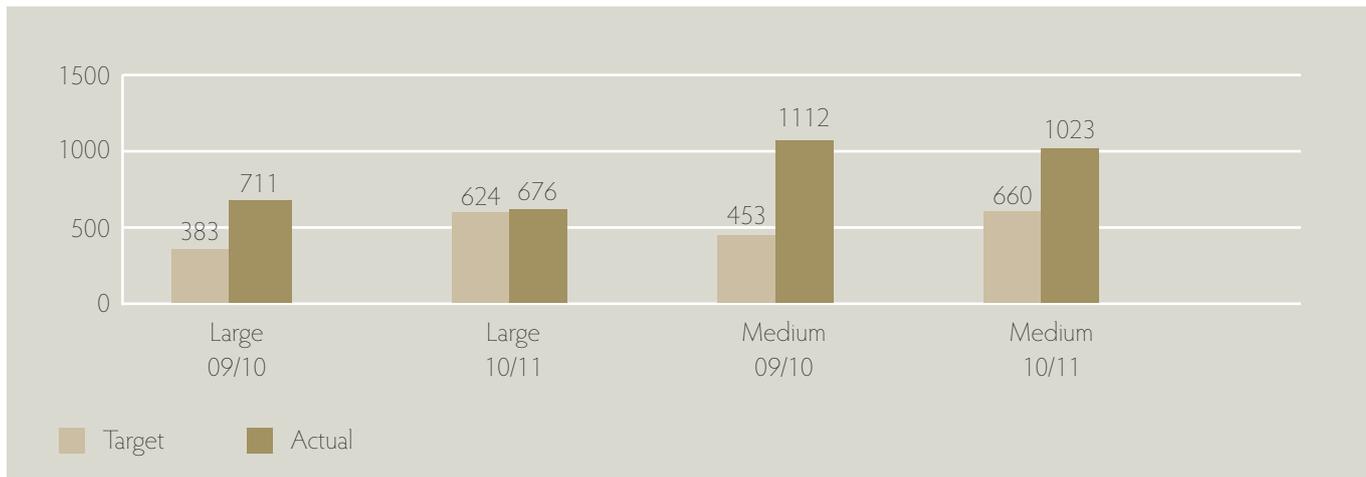


*Learnerships & Skills Programme Learners Completed
Target vs Achievements*



merSETA exceeded its target on the Mandatory Grant submissions. Our electronic system to upload workplace skills plans and annual training reports were available well ahead of the start of the financial year. This extended the timeframe for submission of WSP/ATRs for mandatory grants:

Mandatory Grants Paid vs Target



During the period under review merSETA registered **2914** Skills Development Facilitators who submitted **4558** work place skills plans and annual training reports within the regulated timeframes.

The merSETA, in its endeavour to improve services to valued customers, embarked on a process of changing their existing Datanet to a new Seta Management System. The Skills Module, which concentrates on the registration of Skills Development Facilitators and mandatory grant applications, was completed and implemented in the 2010/2011 financial year.

Training has been undertaken with Skills Development Facilitators across all nine provinces, using the Skills Development Forums to ensure companies were able to register SDFs and submit mandatory grants before the deadline date of 30 June 2010 for the new financial year.

The unit aims to continue supporting regional offices in their drive to deliver an excellent service to our clients at all times.

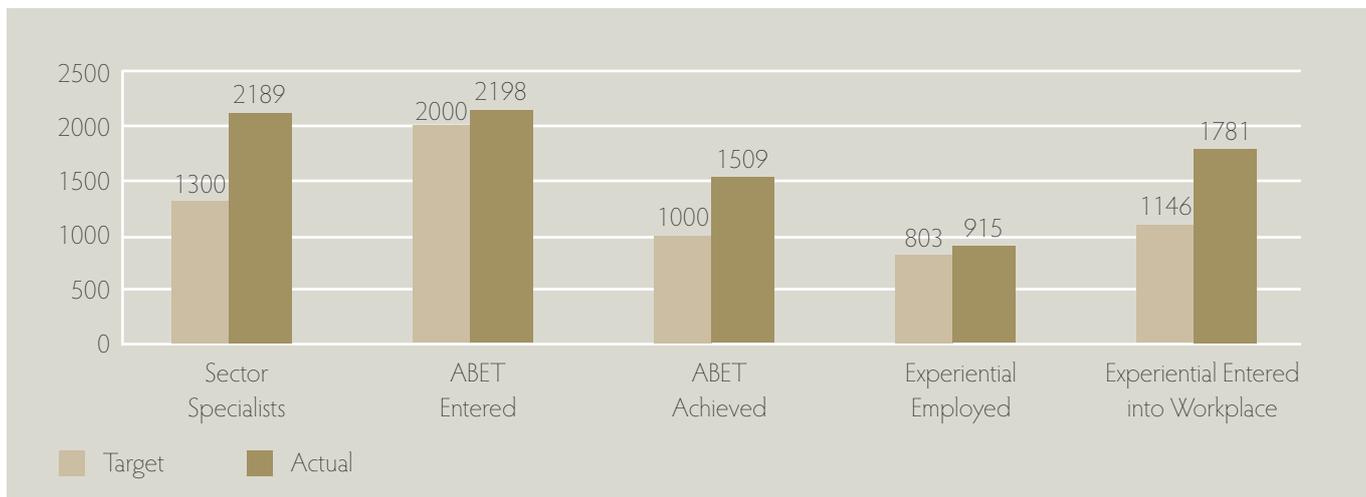
Client Services

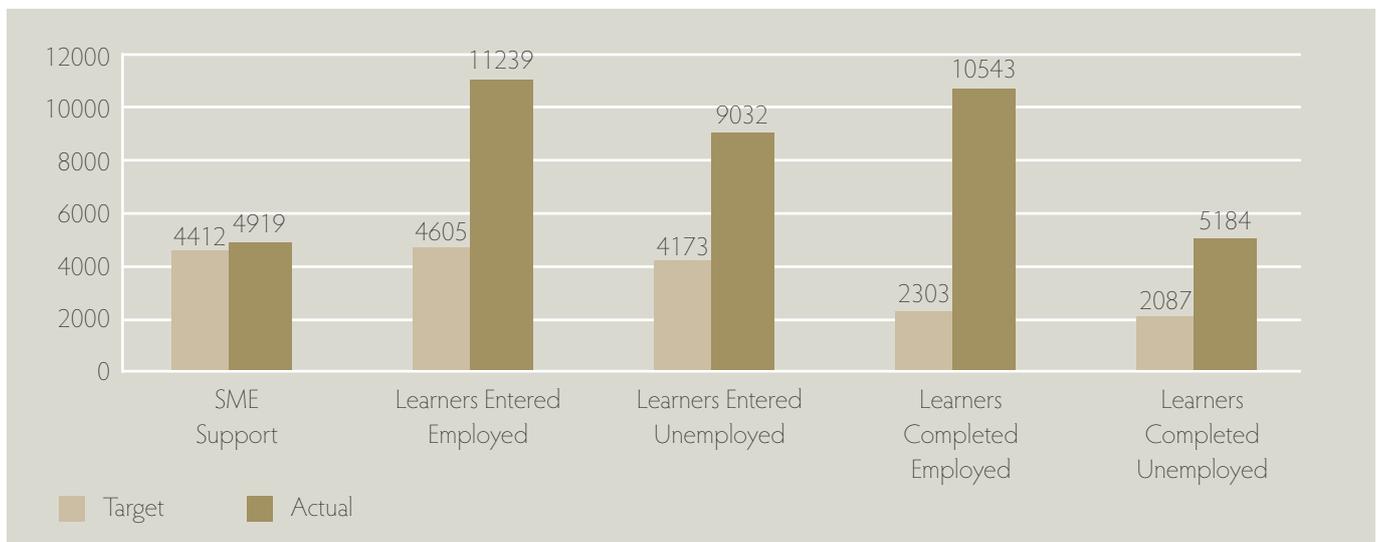
merSETA continued to maintain its strategic presence in all provinces through seven regional and two satellite offices, ensuring all nine provinces are adequately serviced. The regional offices ensure all required support and guidance is provided to customers.

Our regional offices were also instrumental in ensuring that merSETA contributes to provincial government initiatives and participates in structures within provinces to address skills needs there.

The regions in the period under review ensured all merSETA-funded projects were implemented by stakeholders within the regions. This task contributed significantly to merSETA exceeding its targets agreed with our Political Principal, the Department of Higher Education and Training.

NSDS II Targets vs Achievements





Allocations of discretionary grants, via Memoranda of Agreement (MoAs), were monitored and managed at regional level. The year under review saw regions holding induction workshops, where employers linked to MoAs were all capacitated in the implementation processes.

A total of 1843 MoAs signed by employers are managed within the regions by Client Liaison Officers. These MOAs cover the following learning interventions:

- 5372 apprentices,
- 8962 learners on Learnerships
- 10650 skills programmes,
- 3136 ABET learners,
- 1474 sector specialists,
- 373 interns, and
- 2313 experiential learners.

The regional offices under the period of review visited 4919 Small, Medium Enterprises (SME), providing guidance and support on SDF registration, mandatory grant submissions, discretionary grants and the implementation of various skills interventions within their organisations.

Companies interested in taking on learners or apprentices through a structured learning process were visited and given necessary advice by Client Liaison Officers. The workplaces of companies were evaluated and approved to ensure required capacity was available to provide the required quality structured training. A total of 1161 new workplace approvals were carried out during the financial year under review.

The regions also processed 4275 new applications for Recognition of Prior Learning through Section 28 trade tests. All candidates met the merSETA criteria to undertake the trade tests.

Apprenticeship and Learnership induction workshops were held for 3500 learners and 4000 apprentices during the period under review

The regional offices hosted the following forums and roadshows during the period under review:

- Skills Development Forums were held four times during the year in 18 magisterial districts. The forums provided the merSETA with an opportunity to disseminate information on services, projects offered, as well as advocacy on how to access mandatory and discretionary grants. Participants were also able to discuss issues related to learnerships, skills programmes, registered qualifications, apprenticeships, workplace skills planning and reporting; and
- HIV and AIDS workshops were carried out and regional offices participated in the marketing and implementation of the merSETA HIV and Aids project at merSETA companies.

On quality awareness, this financial year could be termed “the year of dealing with anticipated changes”, changes not just for LETQA, but for the whole SETA Landscape.

The LETQA Unit as part of the Operations Division, with its continued focus on service delivery, had to ensure it rendered not only the current legislated services but also participated in debates on the services that would be required by SETAs under the newly established Quality Council for Trades and Occupations.

The period under review saw the LETQA unit representing merSETA at the initial FET college curriculum review, discussions on the draft policies of the new QCTO as well as supporting the development of the National Artisan Moderation Body (NAMB).

LETQA also supported and extended merSETA’s relationships with public FET colleges as well as universities and universities of technology. Twelve Institutes of Sectoral or Occupational Excellence (ISOEs) were identified and supported, eight of which are FET Colleges and one a comprehensive university.

merSETA facilitated the signing of a Collaborative Agreement between eight engineering and manufacturing-related SETAs with the eight FET Colleges in Gauteng, along with the Gauteng Department of Education. This allows for a coordinated platform to roll-out further bilateral agreements in the development of skills, with FETs as the institutional provider.

The division's key responsibilities for the year under review were its focus on quality assurance processes, exceeding targets set and yielding the following results:

- 928 Accreditation/Programme Approval visits made;
- 83 Audits conducted;
- 4275 Section 28 applications evaluated; and
- 1161 Workplace approvals granted.

In the year under review, the LETQA unit held several workshops with providers to ensure all new developments in the SETA, and in particular in the quality assurance arena, were communicated to stakeholders.

The unit also actively participated in the review of trade tests and well as the refining of policy and procedures to eliminate unnecessary delays in service delivery.

The unit managed by Mr. Christo Basson merSETA maintained its "green status" on the SAQA National Learners' Records Database for submitting comprehensive and accurate learner data.

The merSETA registered 14 new or reviewed qualifications under the current SAQA framework.

The establishment of the QCTO with the newly introduced Occupational Qualifications Framework also provided a platform for merSETA to participate in the development of qualifications based on the new QCTO framework for the foundry industry. The piloting of this qualification was funded by merSETA during the period under review.

The QCTO saw fit to recognise merSETA as a Development Quality Partner (DQP) for the development of the following occupations:

- Fitter trades workers;
- Millwright trades workers;
- Mechatronics trades workers; and
- Part of the motor mechanic occupations.

The above DQP status and the mandate to continue with the process was, however, delayed due to delays in the formal establishment and roll-out of the QCTO.

Forty-two new learnerships were developed and registered during this financial year compared to 83 the previous financial year. This is due to the change-over from qualifications registered under the SAQA criteria, and the newly introduced Occupational Framework of the QCTO.

merSETA once again expanded its delivery infrastructure by registering 447 new assessors as well as 261 assessors who applied for extensions of their scope of assessments.

112 new moderators were registered and 54 moderators applied to extend their scope of registration.

The review and update of qualifications resulted in the re-registration of 141 assessors and 20 moderators.

The year under review saw a total of 1033 moderation visits resulting in the recognition of 11 745 learner achievements in the following learning interventions:

Certification of Learners



merSETA was also called upon to verify the authenticity of 6 244 certificates presented to employer by work-seekers compared to 3 981 in the previous financial year.

During the financial year under review, courseware was developed for 44 SAQA-registered qualifications. This courseware consists of learner modules and the related facilitator assessment guides. Instrumental in the development of the courseware was the role of subject matter experts within industry who offered valued time to ensure the development of quality programmes aligned to the needs of industry.

merSETA also embarked on a process of mentoring two BBBEEE organisations by assigning established writers to mentor the new incumbents. This proved to be a worthwhile exercise and lessons learnt will be repeated in future, ensuring an increased pool from which to select courseware writers.

As a supporting service, 101 compact disks with courseware material were cut and distributed to accredited providers during the period of reporting.

The Career Development Project was conceptualised and instituted in the year under review. In addressing the gap identified in career development, merSETA positioned itself at the forefront by supporting career development initiatives and the structuring of formal partnerships.

Achievements for the period of implementation included:

- A partnership between merSETA, Sci-Bono and the Gauteng Department of Education to promote career guidance in schools with a focus on Mathematics and Science;

- A Memorandum of Understanding with Nelson Mandela Metropolitan University to support rural schools and Women in Engineering;
- National Youth Development Agency utilising their mobile career guidance centres; and
- Memorandum of Understanding with the South African Qualifications Authority (SAQA) as a partner in their Career Advice Services Centre.

The Operations Division was tasked to incorporate the administration of the discretionary grant processes within merSETA. The period under review saw the allocation and finalisation of the Discretionary Grant 3 (DG 3) amount to R238 million. These allocations were guided by the merSETA Sector Skills Plan and geared towards addressing the scarce and critical skills identified in the sector by our stakeholders.

The division also extended MOAs whose expiry dates were linked to the merSETA life cycle. A total of 842 MOAs addenda were developed and submitted to stakeholders via regional offices for verification and signing. The period under review saw the return of the majority of these addenda. Parallel to this activity, DG 3 MOAs were concluded with stakeholders. The period under review also saw the development of policies and procedures to guide the activities of this unit.

The value of projects administered by the division stood at R1,167 billion during the period under review. This includes run-over projects and programmes from the previous years. The funds disbursed based on deliverables was more than R100 million in the 2010/11 financial year. The merSETA continues to seek effective mechanisms to enhance fund disbursement capacity.

Highlights

PWD Project

The merSETA sponsored 48 deaf students for training at NQF level 1 in Fabrication learnerships. A total of 30 were placed in the KZN region.

Free State and Northern Cape

The merSETA sponsored 40 inmates from the Grootvlei Prison on Welding Application and Practice learnerships.





The disability project for 20 handicapped children in Bloemfontein, where the learners were trained on a Welding Application and Practice NQF level 2 learnership took place. Fifteen of 20 learners successfully completed their training and were found competent.

Limpopo and Mpumalanga

The Vulamatjuba Artisan Training project is a partnership entered with the Mpumalanga's Premier's Office. The project is fully funded by Mpumalanga Premier's Office and learners are placed at merSETA companies. Sixty apprentices were placed and commenced their training.

KwaZulu-Natal

The KwaZulu-Natal Youth Project was awarded grants for 65 apprentices and 11 learners.

The KZN Tooling Initiative saw 36 learners trained on NQF level 2 in Pietermaritzburg. They progressed to NQF level 3. A further 11

learners are undergoing training in Durban. The project is managed by the KZN office and has a dedicated CLO.

Western Cape

The merSETA is working closely with the Western Cape Tooling Initiative, which trained 25 unemployed learners on their pre-apprenticeship programme. The merSETA is currently working closely with the WCTi to monitor 10 female learners placed within the industry. The project has a dedicated CLO.

The Mitchells Plain Project awarded discretionary grants for 175 candidates to participate in apprenticeships, learnerships or skills programmes. In addition to the above, grants were awarded to candidates who have been retrenched to enable them to participate in the merSETA Retrenchment Assistance Programme. A total of 25 grants were allocated to support university of technology students to achieve workplace-integrated learning with merSETA employers while 25 candidates were awarded bursaries to study either at a university or a university of technology.



Apprentices at Medupi Training Centre



AIDC graduates



Learners at try-a-skill exhibition

PROJECTS REPORT

Research and Development (R&D)

The changing requirements for sector skills analysis and planning in the course of 2010 provided the core focus of the R&D Unit during the financial year. Related research undertaken in the course of 2009/10 that strengthened our sector and labour market planning included an analysis of the "Impact of the global economic recession", a "Workplace skills plan and annual training report analysis" and the "Impact study into learnerships and apprenticeships in merSETA".

The unit engaged in a range of initiatives designed to assist stakeholders in completion of their WSPs in terms of the OFO codes. A **booklet** identifying **key OFO** codes in merSETA chambers/sectors was developed together with a range of "step-down" reports, designed to ensure the research findings were accessible to a wider audience, **including an updated Scarce and Critical skills list (2011/2)**. Other research undertaken in the past year included a report on employability in partnership with national and international research entities. In addition, the department produced research reports on "HIV & Aids in the manufacturing and engineering sector" as well as a report on the relationships between merSETA and FET colleges.

The R&D Unit was engaged in a range of national and international academic initiatives. These included academic papers delivered at the World Association of Co-operative Education (Hong Kong) and the World Teaching and Learning Conference (Cairo). Notable national conferences at which papers were delivered included South African Society for Co-operative Education (SASCE) and the Bi-annual conference of the Development Policy Research Unit (DPRU). The department was also actively involved in the SAQA Research engagement on RPL. The R&D Unit was also invited to present papers at the UMALUSI Adult and Vocational Education and Training (AVET) Conference (Johannesburg) and the national Pan African Technical and Vocational Education and Training Conference, (Cape Town).

A range of academic articles were published in international and national peer-reviewed journals and books. These included a paper on access and equity in higher education in the *International Journal of Education and Development*, A paper published in *Procedia Social and Behavioral Sciences* (Vol. 9 (2010)) explored workplace learning and transformation and a paper published in the *Annual Journal of the Institute of Justice and Reconciliation (IJR)* contributed to the debate on skills and workplace transfer. Book chapters



Mr Derrick Peo

included the role of FET Colleges in "Constructing a Democratic Developmental State" (Edigheji, 2010, HSRC Press) and a chapter in "The International Network of National Skills Development" on sector skills planning in South Africa.

In addition, partnership MOUs with the HSRC, the University of Bremen and the University of Witwatersrand (Johannesburg) have been developed, and collaborative research ventures with the REAL (Research into Employment and Learning, at Wits University's Education Policy Unit (EPU) and the Further Education and Training Institute (FETI) at the University of the Western Cape are being explored. The unit has also engaged with the UNESCO initiative on the 2012 Global Monitoring Report which intends to explore the country context of skills development.

Looking ahead, the Research and Development Unit will attempt a concerted expansion of the activities with regard to enabling understanding of the implications of the latest National Skills Development Strategy (NSDS III) for the operational and strategic direction of the merSETA. This will be based on a better understanding of the particular dynamics of our five chambers. A skills audit of the sector is, therefore, necessary for any future development of our strategic direction. In addition, the research focus on Employability, Provincial and regional skills imperatives and the contextual determinants on effective skills development practices will receive focus.

Accelerated Artisan Training Programme (AATP)

At the end of February 2011, the total project uptake reached **3093** apprentices of which **1432** are funded by the National Skills Fund (NSF) and **1661** by merSETA funds. Of these apprentices

(who started from October 2007), a total of **1291** apprentices have successfully reached the final milestone by passing their trade tests. From Phase One of merSETA funded candidates on this project, **we have 90% successful completion on metal trades and 50% on motor related trades.**

Much work has been done to consolidate a broader platform for this project in the NSDS III period. Phases 1 to 4 of the project have established a robust operational platform in such a way that new initiatives brought in from April 2011 onwards will serve to strengthen the merSETA's strategic role in the national artisan development domain. Additional research and development work linked to this objective includes cost-benefit analysis, competency comparisons and vocational identity. Post-trade test career paths are also receiving attention through further support for the Government Certificate of Competence (GCC), FET and University-based Engineering lecturer development. Furthermore, a concept research assignment on the feasibility of a proposed "Master's in Technopreneurship" has been completed.

Occupational Trainer Qualification Pilot

The pilot of the Occupational Trainer Qualification, developed as a QCTO project by the merSETA, commenced with **five Master Trainers** – one from each of the Chambers and a training resource file and website were developed. Following site visits, to the workplace training centres, the **next phase** is to commence with the training and development of **40** candidate occupational trainers, and **full registration of the qualification, for broader roll-out and release into the public domain.**

Recognition of Prior Learning Project

The RPL Project launched in mid-2010 relied on an approach that was rooted in each of chambers. To cement this, the project was governed by an RPL Steering Committee which included representatives from labour and employers, nominated by the Chambers. The specific objectives of the project plan included the following:

- The promotion and advocacy of RPL amongst all stakeholders;
- The establishment and sharing of best practice in the implementation of RPL programmes;
- The implementation and recognition of RPL advisors;
- The establishment of more successful RPL processes; and
- The establishment of a greater understanding of the process amongst stakeholders, providers, other potential RPL candidates and employers in the sector.

This project has provided a sound platform to "mainstream" RPL through Discretionary Grants, matched by support and capacity-building interventions for companies.

Science Engineering and Technology (SET) Project

The second year of the project was a successful one with an intake of **600** learners in the 2010/2011 financial year. **Grade 12 learners had a 100% pass last year with 105 distinctions, and 85% achieved university entrance.** Support for the last group of 300 is proposed. The merSETA plans to expand this intervention with a stronger focus on rural areas and aligning the project to allow for linkages with FETs and Institutions of Higher Learning, as well as the merSETA Bursary and Career Guidance Units.

Retrenchment Assistance Plan (RAP) and Training Layoff Scheme

As was underscored by research, the global economic recession had a significant impact on the manufacturing, engineering and related services sectors. **Through the Retrenchment Assistance Programme (RAP), the merSETA provided direct assistance to 32 companies and 4127 retrenched workers to a value of R51, 316,417.64.** Skills training interventions included Skills Programmes, Apprenticeships, or trade test preparation, short courses and entrepreneurship, including new business incubation. **Through the national government initiative the Training Layoff Scheme (TLS), we were able to assist a further 11 companies and 4768 workers, to a value of R56,448,997.00.** Skills training interventions included Skills Programmes, Learnerships and short courses. **A further eight Training Layoff applications from merSETA companies have been approved by the CCMA and are being processed via the NSF, involving 880 workers. We are aware that the TLS has directly assisted at least two companies in positively turning around their business. Both companies secured new manufacturing contracts that led to them not only returning to normal working conditions but also to employing additional staff.**

Toolbox Project

This project aimed to ease the learning pathways of candidate artisans in SME workplace learning settings, by providing custom-assembled toolboxes for merSETA funded learners in the respective trades. **A total of 1488 toolboxes were issued. All 556 SME employers and learners who received toolboxes were happy with the standard and quality of the tools.**

Accounting Technicians Project

The project's key objective is to improve the entry and middle management level financial skills in the participating organisations. Through this improvement in the skills, it is intended that effective support for Chief Financial Officers and other senior financial staff will be enhanced and that the financial controls and processes within the participating organisations will be enhanced. The project is implemented in association with SAICA (AAT) SA and runs over three years based on a **budget of R2 million per annum for a total of 100 candidates.**

Course Spread %	Course Spread
15	Industrial Engineering
26	Mechanical Engineering
21	Electrical Engineering
7	Metallurgical Engineering
10	Chemical Engineering
7	Mechatronics
4	Polymer Technology
3	Production management
7	Management/accounts IT etc
100%	

SME Training Voucher Implementation Programme (MIP)

In July 2007, the merSETA board approved a three-year strategy, the SME Skills Development and Support Programme, to assist SMEs in the manufacturing, engineering and related services sector to access training for their employees, in the form of a wide range of unit standards-based short courses and skills programmes. The project has been a success, and quadrupled its original targets. Nevertheless, questions have arisen around both the quality and the impact of the training provided, for both the SME and the candidates, and the project is currently under review, pending a re-engineering process. **The total project value per annum has been around R30m, and several thousand learners and SMEs have been reached through this initiative since 2007.**

The merSETA Bursary Programme

The purpose of the merSETA bursary scheme is to create a supply of qualified employable engineers to fulfil industry requirements to stimulate economic growth and competitiveness, at all levels of the economy. **The number of students supported by the merSETA bursary project has grown from nine for the 2004 academic year to about 750 (250 employed and 500 unemployed) for the 2011 year. In all we have sponsored more than 2500 students. There have been some notable success stories, for example, a woman graduate in Mechatronics from NMMU having gained experience with one of the Auto Chamber stakeholder companies is now in employed as an engineer in Germany; our first MSc Engineering Management who graduated in December 2010 is now employed by Stellenbosch University Centre for Renewable and Sustainable Energy Studies. There are many other stories. The spread across different disciplines is as follows:**

We are in discussions to develop a mentoring/ guidance function in source methods of filling the gaps in learner readiness for tertiary education as well as workplace readiness, utilising tried and tested methods and agents. **The funding of NUMSA recruited students provides a different paradigm to the pool of students selected. This fosters this relationship with a view to workplace collaboration and mentoring as well as work integrated learning within the industry. Integration with other projects and programmes, through the co-ordinating office of the Careers Development Unit will ultimately add to the impact of the merSETA Bursary Programme.**

New Venture Creation (NVC)

480 candidates were reached in the past financial year, across all provinces. This year, we were privileged to work with six FET colleges. We have also introduced, through a public tender process, a mentorship and support programme for all merSETA NVC graduates. Looking ahead, the merSETA will re-assess its role with regards to supporting self-employment through skills development, in line with NSDS III.

NGO and CBO Support

Currently, the merSETA provides direct funding support to 14 NGOs and CBOs. Significant challenges have arisen with regards to skills development compliance issues that were not anticipated in the tendering and appointment phase. This calls for a more considered and integrated strategy in the future.

HIV & AIDS Workplace Project

The purpose of the project is to minimise the negative social and economic impact of HIV and AIDS within the working environment in SMEs across the sector. This was done by promoting an integrated sectoral response and enhancing co-operation towards managing the impact of HIV and AIDS in a way that would minimise the negative social and economic impact of HIV and AIDS within the work environment. The overall objective to pilot a strategic HIV and

AIDS Workplace Management Programme for SMEs in the sector and also to train and build capacity among the Client Relationship Officers (CROs) in the merSETA to help SMEs implement a strategic HIV and AIDS Workplace Programme was achieved. The intervention was measured in terms of overall progress, Economic Impact Assessments (EIA), Knowledge, Attitudes and Practices / Perceptions (KAP), and development of workplace HIV and AIDS strategies and policies. Looking ahead, the primary task is one of promoting and disseminating best practices.

Adult Basic Education and Training (ABET)

The merSETA project to provide centrally funded and managed support for learners in need of ABET in order to access further education and training opportunities, lifelong learning and enhanced career opportunities has proved a success. In February 2008, the merSETA commissioned a research study to determine the status and impact of the ABET training within the merSETA sector. The findings were however not conclusive on the effectiveness of ABET implementation, mainly due to gaps in the tracking of learner progress. They did nevertheless reveal that there was a need to develop and communicate the links between ABET training and productivity, that is, the training provided needed to be more relevant, flexible and functional in its programme content and structure. This was supported by the fact that research has indicated that adults learn more effectively if some meaningful benefit is perceived from the training and learning, primarily due to the fact that adults who want to do their job better and increase their performance, are driven to acquire those skills and knowledge first.

In addition to implementing both "Business" and "Accelerated" ABET modules, the merSETA custom designed what has been named 'Occupational' ABET. This involved developing five (5) ABET curricula and learning materials at ABET L2, L3 and L4 customised to each of the merSETA Chambers in order to build a closer fit between ABET and the occupational needs of these sub-sectors. The external evaluation report showed that of the three modalities, the Occupational ABET programme witnessed the lowest dropout rate. This is ascribed to the relevance of the programme to the learners, which supports the research from UCT and Rhodes that "adults learn more effectively if meaningful benefit is perceived from the training and learning".

People with Disabilities (PWD) Project

The purpose of the project was to develop a strategic and implementation plan to promote training and placement for the disabled in certain occupations in the manufacturing and engineering environment and utilise the initiative as a vehicle for addressing key policy and legislative objectives and obligations. A useful research report detailing learning and career pathways for people with various forms of disability has been developed and is available for the sector.

merSETA PERFORMANCE AGAINST NSDS II TARGETS AND HIGHLIGHTS

NSDS 11: MERSETA's Performance against NSDS Targets (2010 – 2011)

Changes have been made to performance data for indicators 2.7 Achieved, 2.8 Entered and Completed as well as 4.1 Entered and Completed. This is as a result of findings raised during the Auditor-General of South Africa's predetermined objectives audit. The Auditor-General of South Africa could however still not verify the completeness of the achievements for targets 2.7 and 2.8 after the adjustments.

No	NSDS 2005 - 2011 Objectives	NSDS 2005 - 2011 Success Indicators, National Targets and Outcomes	SETA Plan for 2010 – 2011 Annual Targets and Outcomes	Achievements	Variance Explanation
1	1. Prioritising and communicating critical skills for sustainable growth, development and equity	Indicator 1.1 Skills development supports national and sectoral growth, development and equity priorities.	The SSP or Annual Update is submitted on time and signed off by the following parties: a. SETA/DHET agreed growth, development and equity strategy driver b. DHET Executive Manager responsible for quality assurance of SSP. The SSP or Annual update submitted on time as per DHET Guidelines.	The updated Merseta Sector Skills Plan was submitted to the DHET before 15 February 2011.	Date changes due to change of reporting department and requirements.
2	1. Prioritising and communicating critical skills for sustainable growth, development and equity	Indicator 1.2 Information on critical skills widely available to learners. Impact of information dissemination researched, measured and communicated in terms of rising entry, completion and placement of learners.	A sector guide per sub sector (1 x 5 sub sectors) 1,300 SDFs or Sector Specialists trained in sector for the year.	A sector guide covering the five sub sectors was produced. 2189 Skills development facilitators and Sector Specialists were trained. This corresponds to 168% achievement.	The target was therefore exceeded by 68%. The reason for this was the high demand for SDF training across all regions. MerSETA responded to the demand as it is a key contributor to implementing effective skills development.
3	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.1 By March 2011 at least 80% of large firms' and at least 60% of medium firms' employment equity targets are supported by skills development. Impact on overall equity profile assessed.	The TARGET for large firms is 624 firms. The TARGET for medium firms is 660 firms. Two scores will be calculated, one for each sub sector. Score 3a for Large companies and score 3b for medium companies.	676 large firms received WSP / ATR grants for the 2010 / 2011 financial year. This corresponds to 108% achievement. 1023 medium firms received WSP / ATR grants for the 2010 / 2011 fiscal year. This corresponds to 155% achievement.	The target was therefore exceeded by 8%. The reason is that mandatory grant support is our core business. The target was exceeded by 55%. Once again, the reason is that mandatory grant payments are core business.

No	NSDS 2005 - 2011 Objectives	NSDS 2005 - 2011 Success Indicators, National Targets and Outcomes	SETA Plan for 2010 – 2011 Annual Targets and Outcomes	Achievements	Variance Explanation
4	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.2 By March 2011 skills development in at least 40% of small levy paying firms supported and the impact of the support measured.	The TARGET for the different number of small firms is 4412 firms Note- The number of firms will be equal to the number of interventions supported. This will allow a company to be supported more than once.	4919 small levy paying firms were provided with skills development support interventions during the 2010 / 2011 financial year. This corresponds to 111% achievement.	This target has been exceeded by 11% as the need to support small firms was recognised as a significant need in our sector and the demand was therefore high.
5	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.4 By March 2011, at least 500 enterprises achieve a national standard of good practice in skills development approved by the Minister of Labour.	Not applicable for 2010-2011	Not applicable to MERSETA and its sub sectors	
6	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.5 Annually increasing number of small BEE firms and BEE co-operatives supported by skills development. Progress measured through an annual survey of BEE firms and BEE co-operatives within the sector from the second year onwards. Impact of support measured	25 Small BEE firms and 8 BEE Co-operatives targeted and supported	65 small BEE firms and 10 BEE cooperatives were supported by skills development during the 2010 / 2011 financial year. This corresponds to an overall 250% achievement on target 2.5 as a whole.	This target was exceeded by 150%. As described above, there is a significant demand for support for small businesses in our sector.
7	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.7 By March 2011 at least 700 000 workers have achieved at least ABET Level 4.	Target for the sector for the period 2010 to 2011 is 2000 learners enter ABET and 1000 achieve ABET.	2198 Entered – 110% achieved. 1509 Achieved – 151% achieved.	Both targets were exceeded due to the demand for ABET and the establishment of a dedicated ABET project outside of normal workplace ABET interventions. (Please note that changes were made to the "achieved" figures due to the completeness audit by Auditor General).

No	NSDS 2005 - 2011 Objectives	NSDS 2005 - 2011 Success Indicators, National Targets and Outcomes	SETA Plan for 2010 – 2011 Annual Targets and Outcomes	Achievements	Variance Explanation
8	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.8 By March 2011 at least 125 000 workers assisted to enter and at least 50% successfully complete programmes, including learnerships and apprenticeships, leading to basic entry, intermediate and high level scarce skills. Impact of assistance measured.	Target for the sector for the period 2010 to 2011 is 4605 Employed learners entered 2303 Employed Learners completed	11239 Employed learners entered – 244% achieved. 10543 Employed learners Completed – 458% achieved.	Both these targets were exceeded as learnerships and apprenticeships form the core of merSETA business functions. (Please note that changes were made to these figures due to the completeness audit by Auditor General).
9	Promoting employability and sustainable livelihoods through skills development	Indicator 3.2 By March 2011, at least 2000 non-levy paying enterprises, NGOs, CBOs, and community-based co-operatives supported by skills development. Impact of support on sustainability measured with a targeted 75% success rate.	Target for the sector for the period 2010 – 2011 is: 80 Non-Levy Paying 25 NGOs 10 CBOs 10 CB Co-ops	The following organisations were supported during the year: 131 Non Levy Paying 35 NGOs 14 CBOs & 12 CB Co-ops Overall target 3.2 attained 154% achievement.	All targets exceeded due to focus on rural and community development initiatives.
10	Assisting designated groups, including new entrants to participate in accredited work, integrated learning and work based programmes to acquire critical skills to enter the labour market and self employment	Indicator 4.1 By March 2011 at least 125 000 unemployed people assisted to enter and at least 50% successfully complete programmes, including learnerships and apprenticeships, leading to basic entry, intermediate and high level scarce skills. Impact of assistance measured.	Target for the sector the period 2010 to 2011 is 4173 Unemployed learners entered and 2087 Unemployed Learners Completed	9032 unemployed learners entered – 216% achieved. 5184 Unemployed Learners completed – 248% achievement.	Both targets were exceeded by far as learnerships and apprenticeships are concerned as they are core merSETA business functions. (Please note that changes were made to the figures due to the completeness audit by Auditor General).
11	Assisting designated groups, including new entrants, to participate in accredited work, integrated learning and work based programmes to acquire critical skills to enter the labour market and self employment	Indicator 4.2 100% of learners in critical skills programmes covered by sector agreements from FET and HET institutions assisted to gain work experience locally or abroad, of whom at least 70% find placement in employment or self-employment	Target for the sector for the period 2010 to 2011 is: 1146 learners assisted in workplace experience 803 of the above learners employed or self employed	1781 learners were assisted – 155% achievement. 915 Above workers employed – 114% achievement.	Both targets were exceeded, even though they were not easy targets to achieve. Information was not easily obtainable from institutions.

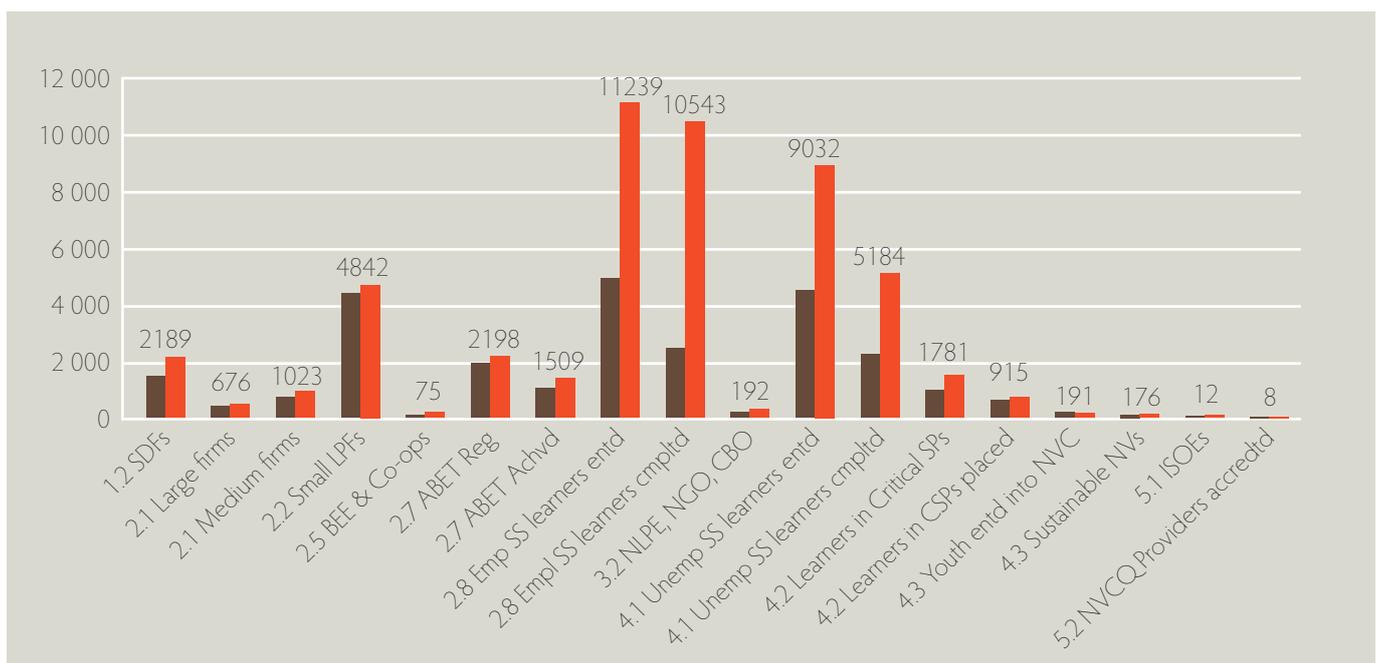
No	NSDS 2005 - 2011 Objectives	NSDS 2005 - 2011 Success Indicators, National Targets and Outcomes	SETA Plan for 2010 – 2011 Annual Targets and Outcomes	Achievements	Variance Explanation
12	Assisting designated groups, including new entrants to participate in accredited work, integrated learning and work based programmes to acquire critical skills to enter the labour market and self employment	Indicator 4.3 By March 2011, at least 10 000 young people trained and mentored to form sustainable new ventures and at least 70% of new ventures in operation 12 months after completion of programme	Target for the sector for the period 2010 to 2011 is: 210 NVC trained 147 Above sustained for 12 months	191 were assisted – 91% achieved. 176 Above sustained for 12 months. This target was exceeded.	The target for young people trained and mentored was not achieved. The reason for under-achievement is that the project was started late due to procurement delays in evaluating the training providers who tendered.
13	Improving the quality and relevance of provision	Indicator 5.1 By March 2011 each SETA recognises and supports at least five Institutes of Sectoral or Occupational Excellence (ISOE) within public & private institutions and through Public Private Partnerships (PPPs) where appropriate, spread as widely as possible geographically for the development of people to attain identified critical occupational skills, whose excellence is measured in the number of learners successfully placed in the sector and employer satisfaction ratings of their training.	Target for the sector for the period 2010 to 2011 is: 3 institutes.	MerSETA continued to support 7 ISOEs recognised within the previous financial year and registered 5 additional ISOEs bringing the total to 12 ISOEs registered, which corresponds to 400% achievement.	It is required of merSETA to work with FET institutions and therefore we have identified FETs in niche markets which can provide practical training and have worked with them to develop them into ISOEs. Our other ISOEs are large corporate entities e.g. Toyota and VWSA.
14	Improving the quality and relevance of provision	Indicator 5.2 By March 2011, each province has at least two provider institutions accredited to manage the delivery of the new venture creation qualification. 70% of new ventures still operating after 12 months will be used as a measure of the institutions' success.	Target for the sector for the period 2010 to 2011 was 6 .	Total achieved is 8 This corresponds to 133% achievement..	The target was exceeded as a dedicated project was set up to drive this initiative.

No	NSDS 2005 - 2011 Objectives	NSDS 2005 - 2011 Success Indicators, National Targets and Outcomes	SETA Plan for 2010 – 2011 Annual Targets and Outcomes	Achievements	Variance Explanation
15	Improving the quality and relevance of provision	Indicator 5.3 By March 2011 there are measurable improvements in the quality of the services delivered by skills development institutions and those institutions responsible for the implementation of the NQF in support of the NSDS.	Note: A measurement methodology with outcomes, targets and criteria is to be developed in conjunction with SAQA and SETA ETQAs. merSETA: Qualifications review New qualifications developed (SGBs) Courseware development	merSETA continued to ensure that it complied with DHET requirements through timeous submission of relevant reports such as the Annual Report to Parliament, the QMR and performance scorecards. New courseware is being developed through SGB and will be completed in June 2011.	
16	Improving the quality and relevance of provision	Indicator 5.4 By March 2011, there is an NSA constituency based assessment of an improvement in stakeholder capacity and commitment to the National Skills Development Strategy.	Note: A measurement methodology with outcomes, targets and criteria is to be developed in conjunction with the NSA.	Capacity building for Board and chambers took place. An enhanced board capacity building initiative is planned for 2011.	

The performance over the year 2010/2011 is summarised in the figure below. (Targets represented in brown and achievement in red).

The graph shows that all targets set by the DHET have been achieved and exceeded, with the exception of indicator 4.3 the number of young people trained and mentored to form new ventures. This indicator was only 91% achieved against the target, due to internal procurement delays which slowed down the evaluation of providers who tendered for this project. Apart from this draw-back, the indicator is not a difficult one to work with and the learnings and increase in procurement capacity means that going forward the target to this indicator (or a similar new one) can be achieved with ease.

Overall operational activities supported performance against targets



The target for indicator 1.2 (Capacity building of SDFs and Sector Specialists) was achieved and exceeded with consistent progress throughout the year. The importance of building in a quality measure to determine the effectiveness of the training has been noted.

The targets for indicator 2.1 large and medium firms were both exceeded with steady and consistent progress throughout the year.

The target for indicator 2.5 (small BEE/ BEE Cooperatives) was exceeded as a whole, with steady and consistent progress throughout the year. It was noted that very few BEE Cooperatives are actually registered as cooperatives. Research must be conducted to identify the types of skills development support required by these entities, and the impact of support must be measured going forward.

Although the target for the ABET indicator 2.7 was eventually achieved, progress was slow in the first three quarters of the year. Target achievement occurred in the fourth quarter, as a result of outstanding supporting documents, which meant that data could not be reported.

Overall, the total employed learners entered into learning programmes (including learnerships, skills programmes, apprenticeships and bursaries) was exceeded and overall made steady progress throughout the quarters. Employed bursary enrolment and mainly occurred in the fourth quarter of the year as a result of the administrative burden associated with follow-up of supporting documents.

Similarly, the target for total employed learners who completed learning programmes was also exceeded and showed steady progress, with the exception of bursaries as explained above.

Progress on Indicator 3.2 (NGOs, CBOs and Cooperatives supported with skills development) was exceeded and showed steady progress across all four quarters. Research needs to be conducted on the types of support required by these organisations and impact of support must be measured.

The overall number of unemployed people who entered learning programmes exceeded the set target with steady progress across most learning programmes except bursaries and internships which only showed a peak in performance in the final (fourth) quarter. This is due to the seasonal nature of university enrolment as well as difficulties faced with obtaining information of students requiring internships from educational institutions.

The overall number of unemployed people who completed learning programmes also exceeded the set target with overall steady progress, with the exception of skills programmes, internships and bursaries which were heavily skewed towards the last quarter.

Indicator 4.2 (learners in critical skills programmes assisted to gain work experience) made steady progress throughout the year and achieved and exceeded the set target. The regions identified the need to deal directly with the universities of technology rather than through the SASCE project.

Progress on the second part of this indicator (Indicator 4.2b – learners in critical skills programmes who were placed in employment or self-employment) was heavily skewed towards the last quarter as regional staff were faced with the challenge of trying to track learners after completion of experiential learning.

All progress on indicator 4.3b (new ventures sustained and in operation after 12 months) was performed entirely in the last quarter of the financial year.

Progress on indicator 5.1 (ISOEs supported) spiked in the fourth quarter, although there was some progress in the first and third quarters. There is encouraging progress on this indicator as it gives the merSETA opportunities to work more closely with FETs (which is a major goal of NSDS3) and provide them with the necessary support to develop them into centres of excellence. Success towards this target is aided by large corporate companies with the capacity to provide high quality practical training in niche areas.

Finally, institutions accredited to provide NVC qualification were mainly accredited in the third and fourth quarter and exceeded the set target.

The DHET and internal auditors have been informed of the operational realities that are ignored by the audit and verification processes. These include the non-availability of supporting documents at the time of registration, resulting in findings related to entry & completion dates of learning programmes falling out of quarter. Letters have been written to the DHET in this regard and requests for a meeting to amend the guidelines have been made.

The merSETA is proud of its achievements against the targets of NSDS II. Going forward, we are eagerly entering NSDS III as it is an opportunity to explore the impact of our skills development efforts. A tender process is under way to evaluate the impact of the skills development programmes of NSDS II which will serve as a base line for comparing the work in the new strategy period.

CORPORATE GOVERNANCE REPORT

Introduction

In fulfilling its mandate and achieving the National Skills Development Strategy II objectives, the merSETA had to operate on sound corporate governance principles. The merSETA processes had to conform with the Skills Development Act, No 97 of 1998 (as amended), supported by the Skills Development Levies Act, 9 of 2003, as well as the SAQA Act, 58 of 1995, Public Finance Management Act of 1999 (as amended) and Treasury Regulations, that are regularly reviewed by National Treasury, while ensuring performance. This balance is vital to the well-being of the company. The merSETA is also guided by and strives to uphold the principles of the King III report on Corporate Governance for South Africa which came into effect in 2010. The merSETA has put in place all processes to gear itself to apply the principles of corporate governance from the King III report to ensure its governance framework is properly aligned.

Stakeholders

The merSETA is a schedule 3a public entity and reports to the Department of Higher Education and Training. The Minister of Higher Education and Training is the main stakeholder on behalf of Government and is defined as the Executive Authority. The Governing Board is defined as the Accounting Authority in terms of the Public Finance Management Act of 1999 (as amended) and Treasury Regulations.

The merSETA is stakeholder-driven, and in terms of the Skills Development Act, it must be equally represented by organised Labour and organised Employers.

An Annual General Meeting (AGM) was held in the financial year, which included regional Annual General Meetings to ensure all stakeholders were reached about the results of the previous year.

Service Level Agreement

Treasury regulations issued in terms of the Public Finance Management Act require that the merSETA submits a strategic plan, which culminates in a service level agreement entered with the Executive Authority (Department of Higher Education and Training). Each year, the merSETA enters into a Service Level Agreement and agrees with the Department of Higher Education and Training on National Skills Development Strategy targets.



Mr Tom Mkhwanazi

merSETA Constitution

The merSETA Constitution was approved by the Minister of Labour retrospectively on 1 July 2005 in terms of section 13 (1) of the Skills Development Act, 97 of 1998. This Constitution was promulgated in the Government Gazette on 11 August 2006.

The merSETA re-submitted its constitution for approval by the Minister of Higher Education and Training as the Minister announced in November 2010 that the merSETA had been certified for the next five years, from 1 April 2011 to 31 March 2016. The new merSETA constitution takes into account the new requirements as laid down by the Executive Authority.

Board Charter

The Governing Board reviewed its charter to ensure alignment with the King III report on Corporate Governance which provides an overview of the role, powers, functions, duties and responsibilities of Governing Board members, both collectively and individually. The basis for the aforementioned is the applicable legislation, Service Level Agreement and the merSETA Constitution.

The Structure, Composition and Size of the Governing Board

Structure and Size

In terms of the merSETA Constitution, the Governing Board comprises 32 members in a non-executive capacity as well as 10 alternates.

The Governing Board members, appointed by the Minister of Labour in terms of the merSETA Constitution prior to the reconfiguration of executive government, represent organised Labour and organised Employers from our sector.

In terms of Schedule 3 clause 4.1 of the merSETA Constitution, the Governing Board must review the list of organised employers and organised labour every two (2) years. If the Governing Board deems appropriate, it must call on organised employers and trade unions (not employers and employees) to participate in the nomination of members to the Governing Board. The purpose of such invitation is to ensure that the Governing Board is properly represented by members representing organised Employers and organised Labour and that the representation is reviewed on a biannual basis.

The term of office of a Governing Board member is three years and members may be reappointed after expiry of their term.

Composition

The Governing Board, in the year under review, had a number of changes due to the resignation, retirement and review of

membership by relevant constituencies as follows:

- Mphomotse Leshaba on 17 September 2010
- William Nsele on 30 November 2010
- Piet Veldtman on 3 January 2011
- Ludwickus Greyling on 31 January 2011

The following members were appointed to replace the above members:

- Francois van Heerden on 1 February 2011
- Johan van Niekerk on 1 February 2011

By the end of the financial year, there were three vacancies on the Governing Board.

Governing Board and its Committees: Meeting Attendance

Meetings of the Governing Board are scheduled annually and special meetings are convened if there is a need to consider urgent specific matters. During the year under review, the following meetings were held by the Governing Board and its committees:

NAME	GOVERNING BOARD	EXECUTIVE COMMITTEE	ETQA FUNCTIONAL STANDING COMMITTEE	INVESTMENT COMMITTEE	DISCRETIONARY TECHNICAL COMMITTEE	RACE	GENDER
Abie Dunn	5/5					W	M
Anton Hanekom	5/5	3/3	2/2	1/1	5/5	W	M
Anton Gerresten	3/5					W	M
Blackie Swarts	5/5	3/3	1/2		5/5	W	M
Carla McIntosh	5/5				1/5	W	F
Chrystal Christian	4/5	2/3				C	F
Dana de Villiers	1/5	3/3				W	M
Dave Rule	4/5					W	M
Elias Kubeka	3/5	1/3				B	M
Ephraim Tshikwavhavha	4/5				4/5	B	M
Gibson Lephallo	4/5					B	M
Guy Harris	4/5	3/3				W	M
Francois van Heerden	1/0	1/1				W	M
Jakkie Olivier	4/5	2/3				W	M
Janet Lopes	4/5	2/3	1/2		3/5	W	F
Jeanne Esterhuizen	5/5	3/3	1/2			W	F
Johan Pieterse	2/5					W	M
Johan van Niekerk	1/0	1/1				W	M
John Wilson	5/5		2/2		3/5	W	M
Karl Cloete	3/5	2/3				C	M
Len Whiteley	4/5	2/3			5/5	W	M
Ludwickus Greyling	0					W	M
Malebo Mogopodi	5/5	2/3			4/5	B	F
Monica Netshandama	4/5		2/2			B	F
Mphomotse Leshaba	3/5					B	M

NAME	GOVERNING BOARD	EXECUTIVE COMMITTEE	ETQA FUNCTIONAL STANDING COMMITTEE	INVESTMENT COMMITTEE	DISCRETIONARY TECHNICAL COMMITTEE	RACE	GENDER
Phumzile Nodongwe	2/5					B	M
Pierre Bezuidenhout	4/5	2/3	1/2		1/5	W	M
Piet Veldtman	3/5					W	M
Piet Verryne	5/5					C	M
Pieter Welgemoed	2/5	2/3				W	M
Raymond Kgagudi	4/5					B	M
Thabang Tsiboli	2/5					B	M
Thapelo Molapo	5/5	2/3			3/5	B	M
Vukani Mthethwa	4/5					B	M
William Nsele	3/5					B	M
Xolani Tshayana	5/5	2/3	1/2			B	M
Zamo Xaba	4/5					B	M

The Chairperson and the Deputy of the Governing Board

The merSETA Constitution stipulates that the Chairperson and the Deputy Chairperson be elected during the Annual General Meeting on a yearly basis and where the Chairperson is elected from members representing one stakeholder grouping, the Deputy Chairperson must be elected from another stakeholder grouping, and vice versa. Each year, the roles must be reversed unless otherwise agreed.

Ms J Esterhuizen was re-elected as the Chairperson, with Mr X Tshayana as the Deputy Chairperson, of the Governing Board during the Annual General Meeting held on 18 September 2010 until 31 March 2011, after which an independent chairperson would be appointed by the Minister of Higher Education and Training, from 1 April 2011.

The merSETA Constitution provides for the appointment of an independent Chairperson if the Governing Board so decides. The Governing Board has decided not to opt for this as there has been tremendous improvement in Corporate Governance practices with the initiatives that were implemented. The role of the Chairperson and Chief Executive Officer does not vest in the same person. With the new constitutions set to take effect in April 2011, the minister indicated the necessity for independent Chairpersons of Governing Boards.

The Chief Executive Officer is not a voting member of either the Governing Board or the Executive Committee due to the fact that the Skills Development Act does not allow for such practice.

Delegation of Authority

The Governing Board of the merSETA operates with an understanding that they cannot delegate the power to delegate, hence the Board remains accountable for actions under delegation and does not divest any powers, duties or function by virtue of any delegation. During the 2010/11 financial year, the Governing Board

reviewed and approved the Delegation of Authority to enhance efficiency in respect of decision making and performance of the merSETA.

Board Evaluation and Performance

The Governing Board Self-Assessment was conducted in the year under review and such evaluation was done against Accounting Authority duties as stipulated in the merSETA Constitution, the PFMA and Treasury Regulations as well as the principle of the report on Corporate Governance for South Africa 2009 (King III Report). Programmes were put in place to address shortcomings identified in the Evaluation Report.

The Remuneration Committee is responsible for the performance evaluation of the Chief Executive Officer.

Induction and Orientation

New members of the Governing Board participate in an induction programme to sharpen their understanding of skills development legislative framework and the nature of business of merSETA. All members of the Governing Board attended the orientation workshops on Financial Management in the year under review.

Members' Remuneration

Governing Board members do not receive any form of remuneration in accordance with the merSETA Code of Conduct. Payment is made to constituencies to assist with the provision of resources for the preparation and attendance of meetings.

Company Secretariat Function

The Company Secretariat function resides within the Corporate Governance Division and its main function is to assist the Governing Board with Corporate Governance assurance as well as the monitoring of merSETA compliance with the PFMA and other relevant legislation. It reports to the Board in this regard.

Governing Board members have unrestricted access to advice and services of the Corporate Governance Division.

Code of Ethics

The Governing Board has approved the Code of Ethics that sets the ethical and behavioural standards at the merSETA. The Code of Ethics is based on the merSETA values that regulate the conduct and behaviour of Board members, management and the general staff.

Committees of the Governing Board

Clause 7 of the merSETA Constitution establishes various committees that assist the Governing Board in carrying out responsibilities. The Governing Board has the following Committees:

- Executive Committee;
- Audit and Risk Committee;
- Remuneration Committee;
- Investment Committee;
- Learning, Education, Training, Quality Assurance Functional Standing Committee;
- Discretionary Grant Technical Committee;
- Chamber Committees; and
- Regional Committees.

All the above committees operate within Terms of Reference approved and also reviewed by the Governing Board on a regular basis to ensure their relevance.

Executive Committee

Composition

The Executive Committee comprises ten (10) members equally represented from organised Labour and organised Employers.

The Executive Committee is responsible for the oversight of management of the operational affairs of the merSETA and manages, coordinates and monitors the activities of Chamber Committees and any other *ad hoc* committees.

Meetings

Three (3) meetings were held by the Executive Committee in the year under review.

Audit and Risk Committee

The committee is responsible for ensuring that merSETA audits financial and risk areas that address appropriate policies, internal control, internal and external audit matters.

The Audit and Risk Committee reviews the Annual Financial Statements and ensures they have been properly prepared by management and reviewed by external auditors before being recommended to the Governing Board for approval.

The Chairperson of the Audit and Risk Committee attends and presents a report to the Governing Board meeting (including the AGM) at least twice a year.

The Audit and Risk Committee operates in terms of the Terms of Reference (Audit and Risk Committee Charter) which was reviewed by the Governing Board on 19 March 2010 in accordance with Treasury Regulations.

The information regarding the composition and meetings of the Audit Committee is in the chapter that deals with the Audit Committee Report.

Remuneration Committee

Composition

The Remuneration Committee comprises three (3) non-executive independent members, and the Chairperson and Deputy Chairperson of the Governing Board who are non-voting.

The Governing Board took a decision to appoint independent non-executive members to the Remuneration Committee to strengthen independence in line with Corporate Governance best practice.

Purpose

The Remuneration Committee is responsible for the development of guidelines, and reviews the compensation and performance of staff of the organisation, reviews and approves corporate goals relevant to the compensation of the Chief Executive Officer, evaluates the Chief Executive Officer's performance in light of these goals and objectives and takes responsibility for all Human Resources-related matters.

Meetings

Four (4) meetings were held by the Remuneration Committee in the year under review:

Name	Race	Gender	No. of meetings attended
Mr. Romano Daniels	Coloured	Male	3/4
Ms. Cecilia Khuzwayo	Black	Female	2/4
Ms. Emarie Olivier	White	Female	4/4

Investment committee

Composition

The Investment Committee comprises two (2) members equally represented from organised Labour and organised Employers.

Purpose

The Investment Committee is responsible for oversight on merSETA investments.

Meetings

The Investment Committee convened one (1) meeting in the year under review.

Subsequently, this Committee was dissolved and the functions were given to the Executive Committee.

Discretionary Grant Technical Committee

Composition

The Discretionary Grant Technical Committee comprises ten (10) members equally represented from organised Labour and organised Employers.

Purpose

The objective of the Discretionary Grant Technical Committee awards Discretionary Grants according to approved formulae and categories, up to the limit of the available Discretionary Grant reserve and annual budget, to companies that meet the requisite criteria.

Meetings

The Discretionary Grant Technical Committee convened five (5) meetings in the year under review.

Learning, Education, Training, Quality Assurance Functional Standing Committee

Composition

The LETQA Functional Standing Committee comprises ten (10) members equally represented from organised Labour and organised Employers.

Purpose

The LETQA FSC is responsible for the monitoring on behalf of merSETA of quality assurance functions and obligations of merSETA in its role as an Education and Training Quality Assurance Body as provided for in the South African Qualifications Authority Act, No 58 of 1995, and the Education and Training Quality Assurance Regulations, 1998.

Meetings

The LETQA Functional Standing Committee convened two (2) meetings in the year under review.

Chamber Committees

Composition

merSETA has five (5) Chamber Committees:

- Automobile Manufacturing;
- Metal and Engineering;
- Motor Retail and Components manufacturing;
- New Tyre manufacturing; and
- Plastics manufacturing.

Each chamber comprises an equal number of members representing Organised Employers and Organised Labour but shall not exceed eight (8) voting members.

Purpose

The Chamber Committee develops sub-sectoral inputs into the Section Skills Plan, identifying education and training needs, makes input to education and training policies and monitors the development and implementation of learning programmes as well as other training in the sub-sector.

Regional Committees

Composition

The merSETA has six (6) Regional Committees and each one comprises an equal number of representatives from organised Labour and organised Employers, but shall not exceed seven (7) members a side.

Purpose

The main function of these committees, in terms of the resolution by the Governing Board, is to act in an advisory capacity.

Meetings

Each Regional Committee convened four (4) meetings in the year under review in terms of the merSETA constitution.

Stakeholder Management

Chamber

The period under review can be best described through activities carried out by the Chamber Unit of the merSETA – a home for merSETA's five (5) Chamber Committees which in the main are responsible for representing five sub-sectors in the economy, that is, Metal and Engineering; Motor Retail and components manufacturing; Plastics manufacturing; New Tyre manufacturing and Automobile manufacturing sectors.

Chamber Business plan and the activities achieved

At the beginning of the year, Chambers adopted a structured business plan with a budget structure for all strategic and operational activities planned for the year. This was instrumental in enhancing the effectiveness and levels of efficiency within merSETA's five Chambers. The results of this assisted Chambers to be more focused and committed to the tasks identified for the year under review – 2010/11. Some programmes included responses to continued retrenchments, lay offs and reduced working time, many of which caused the discontinuation of training that companies had initially pledged to undertake.

Identifying education and training needs in the sub-sector – including constraints.

In collaboration with the Learnership, Education, Training and Quality Assurance (LETQA), in particular the Learning Programmes Unit, Standards Generating Bodies (SGBs) and Task group processes comprising predominantly of industry subject matter experts mainly drawn from merSETA's Chambers, the following was achieved:

- In the New Tyre Chamber the provision of courseware was a significant achievement in that there had been no "core" unit standard-based learning materials since the inception of the SETA. The industry has already started training based on the new courseware;
- Implementation of the new National Certificate in Automotive Manufacturing and Assembly level 2;
- A courseware development project commenced together with the DHET learnership registration process; and
- Stakeholder capacity building was crucial in the period under review in assisting stakeholders to understand the situation the country found itself in and how merSETA as an organisation should respond to these challenges. The success in the monitoring of most training depends on the buy-in by stakeholders. The

introduction of steering committees served to assist in the monitoring of such projects. Steering committees consisting mostly of Chamber committee members were established in a number of key strategic projects which included the following: the revised RPL project and Research and Development sub-committee.

During the period under review, Chambers participated in a number of processes where comments were sought regarding proposed legislation/regulations. These included:

- New Artisan regulation processes;
- Trade test workshops;
- The Quality Council for Trades and Occupations (QCTO); and
- The sharing of looming SETA changes beyond the end of NSDS II in March 2011.

The Chambers continued in the quest to reach out to fraternal institutions to partner with and build strong working relations to impact on the skills development arena, in particular in the area of the Sector Skills Plan.

The Motor Chamber and MIBCO held formal joint sessions which included an initiative with the potential to grow to the extent of a flagship project – a case in point is the Suspension Fitter Skills Programme Project.

Given the nature and how the Motor Chamber is unfolding, there are signs that training in the industry is likely to take the form of skills programmes. The Motor Chamber and MIBCO are preparing for the massive industry roll-out of skills programme projects using the Suspension Fitter Skills Programme (SFSP) as a pilot.

The inter-Chamber workshops held on 29 July 2009 and 25 March 2010 recommended the expansion of the Chamber Unit and identified the need to appoint two (2) Chamber coordinators to beef-up coordination of Regional Committee meetings; tracking down and following up decisions in Chamber Committee meetings and the coordination of ad hoc and operational chamber committee/sub-committee meetings. Inter-Chamber workshops continued to serve the purpose in addressing cross-cutting issues; capacitating and sensitising stakeholders about new policies and regulations being introduced by Government and invitations to experts to speak on specific strategic and any other matters of interest identified by Chambers.

The Regional Committee's main objective is to encourage the flow of information between the merSETA Regional Committees and Chambers.

Materiality and Significant Framework

The Treasury Regulations issued in terms of the Public Finance Management Act require that the Governing Board compile and agree on a materiality and significant framework of acceptable levels with the Department of Higher Education and Training.

The approval has been agreed to and approved by the Minister through the Service Level Agreement.

Risk Management

The Governing Board is responsible for risk management for the merSETA and has the risk assessment report as its main source of information to determine the effectiveness of the merSETA's risk management process.

The Governing Board is responsible for Risk Management although the Audit and Risk Committee performs most oversight functions on behalf of the Governing Board.

The merSETA continuously strives to improve its risk management processes and as a result, the risk assessment was performed to ensure improvement mechanisms for identifying and monitoring risks.

Sustainable Development

The merSETA commits to sustainable development by making sure its operations take cognisance of the environmental, social and economic patterns by adopting strategic objectives and this is evident in the reviews and reports presented in this Annual Report.

Quality Management

In order to maintain the ISO 9001:2008 status, merSETA has to continuously improve by meeting and exceeding the requirements of the standard for national and international recognition.

The merSETA has put in place processes and systems in line with the requirements of the standard to set a particular standard for the organisation. These systems cover all key processes in the business, facilitate continuous service delivery and ensure that the merSETA complies with its objectives, policies and requirements that need to be delivered to stakeholders.

An overview of key successes:

- The year under review saw an improvement in the number of processes and documents reviewed by process owners. Document change requests increased from 48 in the previous year to 53, indicating a continuous improvement in the system and the positive impact that the changes have made;
- The ISO 9001:2008 audit assessment conducted internally and externally by an independent auditing firm indicated a drop in the number of non-conformances raised. The audits assessment showed an improvement in compliance and that the system of internal control was effective;
- The merSETA created a platform where stakeholders could lodge service-related complaints on the merSETA website. Furthermore, the merSETA subscribed to the international customer service provider HelloPeter in order to be proactive in dealing with stakeholder dissatisfaction. The above has indicated that merSETA's image and reputation is protected as stakeholders compliment our actions in dealing with complaints;
- As part of improving staff morale and ensure recognition for

outstanding service, the merSETA also created an internal platform for staff to compliment us on service rendered;

- The merSETA has been proactive in preventing continuous submission of obsolete documents such as learnership agreements that were uploaded by stakeholders externally for processing. Steps were taken to limit Datanet access to senior regional management to improve the recission of contracts only once properly submitted evidence was due; and
- The merSETA has limited access to staff members regarding recissions.

Challenges faced and how to overcome them:

- The manual management of the Quality Management System has resulted in longer periods to get documents reviewed and approved. The challenge will be met by implementing an online system whereby requests for approval will go directly onto the manager's inbox for ease of approval;
- Continuous storage and implementation of obsolete documents by staff members. Quality awareness training to be continuously conducted in capacitating staff to understand the impact of using obsolete documents in order to overcome the challenge;
- Continuous submission of obsolete documents by stakeholders to merSETA offices. Stakeholders need to be notified on the merSETA website that the organisation is ISO 9001:2008 certified and correct documentation has to be downloaded from the website or requested from any merSETA office in order to overcome these challenges;
- Failure by units to implement corrective actions within the required timeframe. This challenge will be overcome by implementation of an online system; and
- Areas where staff members are not implementing revised and approved documents as required. In order to overcome this, the unit managers have undertaken to ensure these matters receive urgent attention and link the above challenge to staff performance.

Management Committee

The Management Committee is chaired by the Chief Executive Officer who is charged with the responsibility and accountability for the recruitment, appointment and management of all employees of merSETA. The Chief Executive Officer is given direction and is supervised by the Executive Committee.

The Management Committee up until 31 March, 2011, comprised:

- Dr Raymond Patel : Chief Executive Officer
- Ms Beaula Dziruni : Chief Financial Officer
- Mr Wayne Adams : Chief Operations Officer
- Mr Derrick Peo : General Manager: Projects
- Mr Moketenyana Mayongo : General Manager: Corporate Services
- Mr Tom Mkhwanazi : General Manager: Corporate Governance

The Management Committee meets at least twice a month.

SUCCESS STORIES

Authentic Success

By: Independent Correspondent



Learners with disabilities graduate after VWSA/merSETA training

VWSA, in partnership with the merSETA, continues to make a meaningful contribution to the lives of young adults living with disabilities.

The first Learnership in End User Computing for 60 people with disabilities was launched at the end of 2008 and has grown in consecutive years. Plans are in place to increase the intake of disabled learners to 75 people in 2011.

Apart from gaining valuable and portable IT qualification that assists people with disabilities the learners also gain valuable work experience in the VW and Audi dealer network. The practical component of the Learnership has created an enriching experience in the motor industry for the learners.

The achievement of a Certificate in End User Computing, as well as their work experience in the VW and Audi dealer network, has also opened doors into other companies, especially in the banking and retail sectors. Desire Jade Gallon, who graduated top of her class, was offered fulltime employment at Standard Bank.

The management and staff in the VWSA Dealer Network have also benefited by gaining better insight into working with people

with disabilities and the majority of the learners have impressed the dealer management and staff with their willingness to learn, their hard work and commitment to obtaining their qualification. The role of committed mentors in the dealer network has contributed to the success of this project.

A total of seven learners with disabilities are currently working at the Volkswagen Group Dealer Academy in Midrand and they have been a tremendous asset in assisting with the administration of VWSA's merSETA projects, as well as updating learner records on the VWSA Learning Management System.

Two learners from the 2009 project gained full time employment in the VWSA dealer network. Luambo Mugeru is employed as a receptionist at McDuling Motors in Booysen and Mmatswene Milton Lekoloane is working in the Parts department at Lindsay Saker Alberton.

When asked what difference the VWSA Learnership has made in her life, Luambo responded: "All I can say today is that I am very proud to be one of the learners who graduated from the VW Learnership. It gave me my life back. Today I am working at McDuling Motors VW as a receptionist and it feels good. The year before last I was

just a young disabled woman doing nothing at home. Thanks to the McDuling Motors family for giving me a chance to live a normal life. Because of them today, I have life, dreams and a future."

When asked to comment on his appointment at Lindsay Saker Alberton, Milton had the following to say: "I am so excited to get the job. VW has helped by teaching me well."

As employees of the VW and Audi dealer network, Luambo and Milton will continue to benefit from the training and development offered by the VWSA Dealer Academy. Luambo recently attended a communication skills programme.

The 2009 Learnership was project managed by Amor Malan from the NGO Shangri-La and the 2010 Learnership is being project managed by Progression.

Training, assessment and moderation services are the responsibility of Training Excellence, which is accredited with the Isett Seta.

Under normal circumstances, learning can pose a challenge. It is in this light that the Volkswagen Group South Africa commends all stakeholders in this ongoing project for overcoming the extraordinary -- and for embracing all challenges.

Engineering gets the feminine touch

By: Sibongiseni Zinjiva Ka-Mnguni

It is encouraging to see a company like Atlantis Foundries (Pty) Ltd leading the way in affording women the opportunity to work in what is commonly termed a "man's world". The ever growing interest by women in industrial science, engineering and technology needs to be applauded as well.

This is a step in the right direction in addressing the challenge of achieving gender parity in the workplace, and at the same time helping address the chronic skills shortage in the engineering sector.

Three young women exemplify this new attitude.

Kathleen Spandiel, Anna Marie Jay and Erica Jonker are taking this supposed "man's world" by storm.

Atlantis Foundries (Pty) Ltd produces automotive castings for both the passenger and commercial vehicles industries. In addition, the company produces machine cylinders and crankshafts for automotive applications.

The company is located in Atlantis, about 50km north of Cape Town, and plays an active role in promoting gender parity. Since 1996, the company has trained seven female apprentices, six of whom have qualified as turner machinists.



Ms Anna Marie Jay, Mr Tony de Vos (Training Manager at Atlantis Foundries, Ms Erica Jonker and Ms Kathleen Spandiel

In a male-dominated field, it is often a prerequisite for success to prove oneself, and the women had to do exactly that.

"This was definitely the right choice for me. I am proof that women are capable of doing this job just as well as men can do it," explains Kathleen.

This same sentiment is shared by Tony de Vos, the Training Manager at Atlantis Foundries. "We decided to give women a chance in 1996 and I was pleasantly surprised to find that they fitted in so well and their male counterparts accepted them and really went out of their way to help them with different modules of the training," says Tony.

Kathleen was brought up in a family of four boys and being the only girl, her siblings taught her the technical fundamentals on how to fix various mechanical devices. This entrenched her appetite for all things technical and a lasting fascination for the field, which has resulted in her launching a career as an artisan.

Kathleen says that in the past, it wasn't possible for anyone to become an artisan. But now, with the right qualification and right attitude, anybody -- man or woman -- can realise their dreams of becoming an artisan.

Kathleen says gender or race should not prevent one from pursuing dreams of being an artisan or an engineer. "We need more training in the trades and more jobs should be made available for those people, especially women who want to pursue a career in this field," she says.



Kathleen is a Turner and Univ Grinder and she has been with the company for nine years. She says skills development is fundamental in the South African context since women were not given opportunities in the past to venture into the engineering field.

Her advice to young people who aspire to follow in her footsteps is that they should complete their qualification, set goals for themselves and strive to achieve success in their chosen fields. "No matter how difficult it may be, go out and search for opportunities -- a good job will not just fall into your lap."

Erica says although she acknowledges men possess greater physical strength that can help get the job done, women have an attention for detail and the patience that many males do not have.

"Women were oppressed in the past but these days, women have a lot of opportunities and the government is encouraging women to become involved in all sectors of our economy."

Asked about a male dominated sector, like engineering, Erica says her male counterparts have been supportive of her and other women at work.

Daunting challenges in the workplace can sometimes derail and demotivate an employee from performing to the best of their ability, but this bright young mind has gained the confidence to do things that might normally be perceived as too challenging.

Erica is a turner machinist apprentice; this is her first year with Atlantis Foundries and she relishes every moment. Being surrounded by people like Kathleen and Anna-Marie is a real motivation to achieve her dreams and she learns something new from the more experienced women each day, she adds.

Born in Robertson but growing up in George, Anna-Marie moved to Cape Town in 1998 when she started her apprenticeship at Atlantis Foundries. She has been with the company for 13 years, 10 of which have been as a qualified turner machinist.

She attended school at P W Botha Technical College, where she studied a variety of technical subjects including electrical, woodwork, motor mechanic and fitting and turning.

"I absolutely fell in love with fitting and turning, because finally I got to make and learn how to manufacture different parts," says Anna-Marie.

Anna-Marie works in a toolroom which is directly linked to production. "We have support maintenance and production engineering. Based on an engineering drawing/sample, we have to plan the safest, quickest and best machining process to manufacture the end product by means of using a lathe drilling or milling machine," adds Anna-Marie.

She is responsible for manufacturing new parts and performing modifications on old parts. "I am also directly involved in training apprentices and preparing them for their trade tests."

When asked how they planned to celebrate Women's Day, Anna-Marie says she will be spending it with her mother, who values the time when she can be with all of her children.

"So the best we can do for her is to get together, not just for a day but for a weekend. She relaxes and we spoil her with gifts and food and we take family photos, which she treasures," says Anna-Marie.

Asked about the most important person in her life, Erica points to her mother. "I would like to thank her for all that she has done for me and what she still intends to do. God used her to shape me, teach me, form me into the person that I am today. I would not choose any other woman to be my Mother and I am sure there are many people who would agree," elaborates Erica.

Kathleen says women's month is important because it celebrates the contribution made by women to our society. At the same time, the country is reminded that there are many challenges that the women of today still face, as well as many prejudices.

"I am truly blessed to have such a wonderful, loving, caring, understanding and strong woman as my Mother in my life. I thank her for her guidance and the support she gives me," concludes Kathleen.

Anna-Marie has this advice for all aspiring artisans: "Be positive, focus and believe in yourself; it is important to do something you love. If you love what you are doing you will have a successful career and give the company good value for their money."

Tony from Atlantis Foundries urged other companies to give women equal opportunities, especially in the Light Engineering field, as they are able to do the job as well as, and sometimes even better, than men.

The merSETA salutes Atlantis Foundries for their pivotal role in driving skills development among women. We trust that other companies will follow suite.

merSETA Bursary Scheme shows its class

The merSETA bursary scheme continues to produce one gem after another. The scheme recently produced its first Masters student, writes Sibongiseni Ziinjiva Ka-Mnguni.

merSETA's latest star grew up on a farm in Heidelberg in Gauteng and comes from a family where education is not an option, but a must. Her older sister is a qualified Chartered Accountant and her younger brother is pursuing his honours in B.Com Accounting at the University of Johannesburg.

Corlie Leonard wasn't sure what to study after matriculating at Hoër Volkskool in Heidelberg. But after aptitude tests, she was pointed in the direction of Industrial Engineering.

"Other opportunities that I considered were Landscape Architecture and Quantity Surveying. I've always liked to figure out problems and find solutions that are logic and practical. It is gratifying to see when you try different solutions to a problem and it improves the situation magnificently," explains Corlie.

merSETA funded her studies from the second year of undergraduate studies through to her MSc Engineering Management at the University of Stellenbosch, specialising in aerospace quality assurance.

She recently upgraded the quality system of a South African third-tier supplier to Boeing and Airbus, to the AS 9100 Revision C Standard. She has just returned from Sweden where she was a member of a team investigating the localisation of Volvo Aero Company's supply chain network.

Excited about the prospects of her recent appointment by the Centre for Renewable and Sustainable Energy Studies, Corlie says her responsibilities will include streamlining internal processes, monitoring the project and determining which areas the Centre for Renewable and Sustainable Energy Studies should focus their resources.

"I will also attend some of their short courses to be able to broaden my knowledge in the renewable energy field. This field has a lot of potential in South Africa and will make a large contribution to the country as a whole," she says proudly.

"Industrial Engineering is all about allocating the right resources to the right places at the right time, managing and monitoring these, as well as continually improving it in order to achieve the optimum revenue in the least time. It is streamlining processes and procedures for the most effective outcome," elaborates Corlie.



Ms Corlie Leonard – recipient of a merSETA bursary

Industrial engineering deals with the optimisation of complex processes or systems. It is concerned with the development, improvement, implementation and evaluation of integrated systems of people, money, knowledge, information, equipment, energy, materials, analysis and synthesis, as well as the mathematical, physical and social sciences together with the principles and methods of engineering design to specify, predict and evaluate the results to be obtained from such systems or processes.

Corlie says you need to have a logical approach to a problem and Industrial Engineering teaches you a mindset of problem solving. The combination of the two is the recipe for effective problem solving.

"After starting my studies, I often wondered whether I have chosen the right path. The wide field which Industrial Engineering covers makes it difficult to decide on your area of interest. When I look back now, I don't regret my decision, and I'm glad that I'm in a position that I can choose my focus area as my interests develop and change over the years.

"merSETA granted me a bursary from my second year of studies right up to completion of my Masters Degree. I have worked quite well with merSETA and developed a cordial relationship in the process. I am truly grateful for the support they gave me."

Balancing her studies with the activities of the residence where she stayed as an undergraduate student, keeping up to date with all the projects in the later years of her studies, as well as coping with pressure were some of the challenges Corlie had to deal with. She, however, thanked her family and friends who stood by her throughout her studies. She didn't hide the fact that her recipe for success was self discipline and knowing what you want in life.

There is always a pressure associated with every job.

"Yes, there is pressure to perform in this field -- you really have to earn your keep if you want to survive. It is so much more rewarding if you know you are doing a job and performing at your best and as a bonus that you were appointed on merit. In my final year of my degree, we were about 40% females and 60% males." She strongly recommends Industrial Engineering as a field for females.

Corlie had an opportunity to visit Trollhattan in Sweden for two months last year. She went to do research for her thesis at the Production and Technology Centre at the University West. "I learned a lot and experienced a whole different culture and language over there.

"My advice to young people who feel that the system has failed them is to keep their head up, stay focused on your main goal, do your best and also remember -- the world doesn't owe you anything. It is up to you to make the choice not to give up. It is a privilege to be alive and a blessing to be able to study. Do the best with the talents God gave," concludes Corlie.

merSETA Bursary Scheme Produces Engineer of the Year

By: Sibongiseni Ziinjiva Ka-Mnguni

Employed by a transport & engineering company linked to the Gautrain project, he has been voted one of the top 10 young engineers in the country. Matthew Cross describes himself as a true optimist, but is more comfortable as an introvert, a critical thinker and a problem-solver.

After completing high school at Witbank Technical High School, Matthew went studied for an Industrial Engineering degree through the University of Pretoria. At 26, he is currently finishing his Honours degree in Industrial Engineering.

Asked about his love for engineering, Matthew says due to the fact that he came from a Technical High School, his the interest was instilled in him at high school.

"When I reached Grade 10, I had to choose my six subjects. I was indecisive as to which subjects I should choose. For this reason, I decided to take the required six subject plus 2 additional subjects. These were Accounting and Building Construction. Thus at the end of Matric, I had more tools in my toolbox than most -- I had the business mindset, as well as the technical mindset," he says.

After research, focusing specifically on Business Management, Project Management, he then stumbled upon Industrial Engineering which suited his forte like a glove. That was the motivation behind Matthew opting for this field of study.

Matthew says his career allows him exposure to a number of different departments and functional areas within an organisation. "This ensures that I can remain innovative and develop across a company and also get to know the processes and systems of all areas within a business."

When the news broke that Matthew was a recipient of a bursary from merSETA, he was ecstatic!

"I really was having a hard time -- a lot harder than my peers, having to work in a temporary job to support myself while studying, which was extremely stressful. Thus, when I was told that I had been successful in acquiring the merSETA Bursary, my life changed immensely. I could now focus primarily on my studies and on achieving my goals."

Asked about Industrial Engineering,, Matthew says it is a branch of engineering that deals with optimising complex processes or systems. It is concerned with the development, improvement, implementation and evaluation of integrated systems of people, money, knowledge, information, equipment, energy, materials and/or processes.

It also deals with designing new product prototypes more efficiently and effectively. Industrial engineering draws upon the principles and methods of engineering analysis and synthesis, as well as the mathematical, physical and social sciences, together with the principles and methods of engineering design to specify, predict and evaluate the results to be obtained from such systems or processes.

Born and bred in Witbank, life in the big city of Johannesburg wasn't going to be easy for Matthew: "It was definitely a case of Little Sheep in the Big City at first...coming from a small town and landing in Johannesburg was a major change for me. There was no more depending on parents. I had a lot of growing up to do in a very short period of time. At times, I felt as if I was just a number, but it's at the very lowest levels when you realise that you have the strength to conquer anything," adds Matthew.

He admits the experience might sound scary; however as a new arrival in what seems a whole new world, the feeling is utter bliss. A sense of self fulfillment sets in, you finally have more freedom than you've ever had, whilst the sense of responsibility also dawns on you.

He referred to his first year of study as the "learning year". This does not only pertain to learning the theory that is taught, but also the "student life" and adapting to this environment.

Matthew says many students forgot or changed their objectives and fell short of obtaining their goals. "It is for this reason why I advise everyone to ensure that their objective of opting for their career choice must be sound as this will ensure they have enough desire to achieve their goal."

Asked about the meaning of June 16 and the relevancy of skills development, the youngster says as a country South Africa has made tremendous strides in terms of addressing skills shortage.

However, there's still a desperate shortage of engineers and skilled labour in our quest to boost the economy.

He went on to say that despite this, the country is competitive on a global scale, but some people are still denied opportunities of developing and advancing their careers.

Young people often get caught up in a blame game, where opportunities are presented to them, yet fail to seize the opportunities. But Matthew feels that young people should grab the opportunities regardless of the outcome. They will learn from that experience and that experience will help in the future.

"One must be diligent and hard working in order to achieve the goals that have been set. One must have the hunger and desire to reach the objectives. If you are like me and have set these precedents/objectives, the choice of pursuing such a career becomes easy."

"Although I do appreciate the fact that some people are born with the gifts to succeed without any qualifications, I think that in the long run, one's career can be hindered for not obtaining a specified qualification."

Matthew is of the view that there is a desperate need for SETAs to exist; "If it were not for the merSETA Bursary that I acquired, I would not be sitting in the position where I find myself right now. merSETA assisted in providing me with the means to fulfill my dreams and acquire my degree."

When he is not studying or working, Matthew indulges in the outdoor life, having achieved his Springbok colours for scouting. He really gets to enjoy himself on some sporting events.

When asked about his message to young people, Matthew quotes Winston Churchill: "The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty."

Matthew says this can only be done by acknowledging the differences between people and developing ways to overcome these differences, thus ensuring that a diverse nation is constructed by providing opportunities to everybody and creating a fair platform for everybody within the country.

Gloria Moja - Breaking Down the Gender Stereotype

By: Sibongiseni Zinjiva Ka-Mnguni

Our quest to track rare gems that are being refined by the merSETA bursary scheme took us to Vanderbijpark in the Vaal Triangle where we caught up with Gloria Moja.

Gloria Moja was joined by her long time friend, Bontle Molebiemang, who is also studying towards a National Diploma in Hydrometallurgical engineering. Bontle spoke highly of her friend,

"Gloria is a highly motivated and articulate person in terms of achieving her dreams, a trait that we share and a cornerstone of your friendship." Their relationship and mutual support is an example for other young women to emulate.

Gloria matriculated at **Bokamoso** High School in 2006. At the end of 2007, she applied for a merSETA bursary to study a National Diploma in Hydrometallurgical Engineering at the Vaal University of Technology (VUT).

When merSETA broke the good news to her, she was in seventh heaven and the euphoric mood was almost immediately translated into academic excellence for this talented young **Mokopane** -born learner.



Ms Gloria Moja – recipient of a merSETA bursary

Gloria wanted to break the gender stereotype that only men can study for an engineering-related course and that women are not technically inclined. "It is always disappointing to be seen as an underdog, but as a woman you need to be optimistic, positive and be self motivated," elaborates Ms Moja.

Gloria admires and looks up to her mother. "She molded my personality and has imparted values that have made me the person that I am today. I admire her strength," says Gloria

"The reason I chose Hydrometallurgical Engineering is because I had always had an interest in minerals and mining, and when my brother Chris brought me brochures with information on different careers, I became even more interested in Hydrometallurgy."

Hydrometallurgical Engineering is concerned with processes involving aqueous solutions to extract metals from ores. The most common hydrometallurgical process is leaching, which involves dissolution of the valuable metals into the aqueous solution.

After the solution is separated from the ore solids, it is often subjected to various processes of purification and concentration before the valuable metal is recovered either in its metallic state or as a chemical compound.

The solution purification and concentration processes may include precipitation, distillation, adsorption and solvent extraction. Sometimes, hydrometallurgical processes may be carried out directly on the ore material without any pre-treatment steps.

Gloria laments the lack of resources and career guidance as the main reasons careers like Hydrometallurgy remain relatively unknown to learners. She says the lack of access to information is the nations' detriment.

"The lack of information is a challenge that needs to be addressed if we hope to reduce the skills discrepancy in our country. We need to pay special attention to the places that have been hard hit by the lack of career guidance, which are the rural areas of South Africa. The state of affairs when it comes to information dissemination in these areas is appalling," adds Gloria.

It is a pity that in this age, learners in remote areas are yet to have access to the Internet, a library and even labs; it is a situation that calls for the immediate intervention of all stakeholders involved in our education sector.

The myth that engineering is only for men should be dismissed immediately. As we celebrate women's month statistics show an increase in women entering the engineering sector and it is in our national interest to dispel the idea that women should be afraid to enter the engineering field.

"Women should not be afraid of a challenge, they shouldn't undermine themselves -- it's all in your mind," says Gloria.

Asked why is important for young people to be educated, Gloria says education is the weapon the youth can use to change the world. "There's an element of contentment in knowing how the elements that make our world so wonderful and life so precious operate. You become content with yourself if you know how the processes unfold in the manufacturing of certain things."

Gloria warns young people that they should not expect a free ride in life and that they should stop being armchair critics, instead getting their hands dirty like everybody else. She says young people should work hard if they want to be successful and should not expect miracles to take place.

Gloria's message is that women should stop competing with each other and should support each other.

"Everybody is important and should be treated as such; you cannot say an eye is more important than the ear -- each has its role to play. Hence, it's important to support one another and work together."

When she is not studying, Gloria spends time doing aerobics or playing netball.

As the merSETA, we are indeed humbled by the zeal, tenacity and courage showed by young women like Gloria.

We will continue in our quest to unearth more women who are closing the skills gap.

Modiamme, Engineering her way to the top

By: Sibongiseni Ziinjiva Ka-Mnguni

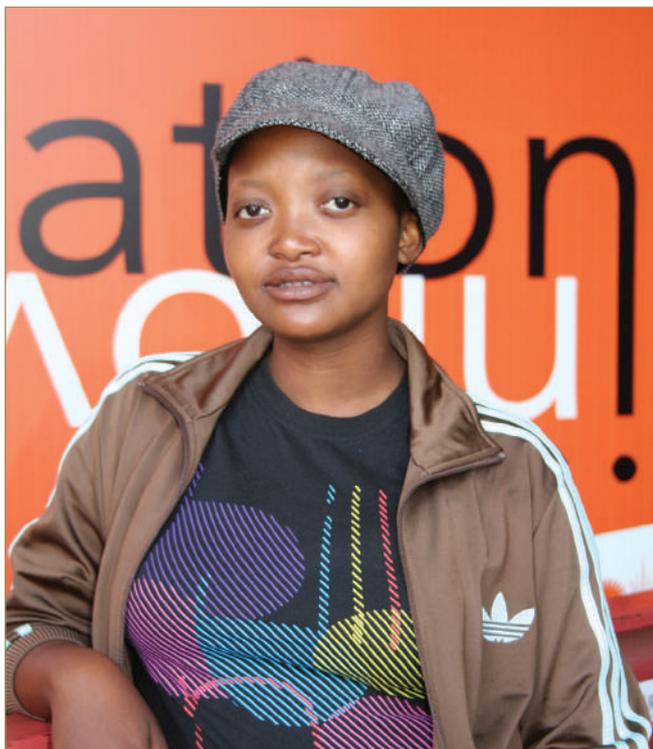
A noted motivational speaker once said that most of the important things in the world have been accomplished by people who have kept on trying when there seemed to be no hope.

Amidst the challenges and life's adversities, Modiamme Moloji never taught of quitting -- and today stands as a beacon of hope and perseverance.

Born in Phomolong Township in the Free State, Modiamme is a go-getter. Instead of whining and wondering about life, she opted to pursue her studies.

"After matriculating, I applied at a university but I was turned down. I then enrolled for the National Diploma in Electrical Engineering at Doornfontein Campus. At the time, my fees were financed by the Thabo Mbeki Education Trust (TMET) before I received a bursary from merSETA."

At high school, Modiamme was awarded numerous accolades for outstanding performance in Mathematics and Science. She did not only excel academically, but also showed leadership qualities. She served as the secretary of the Learners Representative Council (LRC).



Ms Modiamme Moloji

She matriculated at Kheleng Secondary school in 2005. Her dream was to become an engineer, but was not sure of which engineering discipline was most suitable.

She finally decided to study electrical engineering, which focuses on the study of electricity, its origins, its application, electronics and electro-magnetism.

"Everything around electricity involves logical thinking and technical applications; these include circuits design; implementation and software simulations that require technical strategies," she says proudly.

Electrical engineering is a critical and scarce skill in terms of merSETA's Sector Skills Plan. Electrical engineering deals with problems associated with large-scale electrical systems such as power transmission and motor control, whereas electronic engineering deals with the study of small-scale electronic systems including computers and integrated circuits. Alternatively, electrical engineers are usually concerned with using electricity to transmit energy, while electronic engineers are concerned with using electricity to transmit information.

History tells us that the first electrical engineer was probably William Gilbert who designed the versorium: a device that detected the presence of statically charged objects. He is also credited with establishing the term electricity. Electrical engineers typically possess an academic degree with a major in electrical engineering. The length of study for such a degree is usually four or five years.

Out of 20 students in her class, only seven are females.

Modiamme's passion is evident.

"First of all, I am driven by passion and the will to know how things work around me. At a young age, I was exposed to situations that opened my eyes, for example seeing Telkom and Eskom technicians lining out infrastructure in my township motivated my decision to choose electrical engineering as my field of study.

"I also wanted to make a contribution towards the growth of technology and telecommunications in our country, thus simplifying the lifestyle of all South Africans," she adds.

She describes her journey as being both easy and difficult. It has been a combination of hard work and passion that saw her rise to the stardom, notwithstanding a great deal of responsibility.

Modiamme is an outspoken person with a big heart, and is determined to win the fight in a male-dominated environment.

She works at night and attends classes during the day.

"Finding time to do all the work remains a challenge, but I make sure that I prioritise -- this is a life long investment in realising my future aspirations," she says.

She plans to become a senior engineer in radio planning and optimisation of telecommunications networks, thus helping to eradicate the skills shortage in her field. She would also like to pursue an MTech (Electrical Engineering) and says an MBA will be the cherry on top.

Some of the issues close to her heart include rural development and greater skills acquisition through organizations such as the National Skills Fund and merSETA.

"These organisations have contributed to addressing the skills shortage, but more still needs to be done, especially for people in the rural areas," she concludes.

SET, Simply Distinctive

Simply distinctive is an apt way to describe the zeal and tenacity displayed by the Science, Engineering and Technology (SET) Project learners spearheaded by the merSETA. Despite the odds and numerous challenges, SET learners showed their class and fortitude by overcoming the myriad challenges.

Speaking at a press briefing on the release of the matric results, Minister of Basic Education, Mrs Angie Motshekga, said her Department was motivated by the call made by President Jacob Zuma that they should prioritise education to boost society as a whole.

A whopping 642 001 learners registered for last year's National Senior Certificate examinations, showing an increase of 21 809 compared to December 2009.

And the pass rate for 2010 exceeded expectations. In 2008, the pass rate was 60.6%, in 2009 it was 62.5% and in 2010 the pass rate shot up to 67.8%. It represents an impressive increase of 7.2%, with a total of 364 513 learners passing out of 537 543.

Among the reasons for the success rate was the strategic interventions made by the SET Project. The project is aimed at developing Science, Engineering and Technology capacity-building in the Further Education and Training Colleges (FET) sector.

The increased morale displayed by learners in the class of 2010 has made merSETA proud of its investment in the Star school's project.

SET Project Manager Mr Azwifaneli Tshisikamulilo couldn't hide his excitement about the project's success. "We had 100% pass in grades 11 and 12. In grade 12, we received 115 distinctions and more than 83% of learners achieved university entrance while 55% received University of Technology entrance.

"This shows the support we are giving to these learners has a positive impact in the sector and the country as a whole. A planned exit strategy to support the 2010 learners with bursaries has been achieved. We will have a more militant stance for career guidance this year."

Passionate about rural development and the prospects of the project, Azwifaneli says the next step is to roll it out to rural areas. "Rural Development is where we are shifting all this support to in aligning ourselves to the NSDS III. We really need to have a look at the accessible infrastructure available in the provinces and the public FET Colleges, universities and Universities of Technology for the survival of this project."

In light of the FIFA World Cup that graced our shores, the Provincial Education Departments worked tirelessly from the beginning of the year, and placed serious emphasis on Saturday and holiday programmes. With the partnership between merSETA, Wits Education School, South African Women in Engineering and Star Schools, Saturday programmes played a significant role in the whopping increase in the matric pass.

Amongst the smartest minds that came through the project is Refilwe Mokhotho who hails from the Vaal Triangle. She attended the Suderlig High School in Vanderbijlpark.

Showing leadership qualities, Refilwe was elected the Deputy President of the Representative Council Leadership (RCL). "I have always been a hard worker which can be explained by my competitive nature. I strive to do well at all things I have interest in," says Refilwe.

She has enrolled at the University of the Witwatersrand (WITS), where she is studying towards a Bachelor's Degree in Medicine and Surgery.

"The reason I chose to study medicine is because of the passion I have for helping those who are less fortunate and the love I have for working with people. This will give me a chance to make a positive contribution to my community."

Refilwe achieved seven distinctions in Mathematics, Physical Science, Life Sciences, Accounting, English, Afrikaans and Life Orientation. "It is a dream come true for me as I did not expect seven distinctions – I expected three or four distinctions. It all came as a wonderful surprise to both me and my family," says Refilwe proudly.

She says 2010 was a challenging year for her and all matriculants because of the teacher's strike that took place after the FIFA World Cup. Despite all odds, she studied hard and remained resolutely calm and positive.

On what motivated her to do well, Refilwe alluded to the fact that not having a financial backer and having to get a financial sponsor to pay for her studies motivated her to do well.

"I had to stay up at night while people were sleeping, but I am grateful for all these challenges as they taught me to work even harder and I have learned to cope well under pressure."

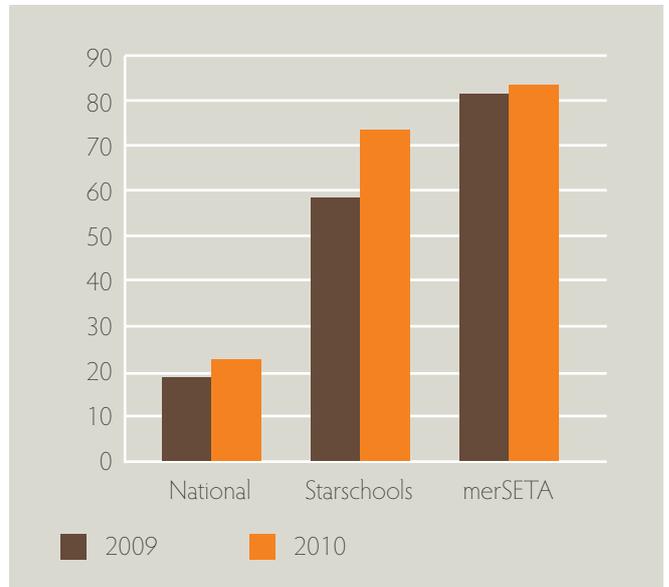
Away from the books, Refilwe takes part in athletics and cross-country marathons.

SET learners showed a spirited performance that has never been seen before and which has set a tone for the class of 2011. It will be to their detriment should they fail to emulate the class of 2010.

merSETA congratulates all our teachers, parents, School Governing Bodies and Star Schools for their unwavering support, guidance and the resources they allocated to helping our learners.

Refilwe's advice for the class of 2011 is to work hard and study smart from the first day at school as this will lessen their study load at the end of the year.

"merSETA is indeed emboldened by the outstanding morale learners have displayed, with many having sacrificed and ended up burning the midnight oil, in their quest for honour and victory like Refilwe," concluded Project Manager, Azwifaneli Tshisikamulilo.



Chris, scoops the Young Welder of the Year Competition.

By: Independent Correspondent

Eastern Cape Midlands FET College International Welder in training, Chris van Zijl, has won the Young Welder of the Year 2010 competition and will represent South Africa at the 41st WorldSkills Competition in London from 5 – 9 October 2011.

He also won the Carbon Steel Category by achieving the most marks on the pressure vessel. He was the only competitor whose vessel was able to withstand the required pressure test.

West Coast FET College's Houston Isaacs, who came second in the pressure vessel section and won both the Stainless Steel and Aluminium categories, was the overall runner-up.

The competition, held in October this year, is run biennially by the Southern African Institute of Welding (SAIW) at their headquarters in Johannesburg.

SAIW training manager Etienne Nell, says the standard was exceptionally high this year compared to previous competitions. "We made some changes to the entry conditions which resulted in a record number of entries from almost all regions in the country.

"After a careful selection process, 17 competitors, including two young women, took part in the finals. I am pleased to say that we witnessed the highest quality of welding in the history of the competition," Nell says.

Pass rate analysis			
	National	Star Schools	merSETA
2009	60.6	91	99
2010	68.8	98	100



University Entrance Analysis			
	National	Star Schools	Merseta
2009	19	58	81
2010	23.5	75	83

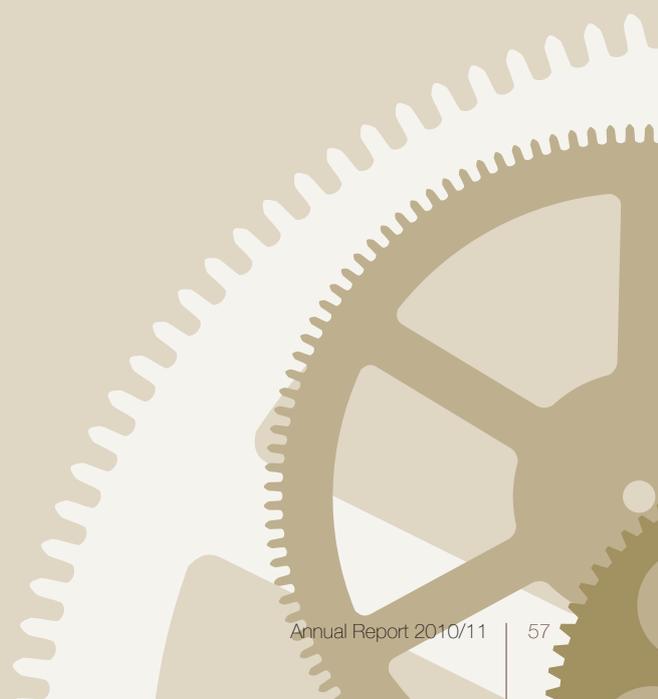
The chairperson of the judging panel, Eskom's Morris Maroga, concurred. "I was very pleased by the excellent overall standard, which, I believe, augurs well for the future of South African welding. I encourage our youth to take advantage of the wonderful career opportunities that welding offers," he said.

The competitors had to show mastery in four welding processes – shielded metal arc welding (SMAW), gas tungsten arc welding (GTAW), gas metal arc welding (GMAW) and flux-cored arc welding (FCAW) – on carbon steel, stainless steel and aluminium.

The fact that both the winner and runner-up came from FETs, as in many previous years, is significant, says Nell, because these FET institutions are accredited by the SAIW as authorized training bodies and use internationally approved training methods.

Van Zijl said he was delighted about winning. "I grew up on a farm and helped my father weld from when I was very young. He taught me to do everything in life to the best of my ability and I am extremely proud to be the top young welder in the country," he said.

The sponsors of the 2010 competition were: Abicor Binzel, Afrox, Aluminium Federation of Southern Africa, Air Products South Africa, Arcelor Mittal, Bohler welding, ESAB, Goscor Arc Welding Solutions, Hulamin, Lincoln Electric Company, Macsteel VRN Steel, Sassda, S.A. Welding and Welding Alloys South Africa. The main prize sponsor was merSETA.



REPORT OF THE AUDIT AND RISK COMMITTEE



Mr Andrew Mashifane (Chairperson)
B Com (Acc) (Wits) BCompt (Hons) (UNISA) CA (SA) Advanced Certificate in Tax (UNISA)



Ms Thuli Mashanda
BA in Accounting Studies (Hons) (Thames Valley University) Certificate in theory of Accounting CA (SA)



Mr John Davis
B Com (Acc) (Wits) CA (SA)



Mr Chris Murray
B Com (Wits) CA (SA) MBL (UNISA)



Adv. Wisani Sibuyi
BA (Law) LLB LLM (Natal)

Report of the Audit and Risk Committee required by Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999

The merSETA Audit and Risk Committee is pleased to present our report for the financial year ended 31 March 2011.

Audit and Risk Committee Members and Attendance

The Audit and Risk committee consists of a maximum of five independent members. The Chairperson and Deputy Chairperson of the Governing Board, the Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, General Managers, representative(s) of the Auditor-General of South Africa and representative(s) from the outsourced Internal Audit Firm, are invited to attend meetings. These members listed hereunder met five times as per its approved terms of reference.

Name of Member	Number of Meetings Attended
Mr A Mashifane (Chairperson of the Audit and Risk Committee)	5/5
Mr JL Davis (Independent member)	5/5
Ms M Mashanda (Independent member)	5/5
Mr C Murray (Independent member)	5/5
Adv. W Sibuyi (Independent member)	4/5

Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has adopted appropriate formal terms of reference as its audit and risk committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, and the management letter of the Auditor-General of South Africa, it was noted that the system of internal control was not entirely effective for the year under review as compliance with prescribed policies and procedures were lacking in certain instances. There has been improvement in some of these areas and others are receiving attention. The Auditor-General of South Africa has drawn attention to certain matters in their report. Management will ensure that these matters receive attention to prevent recurrence in the future.

Evaluation of Annual Financial Statements

The Audit and Risk Committee has

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General of South Africa and the Accounting Officer;
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices ; and
- Reviewed significant adjustments resulting from the audit.

The Audit and Risk Committee concurs and accepts the Auditor-General of South Africa's conclusions 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-General of South Africa.



A Mashifane (Chairperson of the Audit and Risk Committee)

Date 26 July 2011

AUDITOR GENERAL'S REPORT

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

Introduction

1. I have audited the accompanying financial statements of the Manufacturing, Engineering and Related Services Sector Education and Training Authority, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting authority's report, as set out on pages 64 to 106 .

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 14(6)(a) of the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice *1111 of 2010* issued in Government Gazette *33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Manufacturing, Engineering and Related Services Sector Education and Training Authority as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with Standards of GRAP and the requirements of the PFMA.

Emphasis of matters

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

Material losses (through criminal conduct)

9. As disclosed in note 27 to the financial statements, the public entity suffered a financial loss of R6 329 000 due to criminal conduct. The loss involved diversion of mandatory grants due to employers by a former employee of the public entity.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 34 to 39 and material non-compliance with laws and regulations applicable to the public entity.

Predetermined objectives

Reliability of information

11. The reported performance information was deficient in respect of the following criteria:

- Completeness: All actual results and events that should have been recorded have not been included in the reported performance information.

12. The following audit findings relate to the above criteria:

Reported performance against targets is not complete when compared to source information

- For indicator 2.7 the reported performance against targets was not complete based on the source information or evidence provided.
- For indicator 2.8 the reported performance against targets was not complete based on the source information or evidence provided.

Compliance with laws and regulations

Annual financial statements, performance and annual report

13. The accounting authority submitted financial statements for auditing that were not prepared in all material aspects in accordance with generally accepted accounting practice as required by section 55(1)(b) of the PFMA. The material misstatements identified by the Auditor-General of South Africa with regard to grants and transfer payable, discretionary grant prepayments and related-party disclosure were subsequently corrected.

Procurement and contract management

14. As disclosed in note 27 to the annual financial statements, I have identified the following non-compliance with laws and regulations:

- An award was made to a supplier based on criteria that were not consistent with the original invitations for bids as per the requirement of a fair supply chain management system in TR 16A3.2.
- An award was made to a supplier based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
- An award was made to a supplier who failed to provide written proof from the South African Revenue Service that their tax matters are in order as per the requirements of Preferential Procurement Regulations 16 and TR 16A9.1(d).

15. Awards were made to suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state as per the requirements of Treasury Regulation 16A8.3 and Practice Note 7 of 2009-10.

Expenditure management

16. The accounting authority did not take adequate, effective and appropriate steps to prevent losses through criminal conduct, irregular expenditure and fruitless and wasteful expenditure as per the requirements of section 51(1)(b) of the PFMA. Details are disclosed in note 27 to the annual financial statements.

INTERNAL CONTROL

17. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

Oversight responsibility regarding reporting and compliance

18. Deficiencies were identified with regard to certain aspects of the oversight responsibility of the accounting authority as listed below:
- Within the supply chain management system with regard to the functioning and responsibilities of the bid specification, evaluation and adjudication committees
 - The adequate implementation of internal controls to prevent non-compliance with laws and regulations
 - The accuracy and completeness of the annual financial statements submitted for audit purposes as a result of material misstatements corrected
 - The completeness of the annual performance report submitted for audit purposes as a result of material amendments to targets reported

Financial and performance management

Adequacy of systems for the preparation of the report on predetermined objectives

19. Deficiencies were identified within the system used to facilitate the preparation of complete performance against predetermined objectives reports. The system was not appropriate with regard to indicator 2.7 and 2.8.

Accuracy and completeness of the financial statements

20. There were deficiencies in the review of the accuracy and completeness of the financial statements submitted for audit purposes as a result of material misstatements identified through audit work performed.

Monitoring of compliance with laws and regulations

21. Monitoring of compliance with laws and regulations during the process of procurement of goods and services through bidding processes, specifically with regards to the compilation of bid specifications in accordance with the requirements of the Preferential Procurement Regulations, were not adequate.

Governance

Fraud prevention, detection and response

22. The establishment of a formal code of conduct which addressed appropriate ethical and moral behaviour, a risk assessment being conducted and a risk management strategy, which includes a fraud prevention plan, and the implementation of internal controls, did not prevent the public entity from suffering a material loss due to criminal conduct committed by a former employee.

OTHER REPORTS

Investigations

Investigations completed during the financial year

23. An investigation has been completed by an independent forensic firm on request of the entity. The investigation was initiated based on the complaints received from employer companies that the mandatory grant payments were not received. The investigation resulted in criminal proceedings being instituted against a former employee for the diversion of mandatory grants due to employers. The public entity will pursue recovery of the loss through legal processes. The internal control deficiencies have been reviewed and strengthened.

Investigations in progress

24. An investigation is being conducted by an independent forensic firm on request of the entity. The investigation was initiated based on allegations that training providers billed for the one-third upfront payment on vouchers issued, but did not conduct any training or did not complete the training. There were also alleged irregularities in respect of the voucher payment system in that service providers claimed for and were paid in respect of unused and/or expired vouchers. The investigation was still ongoing at the reporting date.

Auditor-General

Pretoria
29 July 2011



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNUAL FINANCIAL STATEMENTS

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ACCOUNTING AUTHORITY REPORT

REPORT BY THE ACCOUNTING AUTHORITY TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

1. General review of the state of affairs

The financial affairs of the merSETA are sound and the merSETA has achieved its targets in most areas. The levy base is substantial and has been maintained at a steady level. The merSETA maintains a constant monthly stream of mandatory and discretionary grant disbursements. The merSETA's financial position is strong with substantial financial assets. Its substantial reserves are 84% committed in learnerships, apprenticeships and projects stretching over the next four years to the value of R773 million.

a. Levies

The merSETA levy income grew by 8.5% in the 2010/11 financial year over prior year to reach R776 million. The levy income exceeded the budgeted levy income by 6.5%. The number of contributing employers increased slightly to 11,003 from 10,792, most of which are large companies employing over 150 employees. The exemption threshold to paying levies remained at annual payroll level of R500, 000. SARS implemented a new tax and levy system which impacted negatively on the merSETA, resulting in remittances to merSETA fluctuating widely and to delays in receiving levies during the year.

b. Grants and Projects

The merSETA had good responses on the electronic WSP application platform for another year and the claim ratio increased to 77% from 73% in prior year. The merSETA has maintained strict deadlines for the submission of mandatory grant applications in line with regulations. These continue to be enforced and most companies adhere to them. The merSETA's mandatory grant disbursements were however negatively impacted by the Department of Higher Education and Training (DHET) inability to provide the levy download file which provides the employer information necessary to pay mandatory grants. The merSETA had to undertake time consuming and cumbersome procedures to obtain information on levies paid directly from employers in order to maintain a consistent flow of mandatory grant payments. However, full provision of the mandatory grant expense was made, based on the claims ratio resulting in expenses increasing to R369 million from R334 million the prior year.

Discretionary grant expense including project expense this year amounted to R 331 million, a 30.8% decrease from prior year expense of R478 million. This translates to 65% of the budgeted expenditure. The discretionary grants decreased due to several factors being:

- a. The amount of second and final grant payments being below budget. The merSETA only pays the second and final tranches on attainment of 50% and 100% of training completion milestones respectively. Training at employer companies had been negatively affected by the economic recession during the previous two years. The companies that had taken on apprentices during that period have lagged behind schedule in attaining the 50% and 100% training completion stages and therefore could not claim all the second and third payment tranches budgeted for.
- b. Delays in allocation of grants under DG3. DG3 allocation was only approved in October 2010 and most first tranche disbursements were effected in February and March 2011. Therefore a number of short programmes which had been budgeted to reach second tranche milestone in 2010/11 did not achieve this.

All first tranche payments during the year were being effected at the lower level of 10%. When the merSETA started the allocation of grants based on MOAs, the first tranche payment was at 33%. This was changed to 10% in 2009/10, but the change was slowly phased in as some companies already had multi-year MOAs showing the first tranche at 33%. In 2010/11 all companies were only paid 10% as the first tranche.

The merSETA continues to monitor all the companies given discretionary grants as prepayments last year to ensure that training is being implemented. The merSETA also vigorously pursues all companies that are not implementing training to either effect remedial actions or return the grants paid to them.

Project expenditure was below budget due to a number of projects undergoing review of their results and impact undertaken before decisions are made whether to continue the project and to adjust the method of project delivery.

Grants paid to date per grant type and chamber since inception:

Rand Thousands

	ATR	Disc	SDF	WSP	Total	% of Total
Auto	72,550	47,416	2,106	186,025	308,097	10%
Metal	295,405	286,806	9,926	1,087,594	1,679,731	55%
Motor	132,238	171,023	3,707	504,946	811,914	27%
New Tyre	14,327	4,281	502	34,628	53,738	2%
Plastics	32,169	17,500	964	119,988	170,621	6%
Total	546,689	527,026	17,205	1,933,181	3,024,101	100%
% of Total	18%	17%	1%	64%	100%	

c. Planned utilisation of surpluses

The merSETA has discretionary reserves of R919 million and cash balances of R1,085 billion at year end. The merSETA has received approval to carry forward these surpluses for the 2009/10 financial year, and has applied for similar carry forward of surpluses for the 2010/11 year in May 2011. The merSETA has committed to utilise R773 million in board approved learnerships, apprenticeships, strategies and projects in the 2011/12 to 2014/15 financial years. The commitments cover 84% of the reserves at year end.

d. Re-licensing of the merSETA

During the year, the Executive Authority for all SETAs, the Department of Higher Education and Training (DHET), extended the merSETA's licence for a period of five years. The Minister of Higher Education and Training also announced that the fuel retailers sub sector comprising about 2,400 employers, of which 900 are active and which contributed levies of about R12 million in 2010/11, was to be moved from the merSETA to the Wholesale and Retail Seta with effect from 1 April 2011.

e. Soccer World Cup Clothing and tickets

No money was spent on the purchase of soccer tickets for management, staff or stakeholders. The merSETA normally purchases branded corporate wear in the form of shirts for staff to wear at certain company functions. This year the merSETA decided to adopt the soccer theme and bought soccer shirts branded with the merSETA logo amounting to R181 873 up to July 2010.

The merSETA spent a further R 10,000 on a soccer competition, soccer flags and decor.

2. Services rendered by the merSETA

The merSETA renders four broad services to its sector;

Grants disbursements:

- Disbursement of mandatory grants accounts for 50% of levies paid. This is subject to companies submitting an appropriate workplace skills plan received by 30 June 2009. This reimburses companies who undertake training; and
- Disbursement of discretionary grants accounts for a minimum of 20%. The merSETA supports learners and apprentices with such grants and also undertakes special projects that will benefit the sector at large.

Quality assurance functions which include but are not limited to:

- Accreditation of workplaces and training providers for the purpose of quality training provision;
- Assessment and moderation of learners against set criteria; and
- Auditing and monitoring of training providers for the purpose of assessing the quality of their training provision.

Skills implementation functions as follows:

- Development of unit standards and registration of these with the South African Qualifications Authority;
- Development of curriculum and courseware from unit standards registered in the MerSETA's scope of coverage;
- Conceptualisation and implementation of skills initiatives which promotes the NSDS objectives and address training needs in the MerSETA's five sub sectors;
- Research into sector training needs in terms of critical skills and future growth skills;
- Development and maintenance of a database for skills development reference and administration;
- Skills development advice and assistance to companies and training providers; and
- Administration and maintenance of the apprenticeship and learnership systems.

3. Human resources

The number of employees increased to 228 during the 2010/11 year compared to 218 the previous financial year. The merSETA remained focused on customer service with the regional offices being brought in more to deliver project work.

Employment data for senior management of merSETA for the 2010/11 financial year:

Rand 000's

Key Personnel	Cost to Company 2010/11	Performance Bonus 2010/11	Total 2010/11	Total 2009/10
Chief Executive Officer	1,400	459	1,859	1,518
Chief Financial Officer	991	101	1,092	951
Chief Operating Officer	1,067	134	1,201	1,000
General Manager: Corporate Services	852	92	944	853
General Manager: Corporate Governance	891	110	1,001	860
General Manager: Projects	852	95	947	864
TOTAL	6,053	991	7,044	6046

All senior managers have occupied their positions for the full year for 2010/11 and 2009/10.

4. Utilisation of donor funds

The merSETA entered into an agreement for co-financing of the Accelerated Artisan Training Programme for the National Skills Fund in March 2009 worth R136 million of which R42 million was received in 2010/11. At year end, R9 million of these funds were on hand. The merSETA also entered into an agreement with the Department of Higher Education and Training for Training Layoff Scheme in 2009/10 of which R18 million was received in 2010/11. At year end all funds received were fully disbursed.

5. Business address

The merSETA changed its physical address in April 2011. The postal address remained unchanged. The details are as follows:

merSETA
The Atrium
95, 7th Avenue
Melville
Johannesburg
2092

merSETA
P O Box 61826
MARSHALLTOWN
2107

6. Discontinued activities

The fuel retailers sub sector comprising 2,400 employers of which 900 are active, was moved from the merSETA to the Wholesale and Retail SETA as of 1 April 2011. The sub sector contributed about R12 million in levies to the merSETA in 2010/11. The merSETA did not discontinue any major activity during the year under review and has no plans to discontinue any activities in the next financial year.

7. New/proposed activities

The merSETA, in line with a government directive, will continue to focus on rural participation in our discretionary expenditure. New projects to be undertaken in 2011/12 include expanded research on apprenticeships.

8. Events after the reporting date

The merSETA is not aware of any events after the reporting date which will affect the financial state of affairs of the organisation for the 2010/11 financial year.

9. Performance information

The merSETA's performance is measured by the Department of Higher Education and Training against the National Skills Development Strategy objectives which were translated into targets by the merSETA in 2010/11 and for which a Service Level Agreement was signed between the merSETA and Department of Higher Education and Training. The merSETA has an extensive information database which it uses for record keeping and updating purposes, quality assurance requirements as well as reporting to the Department of Higher Education and Training.

The merSETA's has met its targets as set by the Department of Higher Education and Training for 2010/11. The final rating will be provided when finalised by the Department of Higher Education and Training. The details of this are shown under the section on Performance Information.

10. Corporate governance

The merSETA follows an integrated approach which has governance, risk management and compliance forming the three pillars that allow the organisations to achieve its strategic objectives. The elements which are basic to governance, risk management and compliance effectiveness have either been addressed by the merSETA or are being addressed.

a. Governing Board

The term of the board of the merSETA ended on 31 March 2011 and the Minister has approved a new smaller board comprising of 15 members including an independent chairperson. The Minister has also introduced restrictions to board members' term in office.

b. Internal audit

The merSETA's internal audit function is outsourced to an independent audit firm that carries out this function on an approved three year internal audit plan. The independent internal auditors perform and report in terms of an approved charter and in line with the Audit and Risk Committee Charter.

c. Financial management

Fraud

During the year, the merSETA suffered a loss of R6,3 million through diversion of mandatory grants due to employers. The merSETA has since reviewed the controls and processes surrounding the update of bank details. This investigation was completed in the financial year.

An investigation in regard to suspected irregularities on the SME Voucher program is currently underway.

Internal Controls

In response to the grants fraud, the merSETA has decided to undertake a detailed fraud risk analysis together with the annual risk assessment covering all the major cycles of the organisation.

The merSETA is in the process of migrating to a new outsourced MIS system. Internal audit will review the controls and processes around the migration. In response to the issues raised around supply chain management, management is reviewing the controls and processes. The systems of accounting and internal controls are also being constantly monitored and improved.

Other than detailed above, the merSETA's financial management remains sound and compliant with the PFMA and National Treasury regulations. The merSETA Executive Committee meetings are presented with a full financial management report from the Chief Financial Officer. An all-inclusive budgeting process formed part of the Business Plan process and is used as a benchmark for levy income and grant administration and capital expenditure. A quarterly report showing financial and performance results against budget is presented to the merSETA Governing Board and the Department of Higher Education and Training.

In terms of the Skills Development Act, total administration expenditure may not exceed 10% of total levy income. The merSETA has kept within this limit.

d. Audit and Risk Committee

The Audit and Risk Committee comprises of five independent members. The Audit and Risk Committee is advisory in nature and reports to the Governing Board. The committee's charter is aligned to the duties prescribed by the PFMA and Treasury Regulations. The Audit and Risk Committee's responsibilities also cover oversight of risk management processes. During the year an extensive risk assessment was undertaken. The committee has the authority to seek such independent professional advice, as it considers necessary.

e. Other committees

The other committees of the Governing Board are:

- i) Executive Committee;
- ii) Investment Committee;
- iii) Remuneration Committee;
- iv) LETQA Functional Standing Committee;
- v) Discretionary Grant Technical Committee;
- vi) Chamber Committees;
- vii) Regional Committees; and
- viii) Research and Development Committee.

All committees function within terms of reference approved by the Governing Board and are functioning satisfactorily. More details on their functions are presented under the Corporate Governance section of the annual report.

f. Policies

The financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including all interpretations of such statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statements. The merSETA's policies and procedures are aligned with GAAP and GRAP.

Existing policies are reviewed at least once every two years, or as necessary to comply with changes in GAAP, GRAP or within the organisation.

g. Supply chain management unit

In response to audit reports detailing non-compliance within supply chain tender management processes, the merSETA has reviewed all the processes and is in the process of implementing a computerised supply chain management system.

h. IT systems

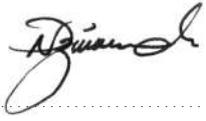
The new Seta Management System (SMS) MIS system hosted by an independent consulting firm is being implemented in stages. Major processes like the employer grants and the online submission of WSPs are operational. The training of staff and employers has been undertaken.

i. Conflict of interest

MerSETA's Governing Board maintains a declaration of interest register. This is over and above the requirements that members declare if they have an interest in any item on the agenda, to comply with the Public Finance Management Act as well as good corporate governance practice.

11. Approval

The audited annual financial statements for the year ended 31 March 2011 set out on pages 72 to 106, have been approved by the Accounting Authority in terms of Section 51 (1)(F) of the Public Finance Management Act, 1999 (Act 1 of 1999) on 31 May 2011, and are signed on their behalf by:



P. Nzimande
(Chairperson)



R. Patel
(Chief Executive Officer)

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010/11			2009/10		
		Actual	Budget	Variance	Actual	Budget	Variance
		R'000	R'000	R'000	R'000	R'000	R'000
REVENUE							
Skills development levy income	3	775 787	728 068	47 719	715 449	669 420	46 029
Skills development penalties and interest	4	6 050	4 500	1 550	6 478	4 500	1 978
Government grant income	5	56 902	32 500	24 402	22 146	16 000	6 146
Total non-exchange revenue		838 739	765 068	73 671	744 073	689 920	54 153
Investment income	6	60 203	50 000	10 203	74 950	80 000	(5 050)
Other income	7	43	-	43	45	100	(55)
Total exchange revenue		60 246	50 000	10 246	74 995	80 100	(5 105)
Total revenue		898 985	815 068	83 917	819 068	770 020	49 048
EXPENSES							
Employer grant and project expenses	8	(699 667)	(1 077 414)	377 747	(812 011)	(1029 880)	217 869
Administration expenses	9	(96 664)	(91 001)	(5 663)	(87 203)	(83 678)	(3 525)
Government grant expense	5	(56 902)	(32 500)	(24 402)	(22 146)	(16 000)	(6 146)
Total expenses		(853 233)	(1 200 915)	347 682	(921 360)	(1 129 558)	208 198
Net surplus/ (deficit) for the year	2	45 752	(385 847)	431 599	(102 292)	(359 538)	257 246

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

	Note	31 MARCH 2011 R'000	31 March 2010 R'000
ASSETS			
Current assets			
Prepayments and advances	10	29 867	30 424
Receivables from non-exchange transfers	11	818	900
Other receivables from exchange transactions	12	8 071	8 789
Inventories	13	82	72
Available-for-sale financial assets	14	1 010 000	880 000
Cash and cash equivalents	15	75 030	88 849
		1 123 868	1 009 034
Non-current assets			
Property and equipment	16	8 549	10 219
Intangible assets	17	387	823
		8 936	11 042
Total Assets		1 132 804	1 020 076
LIABILITIES			
Current liabilities			
Grants and transfers payable	18	181 255	108 835
Trade and other payables from exchange transactions	19	19 507	24 995
Provisions	20	124	80
Total Liabilities		200 886	133 910
Net Assets		931 918	886 166
Net assets represented by:			
Administration reserve		12 144	11 869
Employer grant reserve		535	1 015
Discretionary grant reserve		919 239	873 282
Total Net Assets		931 918	886 166

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDING 31 MARCH 2011

	Note	Administration reserve R'000	Employer grant reserve R'000	Discretionary grant reserve R'000	Unappropriated (deficit)/ surplus R'000	Total R'000
Balance at 1 April 2009		10 193	3 892	974 373	-	988 458
Net deficit for the year per statement of financial performance		-	-	-	(102 292)	(102 292)
Allocation of unappropriated deficit for the year	2	1 676	113 557	(217 525)	102 292	-
Excess reserves transferred to discretionary reserve		-	(116 434)	116 434	-	-
Balance at 31 March 2010		11 869	1 015	873 282	-	886 166
Net surplus for the year per statement of financial performance		-	-	-	45 752	45 752
Allocation of unappropriated surplus for the year	2	275	116 121	(70 644)	(45 752)	-
Excess reserves transferred to discretionary reserve		-	(116 601)	116 601	-	-
Balance at 31 March 2011		12 144	535	919 239	-	931 918

The Employer Grant Reserve is a mandatory grant provision for newly registered companies participating after the legislative cut-off date. This is noted under contingencies in note 22.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1 ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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

The actual and budget information has been prepared and presented on the same basis, being the accrual basis.

1.2 CURRENCY

1.2.1 *Functional and presentation currency*

These financial statements are presented in South African Rands since that is the currency in which the majority of the entity's transactions are denominated.

1.2.2 *Foreign currency transactions*

Levies and reimbursements received in a foreign currency are recognised at the exchange rate ruling on the date of recognition.

1.3 REVENUE RECOGNITION

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

1.3.1 *Levy income*

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies of the merSETA pay a skills development levy of 1% of the total payroll cost to the South African Revenue Service (SARS).

Eighty percent (80%) of skills development levies are paid over to the merSETA (net of a two percent (2%) collection cost to SARS and eighteen percent (18%) contribution to the National Skills Fund).

Skills Development Levy (SDL) transfers are recognised when it is probable that future economic benefits will flow to the merSETA and these benefits can be measured reliably. This occurs at the earlier of the time the Department of Higher Education and Training (DHET) makes the allocation or payment is made to the merSETA. SDL transfers are made in terms of section 8 of the Skills Development Levies Act, 1999 (Act No 9 of 1999). The SDL transfer is measured at the fair value of the consideration received.

The merSETA refunds amounts to employers in the form of grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected, it may result in grants that have been paid to certain employers that are in excess of the amount the merSETA is permitted to have granted to employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant overpayment, net of losses resulting from levy reversals by SARS and allowance for losses resulting from levy reversals by SARS.

Revenue is adjusted for interSETA transfers due to employers changing SETAs. Such adjustments are separately disclosed as InterSETA transfers. The amount of the interSETA adjustment is calculated according to the Standard Operating Procedure of the Department of Labour issued June 2001.

When a new employer is transferred to the merSETA, the levies transferred by the former SETA are recognised as revenue and allocated to the respective category to maintain its original identity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1.3.2 Interest and penalties

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

1.3.3 Funds allocated by the National Skills Fund for Special Projects

Funds transferred by the National Skills Fund (NSF) are accounted for in the financial statements of the merSETA as a liability until the related eligible special project expenses are incurred, when the liability is extinguished and revenue recognised.

1.3.4 Government grants and other donor income

Conditional government grants and other conditional donor funding received are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs which they are intended to compensate. Unconditional grants and other unconditional donor income are recognised as income at the time the amounts are received.

1.3.5 Investment income

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

1.4 GRANT AND PROJECT EXPENDITURE

1.4.1 Mandatory grants

The grant payable and the related expenditure is recognised when the employer has submitted an application for a grant in the prescribed form within the legislated cut-off period and it is probable the grants will be paid. This grant is equivalent to 50% (2009/10: 50%) of the total levies paid by the employer and comprises a workplace skills planning grant.

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

1.4.2 Discretionary grants and project expenditure

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

Project expenditure comprises:

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1.4.2 *Discretionary grants and project expenditure (continued)*

Such costs are allocated using methods that are systematic and rational and are applied consistently to all costs having similar characteristics.

Discretionary grants and project costs are recognised as expenses in the period in which they are incurred and the liability is recognised accordingly. A receivable or payable is recognised net of a provision for irrecoverable amounts for incentive and other payments made to the extent that expenses have not yet been incurred in terms of the contract.

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

1.5 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

- The PFMA,
- The Skills Development Act,

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

1.6 PROPERTY AND EQUIPMENT

Property and equipment comprise tangible assets held for administrative use and are expected to be used during more than one accounting period. Property and equipment are stated at cost less any subsequent accumulated depreciation and adjusted for any impairments. Depreciation has been calculated on the straight-line method to write off the cost of each asset at acquisition to estimated residual value over its estimated useful life as follows:

<u>Asset class</u>	<u>Depreciation period</u>
- Computer equipment	3 - 6 years
- Office furniture and fittings	5 - 10 years
- Office equipment	5 - 6 years
- Motor vehicles	4 - 6 years
- Other assets	Remaining lease Lease period

The useful lives of property and equipment and their residual values are reassessed at the end of each financial year.

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

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

Profits and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus or deficit.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1.7 INTANGIBLE ASSETS

Intangible assets that meet the recognition criteria are stated in the statement of financial position at amortised cost, being the initial cost price less any accumulated amortisation and impairment losses.

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

<u>Asset class</u>	<u>Amortisation period</u>
- Computer software	1 - 2 years

The useful lives of intangible assets are reassessed at the end of each financial year.

1.8 INVENTORIES

Inventories consist of consumables held for administrative use. These are recognised as assets on the date of acquisition and are measured at the cost of acquisition. They are subsequently recognised in surplus or deficit as they are consumed.

1.9 LEASING

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

1.10 RETIREMENT BENEFIT COSTS

"The merSETA participates in the Momentum Funds at Work Umbrella Pension Fund. This fund is a defined contribution plan and the assets are held in separate trustee administered funds. The plan is generally funded by payments from the entity and employees, taking into account the recommendations of independent qualified actuaries.

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

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

Contribution by employee =	7.5%
Contribution by employer =	12.08%
Total contribution =	<u>19.58%</u>

1.11 PROVISIONS

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

Provision for employee related entitlements

The cost of other employee benefits (not recognised as retirement benefits - see note 1.10 above) are recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date. Provisions included in the statement of financial position are provisions for Workman's Compensation.

1.12 FINANCIAL INSTRUMENTS

Recognition

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

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

Measurement

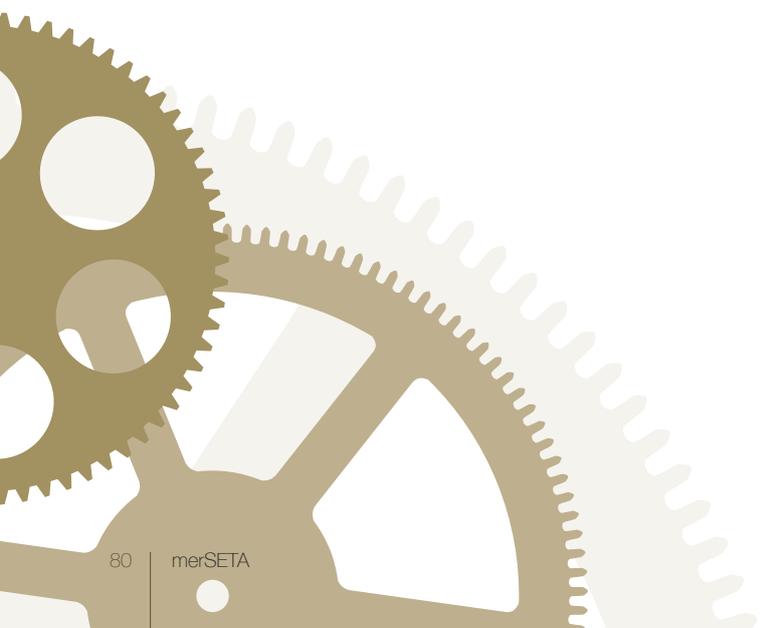
Financial instruments are initially measured at fair value plus any transaction costs directly attributable to the acquisition or issue of financial asset/liability. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

The merSETA's principal financial assets are exchange receivables, available-for-sale financial assets, loans and cash and cash equivalents. The classification depends on the purpose for which the asset were acquired.

Other receivables from exchange transactions

Other receivables are measured at amortised cost, using the effective interest rate method, where considered applicable. Impairment losses are recognised in an allowance account where the carrying value exceeds the present value of future cash flows, discounted at the original effective interest rate.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1.12 FINANCIAL INSTRUMENTS (CONTINUED)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are not classified in any other categories. Where the merSETA no longer has the ability or intention to hold to maturity assets previously classified as held-to-maturity financial assets, these are reclassified as available-for-sale financial assets and remeasured at fair value. The difference between the carrying amount of the assets and fair value is recognised directly in reserves.

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

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

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

Financial liabilities

The merSETA's principal financial liabilities are trade and other payables from exchange transactions. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

A financial asset or a portion thereof is derecognised when the merSETA realises the contractual rights to the benefits specified in the contract, the rights expire, the merSETA surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets is included in net surplus or deficit for the period.

Fair value considerations

The fair values at which financial instruments are carried at the reporting date have been determined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the merSETA could realise in the normal course of business.

Offsetting

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1.13 NET ASSETS

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

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

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

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

	2010/11	2009/10
	%	%
Administration costs of the merSETA	10	10
Mandatory Workplace Skills Planning Grant	50	50
Discretionary grants and projects	20	20
	<u>80</u>	<u>80</u>

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

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

The minimum amount retained in the administration reserve equates to the net book value of non current assets. The merSETA has obtained board approval to accumulate available administration reserves for the purpose of purchasing a head office. Once sufficient funds are accumulated, management would still have to undertake the correct procurement processes to identify the building and the board would have to approve this. Furthermore, the purchase of the building is subject to National Treasury approval.

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

1.14 CONTINGENCIES

Contingencies comprise an Employer Grant Reserve for newly registered member companies participating after the legislative cut-off date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1.15 RELATED PARTY TRANSACTIONS

Transactions are disclosed as related party transactions where the merSETA has in the normal course of its operations, entered into transactions with entities related to the Department of Higher Education and Training (DHET) or which had a nominated representative serving on the merSETA accounting authority.

Inter-SETA transactions arising from employers moving from one SETA to another, are treated as related party transactions.

1.16 COMPARATIVE FIGURES

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

1.17 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Useful lives of property and equipment

The merSETA reviews the estimated useful lives of property and equipment at the end of each annual reporting period, refer to note 16 for the carrying values of property and equipment. The merSETA's license was extended until 31 March 2016.

The following useful lives are used in the calculation of depreciation

Computer equipment	3 to 6 years
Computer software	1 to 2 years
Office furniture and fittings	5 to 10 years
Office equipment	5 to 6 years
Motor vehicles	4 to 6 years

The merSETA has reviewed the residual values used for the purposes of depreciation calculations in light of the amended definition of residual value. Residual values of certain IT equipment and motor vehicles were adjusted. Residual values are reviewed on an annual basis.

Provision for under threshold levies received

Companies with annual payrolls below R500,000 are exempted from paying skills development levies. Each year, the merSETA estimates the value and makes provision for levies paid when the company should not have paid the levies as its annual payroll falls below the threshold.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

2. ALLOCATION OF NET SURPLUS/ (DEFICIT) FOR THE YEAR TO RESERVES

Total per Statement of Financial Performance	Administration reserve	Employer grants reserve			Discretionary reserve			
		Mandatory skills planning grant	Mandatory skills implementation grant	Total	Discretionary grants	Projects	Government grants	Total discretionary
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000

Year ended 31 MARCH 2011

Total revenue	898 985	96 939	485 040	(160)	484 880	45 800	214 464	56 902	317 166
Skills development levy: income									
Admin levy income (10%)	96 939	96 939	-	-	-	-	-	-	-
Grant levy income (70%)	678 848	-	485 040	(160)	484 880	(20 496)	214 464	-	193 968
Skills development levy: penalties and interest	6 050	-	-	-	-	6 050	-	-	6 050
Government grant income	56 902	-	-	-	-	-	-	56 902	56 902
Investment income	60 203	-	-	-	-	60 203	-	-	60 203
Other income	43	-	-	-	-	43	-	-	43
Total expenses	853 233	96 664	368 825	(66)	368 759	116 444	214 464	56 902	387 810
Employer grants and project expenses	699 667	-	368 825	(66)	368 759	116 444	214 464	-	330 908
Administration expenses	96 664	96 664	-	-	-	-	-	-	-
Government grant expense	56 902	-	-	-	-	-	-	56 902	56 902
Net surplus per the statement of financial performance allocated	45 752	275	116 215	(94)	116 121	(70 644)	-	-	(70 644)

Year ended 31 March 2010

Total revenue	819 068	88 879	448 572	(761)	447 811	26 056	234 176	22 146	282 378
Skills development levy: income									
Admin levy income (10%)	88 879	88 879	-	-	-	-	-	-	-
Grant levy income (70%)	626 570	-	448 572	(761)	447 811	(55 417)	234 176	-	178 759
Skills development levy: penalties and interest	6 478	-	-	-	-	6 478	-	-	6 478
Government grant income	22 146	-	-	-	-	-	-	22 146	22 146
Investment income	74 950	-	-	-	-	74 950	-	-	74 950
Other income	45	-	-	-	-	45	-	-	45
Total expenses	921 360	87 203	334 814	(560)	334 254	243 581	234 176	22 146	499 903
Employer grants and project expenses	812 011	-	334 814	(560)	334 254	243 581	234 176	-	477 757
Administration expenses	87 203	87 203	-	-	-	-	-	-	-
Government grant expense	22 146	-	-	-	-	-	-	22 146	22 146
Net deficit per the statement of financial performance allocated	(102 292)	1 676	113 758	(201)	113 557	(217 525)	-	-	(217 525)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

3. SKILLS DEVELOPMENT LEVY INCOME

Notes	2010/11 R'000	2009/10 R'000
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The total levy income per the statement of financial performance is as follows:

Levy income: Administration	96 939	88 879
Levies received from SARS	96 160	88 628
InterSETA transfers in	77	1 083
InterSeta transfers out	-	(260)
Provision for refund SARS	702	(572)

Levy income: Employer Grants	484 880	447 811
Levies received from SARS	480 984	446 192
InterSETA transfers in	387	5 466
InterSETA transfers out	-	(986)
Provision for refund SARS	3 509	(2 861)

Levy income: Discretionary Grants	193 968	178 759
Levies received from SARS	192 409	178 273
InterSETA transfers in	155	2 167
InterSETA transfers out	-	(537)
Provision for refund SARS	1 404	(1 144)

	775 787	715 449
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4 SKILLS DEVELOPMENT LEVY PENALTIES AND INTEREST

Penalties	4 469	3 233
Interest	1 581	3 245
	6 050	6 478

5 GOVERNMENT GRANTS

National Skills Fund grant

Opening balance		5 525	-
Received during the year for the training layoff programme		18 150	9 399
Received during the year for accelerated artisan training programme		41 859	18 031
Investment income		593	241
Utilised and recognised as revenue - conditions met		(56 902)	(22 146)
Closing balance	18	9 225	5 525

These funds were received from the National Skills Fund for the purposes of funding the training layoff and accelerated artisan training programme.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

6. INVESTMENT INCOME

	Notes	2010/11 R'000	2009/10 R'000
Interest income from short term deposits, bank and call accounts		60 316	74 889
Fair value adjustments		(113)	61
		<u>60 203</u>	<u>74 950</u>

7. OTHER INCOME

Trade test fees received		43	45
		<u>43</u>	<u>45</u>

8. EMPLOYER GRANT AND PROJECT EXPENSES

Mandatory grants		368 759	334 254
Discretionary grants	23.1.2	116 444	243 581
MOA grants		81 193	175 046
Other grants		35 251	68 535
Project expenditure	8.1	214 464	234 176
		<u>699 667</u>	<u>812 011</u>

8.1 Project expenditure consists of:

Direct project costs		190 730	213 018
Indirect project administration costs	9	23 734	21 158
	8	<u>214 464</u>	<u>234 176</u>

9. ADMINISTRATION EXPENSES

Advertising, marketing and promotions, communication		4 910	5 730
Amortisation - intangible assets	17	1 000	1 343
Audit Costs - Internal audit		937	748
Audit Costs - External audit		2 011	1 606
Bank Charges		229	240
Board and sub-committee costs		1 009	1 004
Remuneration to members of the audit committee		308	203
Capacity building of board and sub-committee members		320	319
Board and sub-committee assessment cost		132	337
Secretarial services		249	145

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2010/11 R'000	2009/10 R'000
Cleaning and groceries		296	304
Depreciation		3 010	1 581
Prior to re-assessment of useful lives/ residual values		3 009	2 754
Depreciation due to re-assessment of useful lives/ residual values		1	(1 173)
Employment costs		69 020	59 766
Recruitment costs		66	279
Salaries, wages and benefits	9.1	67 400	57 520
Staff training, development and welfare		1 554	1 967
Entertainment expenses		7	3
Fair value adjustments to plant and equipment	16	-	(7)
Gifts, donations and sponsorships		166	148
Insurance and licence fees		1 454	1 112
Investigations and forensic costs		584	43
Legal fees		334	216
Loss on disposal of property and equipment		95	114
Operating lease rentals		10 621	8 284
Buildings		9 645	7 509
Parking		976	775
Printing, stationery and postages		2 365	2 357
Rates, water and electricity		2 024	1 423
Removal costs		3	9
Repairs, maintenance and running costs		1 181	1 270
Buildings		524	768
Property and equipment		657	502
Service provider administration fees		2 136	2 778
Special functions		786	1 743
Storage		97	83
Telecommunication expenses		5 160	5 397
Travel, subsistence and meeting expenses		10 960	11 066
		120 398	108 361
Less: amounts allocated to project expenditure		(23 734)	(21 158)
		96 664	87 203

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	
	2010/11 R'000	2009/10 R'000
9.1		
Salaries and wages	59 740	51 169
Basic salaries	49 437	43 183
Performance awards	4 968	3 938
Other non-pensionable allowance	3 985	3 483
Temporary staff	679	331
Leave payments	671	234
Social contributions	7 660	6 351
Medical aid contributions	2 186	1 874
Pension contributions: defined benefit plans	4 521	3 799
UIF	292	270
Insurance	235	-
Other salary related costs	426	408
	<u>67 400</u>	<u>57 520</u>
Average number of employees	<u>228</u>	<u>218</u>

Refer to the report by the Accounting Authority for disclosure concerning the emoluments of the Chief Executive Officer; the Chief Financial Officer and Senior Managers.

9.2 Retirement benefit costs

During the year, the merSETA changed its pension fund from a defined benefit fund to a defined contribution fund. The change was necessitated by expected increases in the cost of the defined benefit fund. The contributions on the new defined contribution fund remained at the same level as the old fund.

The defined contribution fund is administered by Momentum Funds at Work. It is a sub fund under the Funds at Work umbrella fund.

The expense recognised in the income statement, equal to the contributions due for the year amounts to R 4 521 000 (2009/10: R 3 799 000)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	31 March 2011 R'000	31 March 2010 R'000
10. PREPAYMENTS AND ADVANCES			
Staff Loans - Education		111	80
Prepayments - Insurance		58	236
Discretionary grant prepayments	10.1	29 698	30 108
Closing balance		29 867	30 424

10.1 Discretionary grants prepayment arising from non-exchange transactions

Discretionary grants prepayments to the value of R29 698 000 (2009/10: R30 108 000) have been accounted for as prepayments/advance due to the specific terms detailed in the Memorandum of Agreements entered into with qualifying employers.

Opening balance		30 108	122 470
MOA disbursements		101 914	87 783
MOA expense charged to the statement of financial performance		(96 858)	(175 046)
Net recoveries, accruals and other adjustments		5 721	1 841
		40 885	37 048
Provision for impairment		(11 187)	(6 940)
Net discretionary grant prepayments	10	29 698	30 108

11. RECEIVABLES FROM NON-EXCHANGE TRANSFERS

Employer receivable	11.1	-	-
Receivable - investigations	11.2	-	-
InterSETA receivable	25.1	818	900
		818	900

11.1 Employer receivable

Employer receivable

Overpayment to employers		4 755	3 732
Allowance for doubtful debts		(4 755)	(3 732)
Net effect of SARS retrospective adjustments on affected employers		-	-

The employer receivable of R 4 755 000 (March 2010: R3 732 000) recognised is due to SARS effecting retrospective adjustments to levies on which mandatory grants have already been paid. An amount of R4 755 000 (March 2009: R3 732 000) was provided against such employer receivables. Refer also to policy note 1.3.1.

11.2 Receivable - investigations

Receivable arising from investigations		6 329	-
Allowance for doubtful debt		(6 329)	-
Net receivable from investigations		-	-

12. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits		1 177	372
Interest receivable		6 819	8 267
Sundry receivables		75	150
		8 071	8 789

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

Notes	31 March 2011 R'000	31 March 2010 R'000
13. INVENTORIES		
Consumables stock	82	72

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Short term investments/instruments	1 010 000	880 000
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The merSETA obtained National Treasury approval of the banking institutions where these funds are held as required in Treasury Regulation 31.2. The weighted average interest rate on short term bank deposits was 6.2% (2009/10: 7.8%).

15. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	986	408
Cash at bank	953	375
Cash on hand	33	33
Short term investments/instruments	74 044	88 441
Cash and cash equivalents at end of year	75 030	88 849

The merSETA obtained National Treasury approval of the banking institutions where these funds are held as required in Treasury Regulation 31.2. The weighted average interest rate on short term bank deposits was 5.5% (2009/10: 6.9%).

16. PROPERTY AND EQUIPMENT

	Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
Year ended 31 March 2011			
Computer equipment	7 945	(5 431)	2 514
Office furniture and fittings	6 349	(2 928)	3 421
Office equipment	3 950	(2 274)	1 676
Motor vehicles	2 215	(1 291)	924
Other assets	28	(14)	14
Balance at end of year	20 487	(11 938)	8 549
Year ended 31 March 2010			
Computer equipment	7 587	(4 211)	3 376
Office furniture and fittings	5 573	(2 337)	3 236
Office equipment	3 679	(1 616)	2 063
Motor vehicles	2 529	(1 216)	1 313
Other assets	514	(283)	231
Balance at end of year	19 882	(9 663)	10 219

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

Opening carrying amount R'000	Transfers (out)/ fair value adjustment R'000	Additions R'000	Disposals cost R'000	Depreciation charge R'000	Accumulated depreciation on disposals R'000	Closing carrying amount R'000
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Movement summary 2010/11

Computer equipment	3 376	9	457	(99)	(1 298)	69	2 514
Office furniture & fittings	3 236	10	776	-	(601)	-	3 421
Office equipment	2 063	6	295	(24)	(672)	8	1 676
Motor vehicles	1 313	-	-	(314)	(242)	167	924
Other assets	231	-	-	(486)	(218)	487	14
Balance at end of year	10 219	25	1 528	(923)	(3 031)	731	8 549

Movement summary 2009/10

Computer equipment	2 831	25	1 350	(201)	(824)	195	3 376
Office furniture & fittings	3 065	-	739	(227)	(475)	134	3 236
Office equipment	1 481	-	850	(137)	(237)	106	2 063
Motor vehicles	1 257	7	-	(377)	198	228	1 313
Other assets	447	-	27	-	(243)	-	231
Balance at end of year	9 081	32	2 966	(942)	(1 581)	663	10 219

17. INTANGIBLE ASSETS - COMPUTER SOFTWARE

Cost R'000	Accumulated amortisation R'000	Closing carrying amount R'000
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Year ended 31 MARCH 2011

Intangible assets	3 419	(3 032)	387
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Year ended 31 March 2010

Intangible assets	3 774	(2 951)	823
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Opening carrying amount R'000	Transfers (out)/ fair value adjustment R'000	Additions R'000	Disposals cost R'000	Amortisation charge R'000	Accumulated amortisation on disposals R'000	Closing carrying amount R'000
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Movement summary 2010/11

Intangible assets	823	-	564	-	(1 000)	-	387
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Movement summary 2009/10

Intangible assets	1 254	(25)	937	(857)	(1 343)	857	823
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2010/11 R'000	2009/10 R'000
18. GRANTS AND TRANSFERS PAYABLE			
Grants payable		149 102	76 793
InterSETA payables	25.1	-	44
Donor income received in advance	5	9 225	5 525
Provision for SARS refund	18.1	22 928	26 473
		<u>181 255</u>	<u>108 835</u>

18.1 Provision for SARS refund

Opening carrying amount		26 473	21 896
Amount utilised		(8 130)	(1 257)
Additional provision during the period		4 585	5 834
Closing carrying amount	18	<u>22 928</u>	<u>26 473</u>

Companies with annual payrolls below R500,000 are exempted from paying skills development levies. An amount of R22 928 000 (2009/10: R26 473 000) has been provided in the current year for possible refunds to companies falling below the SDL threshold but still contributing levies. The effective date of the exemption was 1 August 2005.

19. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Project payables		9 174	16 900
Sundry payables		10 333	8 095
Accruals operating expenditure		1 594	929
Accruals salaries and wages		8 826	7 036
Other payables		(87)	130
		<u>19 507</u>	<u>24 995</u>

20. PROVISIONS

Workman's Compensation provision

Opening carrying amount		80	80
Amounts utilised		(80)	-
Additional provision during the period		124	-
Closing carrying amount		<u>124</u>	<u>80</u>

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

21. RECONCILIATION OF NET SURPLUS/ (DEFICIT) TO CASH UTILISED IN OPERATIONS.

	Note	2010/11 R'000 Actual	2010/11 R'000 Budget	2009/10 R'000 Actual	2009/10 R'000 Budget
Net surplus /(deficit) as per the statement of financial performance		45 752	(385 847)	(102 292)	(359 538)
Adjusted for non-cash items:					
Depreciation property and equipment	16	3 031	1 793	1 581	2 781
Amortisation of intangible assets	17	1 000	1 938	1 343	1 372
Loss on disposal of property and equipment	9	95	-	114	-
Transfers out/ fair value adjustments to property and equipment	16	(25)	-	(7)	-
Movements in provisions		44	-	-	500
Adjusted for items separately disclosed					
Investment income		(61 726)	(50 267)	(86 150)	(84 527)
Adjusted for working capital changes:					
(Increase)/ decrease in prepayments and advances		557	424	93 504	8 928
Decrease in receivables from non-exchange transfers		82	900	1 550	2 450
Decrease in other receivables from exchange transactions		718	789	11 221	5 010
(Increase)/ decrease in inventories		(10)	(28)	133	105
Increase/ (decrease) in grants and transfers payable		72 420	1 165	26 123	(13 053)
(Decrease)/ increase in trade and other payables from exchange transactions"		(5 488)	(4 995)	8 144	(1 651)
<i>Cash generated by/ (used in) operations</i>		56 450	(434 128)	(44 736)	(437 623)

22. CONTINGENCIES

Contingent liabilities comprise an Employer Grant Reserve of R 535 000 (2009/10: R1 015 000) for newly registered member companies participating after the legislative cut-off date.

23. COMMITMENTS

23.1 *Discretionary reserve*

Of the balance of R919 239 000 available in the discretionary reserve on 31 March 2011 an amount of R773 433 000 has been approved for future project expenses and discretionary grants as set out below. Amounts for expenses that have already been incurred, and therefore included in project and discretionary grant expense in the statement of financial performance, are also indicated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

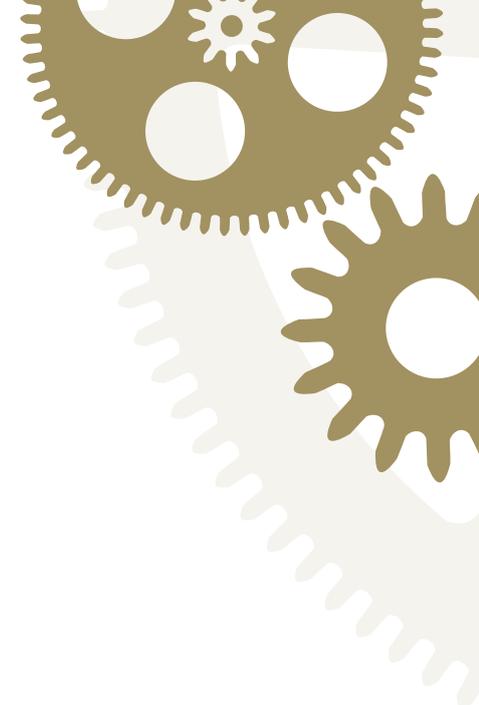
FOR THE YEAR ENDED 31 MARCH 2011

23.1.1 Project commitments

Project name	NSDS indicator	Opening balance 2009/10	Adjustments/ non contractual payments 2009/10	Approved by Accounting Authority and contracted 2009/10	Utilised 2009/10	Opening balance 2010/11	Adjustments/ non contractual payments 2010/11	Approved by Accounting Authority and contracted 2010/11	Utilised 2010/11	Closing balance
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
SSP Review	1.1	860	(1 963)	4 460	(2 532)	825	1 660	618	(2 593)	510
SME Voucher Project	2.2	14 003	9 437	63 886	(59 169)	28 157	3 420	12 846	(32 885)	11 538
ABET Project Phase 3	2.7	37 315	10 955	6 525	(26 581)	28 214	1 110	(537)	(23 003)	5 784
Courseware & Curriculum Development	2.8	2 764	3 412	3 270	(8 600)	846	2 062	7 699	(7 257)	3 350
MAP SGB	2.8	114	263	759	(771)	365	439	178	(929)	53
RPL Pilot Project	2.8	510	(254)	1 125	(971)	410	(249)	2 498	(1 871)	788
Vehicle Maintenance SGB	2.8	345	(418)	1 181	(851)	257	(54)	-	(203)	-
Accelerated Artisan Training Programme	4.1	37 935	2 136	38 142	(45 415)	32 798	2 653	733	(19 836)	16 348
Maths and Science Student Project	4.1	5 950	(7 679)	6 500	(4 771)	-	652	4 720	(4 792)	580
New Venture Creation	5.2	10 287	(9 049)	31 722	(20 336)	12 624	548	7 477	(11 054)	9 595
Retrenchment Assistance Programme	2.8	-	-	-	-	-	32 294	47 262	(25 468)	54 088
Air-conditioning and Refrigeration SGB	2.8	-	32	-	(32)	-	-	-	-	-
Aircon Learnerships	2.8	3 062	-	-	(3 062)	-	-	-	-	-
Assessor and Moderator Training	1.2	-	-	1 129	-	1 129	4	(308)	(825)	-
Non Levy Paying NGO's and CBO's	3.2	-	-	-	-	-	9	12 285	(2 834)	9 460
Northern Cape Household Project	N/A	-	-	-	-	-	-	2 896	(684)	2 212
Bursaries	4.1	-	9 864	15 001	(23 626)	1 239	(4 827)	48 116	(23 626)	20 902
Labour & Stakeholder Capacity Building	5.4	-	-	1 490	(1 490)	-	951	-	(951)	-
Interchamber Capacity Building	N/A	-	-	660	(660)	-	257	-	(257)	-
Capacity Building FETs	5.2	-	-	500	(500)	-	342	412	(342)	412
Member Satisfaction Survey	N/A	-	-	543	(543)	-	(34)	136	(102)	-
Annual Conference	N/A	190	-	703	(893)	-	1 867	-	(1 867)	-
SETA Re-establishment	N/A	99	(10)	-	(89)	-	-	-	-	-
ISOE's	5.1	1 377	(103)	191	(653)	812	258	5 458	(1 971)	4 557
GMET SGB	2.8	-	-	-	-	-	-	355	(89)	266

23.1.1 Project commitments continued

Project name	NSDS indicator	Opening balance 2009/10	Adjustments/ non contractual payments 2009/10	Approved by Accounting Authority and contracted 2009/10	Utilised 2009/10	Opening balance 2010/11	Adjustments/ non contractual payments 2010/11	Approved by Accounting Authority and contracted 2010/11	Utilised 2010/11	Closing balance
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Tool Box Project	4:1	-	2 402	11 448	(6 833)	7 017	-	-	(5 207)	1 810
People with Disabilities	4:1	-	-	2 250	(100)	2 150	(299)	400	(1 276)	975
Accounting Technicians Project	N/A	-	1 106	-	(1 106)	-	(1 100)	6 738	(977)	4 661
World Skills	N/A	-	203	-	(203)	-	2 465	-	(2 465)	-
International Conferences	N/A	-	1 085	-	(1 085)	-	1 844	-	(1 844)	-
Organisational Development	N/A	-	304	-	(304)	-	208	-	(208)	-
Competency Model	N/A	-	360	-	(360)	-	90	115	(180)	25
Electronic Induction Model	N/A	-	505	-	(505)	-	223	-	(223)	-
Leadership Development Programme	N/A	-	546	-	(546)	-	546	-	(546)	-
Marketing Project	N/A	-	461	-	(461)	-	52	630	(682)	-
Stakeholder Information Dissemination	N/A	-	-	-	-	-	1 970	-	(1 970)	-
Internships	N/A	-	-	-	-	-	634	-	(634)	-
Career Path & Development	N/A	-	-	-	-	-	594	-	(594)	-
HIV/AIDS Project	2:8	-	(307)	7 391	32	7 116	610	3 247	(9 265)	1 708
Apprenticeships	4:1	-	-	-	-	-	-	1 218	(1 218)	-
Discretionary Grant Administration Expenditure	N/A	-	-	-	-	-	16 410	-	(16 410)	-
Project Administration Expenditure	N/A	-	-	21 160	(21 160)	-	7 326	-	(7 326)	-
		114 811	23 288	220 036	(234 176)	123 959	74 935	165 192	(214 464)	149 622



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

23.1.2 Discretionary Grants

Discretionary grant name	NSDS indicator	Opening balance 2009/10		Approved by Accounting Authority and contracted 2009/10		Adjusted non contractual payments 2009/10		Utilised 2009/10		Opening balance 2010/11		Adjusted non contractual payments 2010/11		Approved by Accounting Authority and contracted 2010/11		Utilised 2010/11		DG Prepayment		Closing balance	
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Employed learners	2,8	115 693	-	1 179	(20 499)	96 373	(9 448)	13 246	(11 016)	(2 310)	86 845										
Unemployed learners	2,8	100 269	-	41 400	(48 296)	93 373	22 899	16 606	(21 107)	(2 896)	108 875										
Apprenticeships	4,1	216 820	-	53 659	(36 188)	234 291	79 769	44 218	(52 357)	(8 026)	297 895										
Non primary focus learners	2,8	21 554	(21 336)	-	(218)	-	-	-	-	-	-										
Skills programmes	2,8	60 625	-	67 395	(38 080)	89 940	(30 067)	9 274	(6 726)	(1 617)	60 804										
Experiential training	4,2	38 255	-	70 744	(21 387)	87 612	(44 732)	5 892	(9 114)	(1 028)	38 630										
ABET	2,7	10 786	-	8 954	(19 740)	-	9 351	1 411	(1 265)	(246)	9 251										
ATRAMI	2,7	-	-	-	-	-	8 524	779	(4 061)	(135)	5 107										
Sector Specialists	1,2	5 650	-	53 966	(19 676)	39 940	(39 940)	-	-	-	-										
Assessors & Moderators	1,1	-	-	126	(126)	-	4 393	606	(920)	(106)	3 973										
Internships	2,8	-	-	19 053	(19 053)	-	13 111	1 896	(2 244)	(332)	12 431										
Retrenchment assistance	2,8	-	-	47 780	(18 576)	29 204	(29 204)	-	-	-	-										
Other discretionary grant expenditure	2,8	-	-	1 742	(1 742)	-	7 634	-	(7 634)	-	-										
		569 652	(21 336)	365 998	(243 581)	670 733	(7 710)	93 928	(116 444)	(16 696)	623 811										
Total projects and discretionary grants		684 463	1 952	586 034	(477 757)	794 692	67 225	259 120	(330 908)	(16 696)	773 433										

23.2 Operating Leases

Total of future minimum lease payments under non-cancellable leases:

	2010/11 R'000	2009/10 R'000
Not later than one year	8 335	6 946
Later than one year and not later than five years	40 441	-
	<u>48 776</u>	<u>6 946</u>

The operating leases relate to premises utilised for office accommodation. The lease agreements were entered into on various dates and will be operational for varying periods, the last expiring on 31 March 2016. For purposes of calculating the lease commitments, options to renew the leases on expiry have been ignored. The rental escalations vary from lease to lease, the average being 8%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

24. FINANCIAL INSTRUMENTS

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

Interest rate risk

The merSETA manages its interest rate risk by fixing rates on surplus cash funds using short to medium term fixed deposits.

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

Floating rate		Fixed Rate			Non-interest bearing		TOTAL R'000
Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount R'000	Weighted average period until maturity in years	

Year ended 31 MARCH 2011

Assets

Cash and cash equivalents	986	5,5%	74 044	5,5%	6 months			75 030
Available-for-sale financial assets			1 010 000	6,2%	3 months			1 010 000
Other receivables from exchange transactions						8 071	3 months	8 071
Total financial assets	986		1 084 044			8 071		1 093 101

Liabilities

Trade and other payables from exchange transactions "						19 507	30 days	19 507
Total financial liabilities						19 507		19 507
Net financial assets	986		1 084 044			(11 436)		1 073 594

Year ended 31 March 2010

Assets

Cash and cash equivalents	408	6,5%	88 441	6,9%	3 months	-	-	88 849
Available-for-sale financial assets	-	-	880 000	7,8%	3 months	-	-	880 000
Other receivables from exchange transactions	-	-	-	-	-	8 789	3 months	8 789
Total financial assets	408		968 441			8 789		977 638

Liabilities

Trade and other payables from exchange transactions						24 995	30 days	24 995
Total financial liabilities	-	-	-	-	-	24 995		24 995
Net financial assets	408		968 441			(16 206)		952 643

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

24. FINANCIAL INSTRUMENTS (continued)

Credit risk

Financial assets, which potentially subject the merSETA to the risk of non-performance by counter-parties and thereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents, available-for-sale financial assets and receivables from non-exchange transfers.

The ageing of receivables from non exchange transfers:

	2010/11		2009/10	
	Gross	Impairment	Gross	Impairment
Current	6	(6)	438	(438)
30 Days	56	(56)	387	(387)
60 Days	-	-	732	(732)
90 Days +	4 693	(4 693)	2 175	(2 175)
Total	4 755	(4 755)	3 732	(3 732)

The merSETA manages/limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulations.

Credit risk with respect to levy payments by employers is limited due to the nature of the income received. The merSETA is exposed to credit risk in regard to payments made in advance on discretionary grants whereby not all the conditions have been met. The merSETA has entered into agreements with qualifying employers in regard to these grants whereby some payments are recoverable until training has been implemented. The merSETA does not have any material exposure to any individual or counter-party. The merSETA's concentration of credit risk is limited to the manufacturing, engineering and related services industry in which the merSETA operates. No events occurred in the manufacturing, engineering and related services industry during the financial year that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of an allowance for doubtful debts.

Liquidity risk

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

2010/11	Carrying Amount	Contractual Cash Flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
Trade and other payables from exchange transactions	19 507	19 507	19 507	-	-	-

2009/10	Carrying Amount	Contractual Cash Flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
Trade and other payables from exchange transactions	24 995	24 995	24 995	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

24. FINANCIAL INSTRUMENTS (continued)

Market risk

The merSETA is exposed to fluctuations in the employment market. For example sudden increases in unemployment and changes in the wage rates. No significant events occurred during the year that the merSETA is aware of.

Fair values

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

Cash and cash equivalents and available-for-sale financial assets

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

Other receivables from exchange transactions

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

25. RELATED PARTY TRANSACTIONS

Transactions with other SETAs

Interest transactions and balances arise due to the movement of employers from one SETA to another. No other transactions occurred during the year with other SETAs.

The balances at year-end included in receivables and payables are:

		2010/11 R'000		2009/10 R'000	
	Note	Net transfers in/ (out) during the year	Amount receivable/ (payable)	Transfers in/ (out) during the year	Amount receivable/ (payable)
Receivables	11	(619)	818	6 366	900
CETA		(100)	-	6 969	-
CTFL		-	-	8	-
ESETA		-	21	-	21
FASSET		-	-	87	-
CHIETA		-	92	(1 136)	92
FIETA		-	20	-	20
HW SETA		-	-	-	39
ISETT		-	5	-	5
MAPPP		-	-	11	-
SASSETA		-	-	28	-
SERVICES		(393)	-	57	-
TETA		(20)	-	-	-
W&R SETA		(106)	680	342	723
Payables	18	-	-	(100)	(44)
CTFL		-	-	(9)	-
FOODBEV		-	-	(14)	-
W&R SETA		-	-	(77)	(44)
Total		(619)	818	6 266	856

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

25. RELATED PARTY TRANSACTIONS (continued)

These transactions and balances are due to grants, capacity building and consulting costs

Company	Board members	2010/11		2009/10	
		Net transfers in/(out) during the year	Amount receivable/ (payable)	Net transfers in/(out) during the year	Amount receivable/ (payable)
RMI	J Esterhuizen, J Olivier, L Whitely, A Dunn, D Truter	(36)	-	(41)	-
SEIFSA	J Lopes, G Harris, W Nsele	(49)	-	(35)	-
PLASFED	A Hanekom, D Rule, Z Xaba	(239)	-	-	-
PCASA	J Pieterse	(5)	-	-	-
NUMSA	X Tshayana, E Kubeka, G Lephallo, T Tshikwavhavha, P Verryne, V Mthethwa, M Mogopodi, E Nodongwe, K Cloete, T Tsiboli	(63)	-	(68)	-
MISA	D De Villiers	(3)	-	(3)	-
SOLIDARITY	P Veldman, J Swarts, A Gerristen	(45)	-	(46)	-
CEPPWAWU	M Netshandama	(10)	-	(15)	-
UASA	P Bezuidenhout, L Greyling, J van Niekerk, B Muir, T Kruger	(7)	-	(12)	-
MEWUSA	R Kgagudi	(5)	-	-	-
BMW SA	C Christian	(3 697)	(670)	(3 098)	-
Bridgestone/Firestone	P Welgemoed, R Daniels	(3 045)	(450)	621	-
Cape Gate	J Swarts	(1 735)	(160)	(1 128)	-
Continental Tyre SA	J Harris, N Abrahams	(551)	(350)	(337)	-
Apollo Tyres	J Wilson, V Mthethwa	(2 927)	(260)	142	-
Dynamic Automotive systems	P Verryne	(40)	(10)	-	-
East Cape Training Centre	X Tshayana	(549)	-	-	-
Goodyear SA	C McIntosh, D Rayners	(1 554)	(195)	945	-
Precision Valve	M Netshandama	(70)	(36)	(76)	-
Sandown Motors	A Dunn	(2 257)	(260)	-	-
Toyota SA	T Molapo	(3 529)	290	6 009	-
Wispeco	T Tshikwavhavha	(771)	(56)	259	-
Technicolour	J Esterhuizen	(121)	(12)	14	-
Volkswagen of SA	X Tshayana	(12 917)	(830)	(3 976)	-
Bell Equipment	G Harris	(2 098)	(66)	(2 433)	-
Macsteel	W Nsele	(6 725)	(470)	(1 114)	-
		(43 048)	(3 535)	(3 392)	-

All transactions with member representative companies are at arm's length

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

25.3 NATIONAL PUBLIC ENTITIES

Organisation name	Nature of transaction	2010/11		2009/10	
		Net transfers in/(out) during the year	Amount receivable/ (payable)	Net transfers in/ (out) during the year	Amount receivable/ (payable)
Auditor General	Auditing work	(1 931)	-	(1 606)	(21)
Assessment College of South Africa	Bursary payments	(4)	-	(16)	-
Business Enterprises - University of Pretoria	Bursary payments	(644)	(200)	(374)	-
Cape Peninsula University of Technology	Bursary payments	(9)	-	(136)	-
Central University of Technology - Free State	Bursary payments	-	-	(40)	-
College of Cape Town	Bursary payments	(952)	-	(563)	-
Department of Labour (Transfers)	Trade test fees	(1)	-	(24)	-
Eastern Cape Training Centre	Bursary payments	(549)	-	-	-
Mangosuthu Technikon	Bursary payments	-	-	(17)	-
Nelson Mandela Metropolitan University	Bursary payments	(671)	(491)	(691)	-
NMMU - South (Nelson Mandela)	Bursary payments	(186)	-	-	-
Northlink College	Bursary payments	(184)	-	(135)	(95)
Northwest University	Bursary payments	-	-	(43)	-
Peninsula Technikon	Bursary payments	-	-	-	-
Rhodes University	Bursary payments	(300)	-	-	-
Telkom	Telephone & Datalines	(2 453)	(2)	(472)	-
Tshwane University of Technology	Bursary payments	-	-	(375)	(1)
University of Cape Town	Bursary payments	-	-	(395)	-
University of Jhb - Doornfontein	Bursary payments	-	-	(437)	66
University of Jhb - Auckland Park Campus	Bursary payments	(36)	-	(900)	-
University of Jhb - Conference centre	Bursary payments	(371)	(25)	(18)	-
University of KZN	Bursary payments	-	-	(339)	1
University of Pretoria	Bursary payments	-	-	(1 648)	32
University of Stellenbosch	Bursary payments	(86)	-	(118)	-
University of Witwatersrand	Bursary payments	-	-	(142)	-
University of Zululand	Bursary payments	(3)	-	-	-
UNISA - University of South Africa	Bursary payments	(470)	-	(116)	(287)
Vaal University of Technology	Bursary payments	-	-	(442)	25
Varsity College - Sandton	Bursary payments	-	-	(27)	-
Varsity College - Eastern Cape	Bursary payments	-	-	(38)	-
Walter Sisulu University (Border Campus)	Bursary payments	-	-	(59)	-
WITS Business School	Bursary payments	(81)	-	(55)	-
WITS PLUS Language School	Bursary payments	(24)	-	(13)	-
		(8 955)	(718)	(9 239)	(280)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

26. GOING CONCERN

The merSETA was set up in terms of the Skills Development Act No 97 of 1998. During the year, the Minister extended the merSETA's licence for a period of 5 years up to 31 March 2016. Accordingly, the merSETA has drawn up and presented these financial statements on a going concern basis.

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

CRIMINAL CONDUCT

During the year the merSETA suffered a loss of R6 329 000 (see note 11.2) due to criminal conduct. The loss involved diversion of mandatory grants due to employers. The amount has been fully provided for under mandatory grant expenses and the affected employers reimbursed. The case is still under investigation and a police case has been opened. The merSETA will pursue recovery of the loss through legal processes. The process of updating bank details has been reviewed and strengthened.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

IRREGULAR EXPENDITURE

			2010/11 R'000	2009/10 R'000	
Opening balance			-	-	
Add: Irregular Expenditure – current year			1 715	-	
			1 715	-	
Irregular Expenditure awaiting condonation			1 715	-	
Analysis of expenditure awaiting condonation per age classification					
Current year			1 715	-	
Details of Irregular Expenditure – Current year			-	-	
Details of Irregular Expenditure not recoverable (not condoned)			-	-	
Incident	Nature of transaction	Disciplinary steps taken/criminal proceedings	Amount R'000	Amount R'000	
1	Contract awarded to a supplier without a valid tax clearance certificate.	Website hosting services	The employee has since left the service of the merSETA.	183	-
2	Contract irregularly awarded. A Request for Proposal marked draft showing incomplete information was advertised on the company website, before the revised, complete RFP was uploaded. Not all bidders were informed of the change resulting in some bidders submitting proposals on the incomplete draft RFP. The winning bidder submitted its bid on the incomplete draft RFP.	Insurance broking	The employee has since left the service of the merSETA.	728	-
3	Contract irregularly awarded. An error on the pricing calculation lead to an incorrect award.	Thermoplastics Fabrications Qualifications	The employee has since left the service of the merSETA.	199	-
4	Contract irregularly awarded. Two of out the five evaluation criteria were changed.	Remuneration Consultancy	Investigation is to be conducted	115	-
5	Contract irregularly awarded. There was no specific evaluation criteria included in the terms of reference, so bidders were not informed on what they will be evaluated on	Occupational Trainer	Investigation is to be conducted	490	-
			1 715	-	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

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

FRUITLESS AND WASTEFUL EXPENDITURE

During the year the merSETA valued lost equipment valued at R33,820 due to theft from our head office. The matters was reported to SAPS. Due to a condition for an alarm activation not being met, the amount was not recoverable from insurance.

During the year, a penalty of R26,120 was paid to Workmen's compensation fund due to a shortfall on payment of the levies. The merSETA did not receive the return on time. The Fund could not provide the assessments when follow up visits were conducted.

During the year, inaccurate leave payments of R31,579 were paid due to errors on the payroll package.

28. TAXATION

No provision has been made for taxation as the merSETA is exempt from tax in terms of section 10 of the Income Tax Act

29. EVENTS AFTER THE REPORTING DATE

The merSETA has submitted a request to National Treasury for the retention of surplus funds. The Minister of Higher Education and Training announced that the fuel retailers sub sector comprising of about 2,400 employers of which 900 are active and which contributed levies of about R12 million in 2010/11, was to be moved from merSETA to the Wholesale and Retail Seta with effect from 1 April 2011

30. NEW ACCOUNTING PRONOUNCEMENTS

At the date of authorisation of these financial statements, there are Standards and Interpretations in issue but not yet effective. These include the following Standards and Interpretations that are applicable to the merSETA and may have an impact on future financial statements:

		Effective Date
Impairment of Non-cash-generating Assets	GRAP 21	1 April 2012
Revenue from Non-exchange Transactions (Taxes and Transfers)	GRAP 23	1 April 2012
Presentation of Budget Information in Financial Statements	GRAP 24	1 April 2012
Impairment of Cash-generating Assets	GRAP 26	1 April 2012
Segment Reporting	GRAP 18	No date determined
Employee Benefits	GRAP 25	No date determined
Financial Instruments	GRAP 104	No date determined
Transfer of Function between Entities Under Common Control	GRAP 105	No date determined
Transfer of Function between Entities Not Under Common Control	GRAP 106	No date determined
Mergers	GRAP 107	No date determined

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

30. NEW ACCOUNTING PRONOUNCEMENTS (continued)

GRAP 21 : Impairment of Non-cash Generating Assets

The standard provides guidance on accounting for impairment losses of non-cash-generating assets. It is similar to IFRS and is not expected to significantly impact disclosures on the financial statements.

GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)

The Standard provides guidance on accounting and disclosure for non-exchange revenue and also provides South African public sector specific examples. The application of this standard will result in a change in accounting policy for the accounting of National Skills Fund Grant and Receivables from Non-exchange transfers.

GRAP 24: Presentation of Budget Information in financial Statements

The standard prescribes the presentation of a comparison of budget and actual amounts in the financial statements of entities that are publicly accountable for the use of their funds. The presentation may be in the form of additional financial statement or additional budget columns in their financial statements. The standard becoming effective is not expected to significantly impact future disclosures since we have applied the principles outlined in GRAP 24 to inform our current disclosure

GRAP 26: Impairment of cash Generating Assets

This standard prescribes the accounting treatment for the impairment of cash generating assets and does not significantly differ from IAS 36. It is not expected that this standard will significantly impact future disclosures.

GRAP 25: Employee Benefits

This standard prescribes the accounting treatment for employee benefits. The changes prescribed from the current applicable standard relate mainly to the accounting requirements of defined benefit plans and as such is not expected to significantly impact the current accounting policies or disclosures.

GRAP 104: Financial Instruments

GRAP 104 prescribes recognition, measurement, presentation and disclosure requirements for financial instruments and makes significant modifications to the principles in the previous standards applied in order to:

- simplify the recognition, measurement and disclosure of financial instruments; and
- accommodate the types of financial instruments entered into in the public sector.

The definitions of the various categories of financial instruments in IAS 39 have been streamlined and replaced which will require us to change our accounting policy accordingly.

The following disclosures required under IAS are encouraged but not required:

- The disclosure of fair values for financial instruments.
- Certain disclosures about the use of the fair value using the three tiered hierarchy.
- A market sensitivity analysis.

GRAP 18: Segment Reporting

The standard provides guidance on accounting for determination of reporting segments and will require additional disclosure

31. Soccer World Cup Clothing and tickets

No money was spent on the purchase of soccer tickets for management, staff or stakeholders. The merSETA normally purchases branded corporate wear in the form of shirts for staff to wear at certain company functions. This year the merSETA decided to adopt the soccer theme and bought soccer shirts branded with the merSETA logo amounting to R181 873 up to July 2010.

The merSETA further spent R 10,000 on a soccer competition and soccer flags and decor.

GLOSSARY AND DEFINITIONS

AATP	Accelerated Artisan Training Programme	Constitution	Means the constitution of the merSETA, in terms of section 13 of the Skills Development Act, No 97 of 1998 as amended)
ABET	Adult Basic Education and Training	Deputy Chairperson	The Deputy Chairperson of the Governing Board appointed in accordance with clause 12 of the constitution
Act	The Skills Development Act No 97 of 1998 (as amended)	DHET	The Department of Higher Education and Training
Administration costs	Means the costs contemplated in grant regulation 4(3) in terms of the Act	Director-General	Means the Director-General of Higher Education and Training
Alternate	A person appointed to act on behalf of a member of the Governing Board in the absence of the latter	Discretionary grants	Means grants contemplated in grant regulation 7, in terms of the Act
AMEO	Automobile Manufacturers' Employers Organisation	DoE	Department of Basic Education
AMIC	Automotive Industrial Council	DoL	Department of Labour
ASGISA	Accelerated Shared Growth Initiative of South Africa	DTI	Department of Trade and Industry
ATR	Annual Training Report	Education and training	Registered statements of desired education and training outcomes and their associated standards assessment criteria as defined in the SAQA Act
ATRAMI	Artisan Training and Recognition Agreement for the Metal Industry	ETQA	Education and Training Quality Assurance Body
Audit Committee	The committee established in terms of sub-clause 13.1 of the constitution to monitor the Governing Board in discharging its duties relating to the management of the financial affair; of the merSETA	Executive Committee	The committee established in terms of sub-clause 13.1 (a) of the constitution which has oversight of the management of the operational affairs of the merSETA
BBBEE	Broad-based Black Economic Empowerment	FET	Further Education and Training
BSC	Balanced Scorecard	Financial year	Means the period contemplated in terms of the Act, which covers the period 1 April to 31 March
CBMT	Competency Based Modular Training	FRA	Fuel Retailers Association
CBO	Community Based Organisation	FRIDGE	Fund for Research into Industrial Development Growth and Equity
CEPPWAWU	Chemical, Energy, Pulp, Paper, Wood and Allied Workers Union	GAAP	Generally Accepted Accounting Practice
CFO	Chief Financial Officer	GDS	Growth and Development Summit
Chairperson	The Chairperson of the Governing Board nominated in terms of clause 12 of the constitution	Governing Board	Accounting Authority of the merSETA
Chambers	The chambers established in terms of sub-clause 13.1 (c) of the Constitution, as provided under section 12 of the Act	GRAP	Generally Recognised Accounting Practice
CHE	Council for Higher Education	IDZ	Industrial Development Zone
Chief Executive Officer	The Chief Executive Officer of the merSETA who is appointed under clause 14 of the constitution.	ISOE	Institute of Sectoral, Occupational Excellence
CLO	Client Liaison Officer	JIPSA	Joint Initiative for Priority Skills Acquisition
COGSI	Cape Oil and Gas Strategic Initiative	Levies Act	The Skills Development Levies Act 1999 (Act No 9 of 2003)
Committee	Any permanent committee, ad hoc or sub-committee of the merSETA, established in term: of the constitution		

GLOSSARY AND DEFINITIONS

Levy income	Means the total amount of money received by a SETA in terms of section 7(i) and 8(ii)(a) read with 8(iii)(b) of the Skills Development Act		technology
LRA	The Labour Relations Act 1995 (Act No 66 of 1995)	PLASFED	Plastics Federation of South Africa
Mandatory grants	Means grants contemplated in grant regulation 6 in terms of the Act	PPP	Public Private Partnerships
merSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority	QCTO	Quality Council for Trades and Occupations
Minister	Means the Minister of Higher Education and Training	Qualification	The formal recognition of the achievement of the required number and range of credits and such other requirements at specific levels of the National Qualifications Framework as may be determined by the relevant bodies registered for such purpose by the South African Qualifications Authority
MISA/SAMU	Motor Industry Staff Association - South African Motor Union	RMI	Retail Motor Industry Organisation
MOA	Memorandum of Agreement	RPL	Recognition of Prior Learning
MOU	Memorandum of Understanding	SAIW	Southern African Institute of Welding
NGO	Non-governmental Organisation	SAQA Act	The South African Qualifications Authority Act, 1995 (Act No 58 of 1995)
NQF	National Qualifications Framework	SCM	Supply Chain Management
NSDS	National Skills Development Strategy	Sector	Means the manufacturing, engineering and related services sector
NSDS	National Skills Development Strategy	SEIFSA	Steel and Engineering Industries Federation of South Africa
NSDS II	National Skills Development Strategy 2005-2010 (extended by minister of HET to 31 March 2011)	SET	Science, Engineering and Technology
NSDS III	National Skills Development Strategy 2011-2016	SETA	Sector Education and Training Authority
NSF	National Skills Fund	SGB	Standards generating body
NTI	National Tooling Initiative	SLA	Service Level Agreement
NUMSA	National Union of Metalworkers of South Africa	SME	Small, Micro Enterprise
OFO	Organising Framework for Occupations	SSP	Sector Skills Plan
P2	Second practical six months' experiential work requirement to qualify for a national diploma at a recognised university of technology	TASA	Toolmakers Association of South Africa
PBMR	Pebble Bed Molecular Reactor	Treasury Regulations	Means the regulations issued in terms of Public Finance Management Act, 1999, as amended
PFMA	Means the Public Finance Management Act, 1999 (Act No 1 of 1999) as amended, including Treasury Regulations	UMALUSI	Council for Quality Assurance in General and Further Education and Training
PI	First practical six months' experiential work requirement to qualify for a national diploma at a recognised university of	WSP	Workplace Skills Plan



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merSETA

MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA

*Leaders in closing
the skills gap*