



merSETA

MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA

ANNUAL REPORT 2009/10

FORGING THE FUTURE



NEW TYRE MANUFACTURING

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 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 percent of materials used.

AUTOMOBILE MANUFACTURING

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

RETAIL MOTOR AND COMPONENTS MANUFACTURING

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: RP111/2010

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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 my pleasure and privilege to present to you this annual report of the Manufacturing, Engineering and Related Services Seta for the period 1 April 2009 to 31 March 2010. I thank you and your Ministry for the support we have received during the reporting period and trust you will find this report in order and share in our successes for the reporting period.

Yours Faithfully

Dr Raymond Patel
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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Ms Jeanne Esterhuizen

01

CHAIRPERSON'S OVERVIEW

"We are willing and able to assist in
Forging the Future for a re-engineered SETA landscape."

Introduction

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

While this annual report maps our achievements and progress in the financial year ending 31 March 2010, and comes at a time when we are called upon to engage government in **forging the future** of post-school education and training.

In the 2009/2010 financial year, rigorous change at the highest level of government occurred, effectively leading merSETA to adapt to new reporting lines whilst trying to understand the new thinking and direction of government.

In May 2009, the merSETA, as with all SETAs, fell under the auspices of the newly-created Ministry of Higher Education and Training as President Jacob Zuma's Government sought to bolster its ability to deliver on election promises.

The merSETA had to navigate delicately through a labyrinthine process as powers and procedures were transferred from the Department of Labour (DoL) to the newly-established Department of Higher Education and Training (DHET).

As the merSETA steered through these uncharted waters, it became clear that the new focus of government would change and be further streamlined.

As the merSETA's revised reporting status and the regularising of its functions under the DHET took place, the organisation still had to meet its operational targets and requirements.

I am privileged to report success on all fronts.

Board Evaluation

The Governing Board members, appointed by the Minister of Labour (Higher Education and Training) in terms of the merSETA Constitution, represent organised Labour and organised Employers from our sector.

In terms of the merSETA Constitution, the Governing Board comprises 32 members in a non-executive capacity as well as 10 alternates. The existing chair was re-elected, with Mr X Tshayana as the Deputy Chairperson, of the Governing Board during the Annual General Meeting held on 18th September 2009.

In the year under review, the Governing Board conducted a self-assessment against the Accounting Authority duties stipulated in the merSETA constitution, the Public Finance Management Act, Treasury Regulations as well as the report on Corporate Governance for South Africa 2002 (King II Report).

In addition, all Governing Board members attended a series of workshops on the draft King III report on Corporate Governance, Investment and Risk.

In the 2009/2010 financial year, the following committees carried out their responsibilities effectively in terms of the merSETA constitution:

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

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

The merSETA's five chambers implemented structured business plans with a budget structure, streamlined strategic as well as operational activities for the year. This initiative was instrumental in enhancing the effectiveness and efficiency within merSETA's five Chambers.

This enabled the Chambers to focus on areas not anticipated, including urgent responses to massive retrenchments, lay-offs and reduced working time resulting in the discontinuation of the training companies initially pledged to undertake.

The merSETA continued to ensure compliance with DoL and DHET requirements through timely submission of relevant reports such as the Annual Report to Parliament, the Quarterly Monitoring Report and performance scorecards.

In November 2009, the Ministry of Higher Education and Training extended the mandate of all SETAs to the year ending 31st March 2011 to allow for the realignment of the sector education and training authorities. A public participation process began in the year under review.

The Way Forward:

The coming financial year will see concrete proposals on a revised SETA landscape following comments by the Minister in the 2009/2010 financial year.

Given Government's intentions to realign the SETAs, it is clear that merSETA is integral to **forging the future**. Final proposals on the SETA landscape are expected from the Ministry in the 2010/2011 financial year.

As a pioneering SETA, our organisation must make its voice heard above the clamour and shrill voices for change for the sake of change. We have pioneered initiatives that are the envy of other higher education and training institutions.

We have taken to heart the new ministry's goal of forging closer links with post-school institutions, particularly the further education and training (FET) sector. We have been forward-looking in exploring new avenues to ensure a skilled workforce in our industry sectors. Our model is successful and we need to pat ourselves on the back.

Our stakeholders must participate closely in all public processes, availing themselves of every opportunity to state our case.

Conclusion

South Africa is a multi-faceted, multi-layered society – we have different and often competing interests, stakes, priorities and short-term objectives and goals.

But we are uniquely united in this diversity. For it is our national vision, national ambition and national commitment that allows us to break through barriers and reach consensus on best practice on our journey forward.

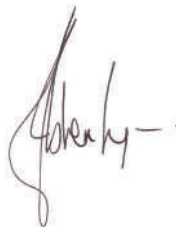
The commitment of the merSETA stakeholders, both organised labour and employers, ensures that we are key partners with government and other sectors in preparing for the revised post-school education and training.

It is the national outflow of this exceptional commitment that allows to state proudly that all our partners can bank on the merSETA in **forging the future** in higher education and learning.

It is not for us to stand on the rooftops and shout out our successes. Our task will only be accomplished when every man, woman and child we are responsible for have not only attained a useful skill, but reached the level of education and training required to grow the economy of our country!

In conclusion, I wish to express great appreciation to the Governing Board and its committees and the Chief Executive Officer, Dr Raymond Patel, for their role in making 2009/2010 a success.

I thank you!



Ms Jeanne Esterhuizen

Chairperson

Manufacturing, Engineering and Related Services SETA



Dr Raymond Patel

02

CEO'S FOREWORD

"The social impact of our programmes has been enormous by any standards."

Introduction

The merSETA has performed beyond expectations in the financial year 2009/2010, fulfilling its pursuit of **forging the future** in post-school education.

The merSETA levy income grew by 2.6% in the 2009/2010 financial year to reach R715 million despite the agonising economic downturn. The merSETA had expected a large drop in levies due to the negative impact of the economic crisis on the manufacturing, engineering and related sectors and had budgeted levy income at R669 million. The levy income exceeded budget by 6.9%.

In terms of discretionary expenditure, the merSETA achieved 68% of budget in this regard. Total discretionary grant expense including project expense is 85% above the prior year at R521 million. The response to the Workplace Skills Plans submission call was excellent, leading to a 73% mandatory grant claim ratio. The merSETA expensed R334 million in mandatory grants in the 2009/2010 financial year.

In tandem with Government initiatives to cushion the devastating effects of the economic recession on employment and sustainability, the merSETA received its funding allocation from Government's Training Layoff Scheme to support distressed companies/employees.

Administration costs were contained within the allowed limit.

The merSETA achieved a major milestone in the year under review when it achieved the ISO 9001 Certification in recognition of the great strides made in the formalisation and management of our business processes. The merSETA also maintained its green status with the South African Qualifications Authority (SAQA) on the upload of Provider, Assessors and Learner Information on the National Learners Record Database (NLRD).

After the creation of an Operations Division through the amalgamation of the Client Services Division and LETQA in 2008/2009, tremendous strides were made in the year under review in consolidating efficiency.

The merSETA now has a presence in all provinces through its seven regional offices.

Performance against Targets:

In terms of the National Skills Development Strategy (NSDS) II 2005-2010 targets, the merSETA was able to prioritise and communicate critical skills for sustainable growth, development and equity. The updated merSETA

Sector Skills Plan was submitted to the Department of Labour by **30 August 2009** and was accepted by said department. A sector guide covering the five sub sectors was produced, with **1893 Skills development facilitators and Sector Specialists** being trained in the period under review.

In promoting and accelerating quality training for all in the workplace, the **target** for large firms was set at **383** while the target for medium firms was placed at **453** in the year under review. The merSETA exceeded these targets, with **711 large firms** having received Workplace Skills Plan/Annual Training Report grants for the 2009/2010 financial year and **1112 medium firms** receiving WSP/ATR grants in the year under review. **8079 small levy-paying firms** were provided with skills development support interventions during the 2009/2010 financial year. The target for the number of small firms was **2739**.

On the Black Economic Empowerment front, **82** small BEE firms and **10** BEE cooperatives were supported by skills development during the financial year with the NSDS II not specifying targets for this programme.

The merSETA also exceeded targets for the Adult Basic Education and Training (ABET) Level 4. While the department's quota for the sector for the period 2009/2010 was **4240** learners to enter ABET and **2658** to achieve ABET, **5165** entered and **2711** achieved positive results. This is clear evidence that the merSETA's achievements are crucial to **forging the future** of a sound industrial and production knowledge base.

We also achieved sterling results in our learnership and apprenticeship programmes. In the 2009/2010 financial year, **18860** people entered formal learnerships with **8822** successfully completing the process. This exceeded the government-set targets of **5030** entries and **2515** successes. More than **5000** people entered our various ABET programmes, including Business ABET and Occupation ABET.

In assisting designated groups, including new entrants in accredited work, integrated learning and work-based programmes to acquire critical skills to enter the labour market and self-employment, merSETA enrolled **9084** unemployed learners with **5221** unemployed learners completing their training and studies. The social impact of this programme exceeded government targets by more than 100 percent on each score.

In addition, in those critical skills programmes covered by sector agreements with FET and HET institutions, in

which learners were assisted in gaining work experience locally or abroad and of whom at least 70% found placement in employment or self-employment, **2893** learners were assisted and **743** were formally employed.

With the reporting status of the merSETA changing to the DHET, a key programme was the **New Venture Creation** whereby young people are trained and mentored to form sustainable new ventures. At least 70% of new ventures should be in operation 12 months after completion of the programme. As Chief Executive Officer, I am happy to report that 439 were assisted with **227** of these being sustained for 12 months.

The **Voucher Implementation Programme (VIP)** is now well into its fourth phase. The primary objective was to implement a focused, integrated and sustainable three-year strategy for SME development in the metal, engineering and related services sector. Well into the third year, the Motor Industry Bargaining Council (Mibco) has introduced a requirement for all fitment centres to have a qualified Suspension Fitter in order to be registered with them. The VIP project was identified as the vehicle to facilitate this training. This programme will assist employees and employers in the tyre fitting sub-sector to obtain competency against the registered Suspension Fitter Skills Programme (Part 1 & Part 2). The merSETA Board approved funding for a total of **400 learners** to complete this programme. **2037 SMEs** received support from the VIP in the year under review. An external evaluation of the project was commissioned towards the latter part of the financial year.

In keeping with our mandate, the merSETA introduced the **Toolbox Pilot Project** to members who pay levies or who are exempted by SARS and employ **49** or fewer permanent employees. These companies apply for the free supply of trade specific toolboxes as shown on the toolbox project website. A total of **926** toolboxes were issued by the end of March 2010. A total of **350** levy paying and an additional **41** non-levy paying companies have been supported through the project to date, totalling **391 small companies** at year end.

Under the **Science, Engineering and Technology (SET) Project**, the merSETA funded **900 learners** at grades 10, 11 and 12 (**300 at each grade**) for enrichment, weekend and holiday classes in Mathematics, Science and English. The project aims to address the problems experienced in the "learner pipeline" that results in shortages of appropriate candidates for entry into the merSETA learning programmes. Project results were excellent:

the overall pass rate for Grade 12 was 98% and the pass rate for **grades 10 and 11 was 100%**, across all six centres (Johannesburg, Vaal, Durban, Richards Bay, Cape Town City and Mowbray). **106 matric distinctions** were received by the merSETA learners. While support will continue for 600 learners, a project plan is being developed to ensure the new intake focuses on 300 learners in rural areas, and includes an educator development component.

Based on a partnership with the South African Institute of Chartered Accountants and the Association for Accounting Technicians (South Africa), the **Accounting Technicians Project** was launched and is designed to run over a three-year period, from 2009–2011, with a total of 100 beneficiaries from merSETA companies. The qualification is a SAQA-registered learnership which starts at certificate level followed by an advanced certificate and exits at diploma level.

The merSETA's **Retrenchment Assistance Programme (RAP)** is aimed at retraining workers who have been retrenched or are in the process of being retrenched as a result of the industry downturn or workplace closure. Eligible individuals are entitled to accredited and/or duly registered training programmes to a maximum value of R12,500.00 each to either upgrade their skills or to develop new skills so that they can re-enter the labour market or embrace entrepreneurship. The RAP Project was initiated with a budget of R80 million with an additional

R50 million being allocated for the 2010/2011 financial year. As at 31 March 2010, there were 23 companies actively participating in the project, benefiting **8393** individuals. A further seven companies have been queued for approval.

The **Training Lay-off Scheme** is a national government programme aimed at providing training and subsistence assistance to employees forced to work shortened hours and who suffer wage cuts. The employees are instead trained as an alternative to retrenchment or working less hours. The merSETA actively promoted the Training Lay-off Scheme and as at 31 March 2010, **three companies** were approved for the scheme with about **R9,3 million** claimed as learner allowances on their behalf from the National Skills Fund. A **further six companies** were in the final stages of approval by the CCMA. The Training Lay-off Scheme has thus far enabled **4236 merSETA sector workers** to be retained in employment as opposed to being retrenched.

As at 31 March 2010, **2521 apprentices** were registered in the **Accelerated Artisans Training Programme**. This excludes the 321 AATP candidates on the UIF/DOL-funded project under incubation at the merSETA. At financial year-end, **649** had successfully passed the designated Trade Test. Since the project uptake is on a month-by-month basis, it is anticipated the last apprentice in the current R286m funding block will qualify before 31 December 2012 on an 80% plus through-put rate.

The merSETA completed its **Recognition of Prior Learning (RPL)** pilot project in April 2009. This project's objective was to assess and certificate participants. The project reinforces the intention to build best practice and the development of assessment tools into the project as more lessons are learned. Concurrently, it is piloting a grant-based approach to support the implementation of RPL in workplaces. By the end of the 2009/2010 financial year, **190 spaces** were allocated to companies from the five merSETA chambers, and **50 RPL advisors and evidence collectors** from participating companies were trained. The project is governed by a Project Steering Committee comprising Chamber representatives.

Research and Development (R&D)

The **Research and Development Sub-Committee** was established to oversee the Sector Skills Planning process and a number of meetings and workshops were held to drive the sector skills plan and ensure R & D activities were constantly on the merSETA agenda. One of the results of this initiative was the **Model for Sector Skills Planning**, which received a favourable response from our collegiate. The **DHET has begun using this model** on a test basis in other SETAs, proving our belief that the merSETA is **forging the future**.

An analysis of a sample of Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) submitted by merSETA-member companies took place in the 2009/2010 financial year. It provided a review of WSP submissions and ATRs for a three-year period to determine whether planned training was implemented as well as assessing the link of implemented training to the merSETA Scarce and Critical Skills lists. This was to determine training trends over a three-year period.

A research project about the nature, form and context of the **global economic crisis** and its anticipated **impact on training and skills** development within the merSETA sector was also undertaken. This included the quantitative as well as the qualitative analysis of the impact of the recession on skills development. It also examined possible

strategies that could be put in place to support sector responses to the impact of recession.

The merSETA is committed to a dissemination programme of its research and development activities. This includes publication, electronic media, as well as lunch-time presentations for SETA staff. In addition, dissemination workshops were held in all regional centres to ensure awareness of Sector Skills Planning including KwaZulu-Natal, Free State, Eastern Cape and Western Cape and the national office.

The merSETA also maintains an active policy of engagement with a range of research entities, universities, non-governmental organisations as well as funding agencies and government departments, both national and international. Peer reviewed academic papers have been published in a range of national and international journals and presented at national and international conferences.

The **Education Partnerships for Africa (EPA)** study was also launched to obtain company data on perceptions of employability of Further Education Training (FET) college graduates. It formed a component of a research partnership undertaken by the merSETA and its research partners, under the auspices of the British Council's "Education Partnerships for Africa" initiative. The partners included the University of Nottingham (United Kingdom), the Universities of KwaZulu-Natal and Western Cape and partner colleges in the two countries. It is designed to build on existing research on the South African FET college sector and seeks to develop improved theoretical and practical understanding of employability in both South Africa and the United Kingdom. The merSETA involvement included a company-level survey exploring the role of company-level notions of employability. In particular, this survey examines the organisation/companies' recruitment practices, with a focus on recruitment of FET College graduates. An EPA Symposium explored learner, staff and employer perceptions regarding the necessary employability skills and emerging good practices in FET colleges in becoming more responsive. The one-day interaction served as a basis for understanding employability from the supply (FET Colleges) and demand-side perspectives.

An **FET College Audit** was also launched in the year under review. The purpose was to investigate engagements between the merSETA and FET Colleges and how the merSETA can develop a more systemic approach to these engagements. The study

will take the shape of survey questionnaires and qualitative interviews with a sample of participants.

The merSETA also entered into an agreement with the Human Sciences Research Council (HSRC), which was commissioned by the National Board of FET Colleges (NBFET), to undertake a governance and **capacity audit of FET Colleges**.

The **Organising Framework for Occupations Annual Update** project involves an annual update of the Organising Framework for Occupations (OFO), an occupational codes list that resides with the Department of Labour. SETAs are required to assist industry employers to identify, implement and evaluate the OFO codes. This involves conducting workshops and training sessions with merSETA stakeholders.

The **HIV & AIDS Review** explores HIV & AIDS prevalence in member companies of the merSETA. It is expected to provide a review of available evidence on HIV prevalence in the sector. A round table of key stakeholders is to be held in the next financial year to ensure appropriate quality assurance. This will be used as a means of ensuring that appropriate national and international literature has been consulted.

Similarly, the **Project for People with Disabilities** is aimed at developing a strategic and implementation plan to promote training and placement for the disabled in certain occupations in the manufacturing and engineering context. The project comprises a research and development phase to match disabilities against occupations. The first phase of implementation focuses on learning material and interventions for 50 disabled learners.

Learning, Education and Training Quality Assurance (ETQA)

The **LETQA** received a favourable audit report from SAQA. This included the Qualifications review, new qualifications developed (Standard Generating Bodies) and courseware development.

The merSETA partnered with the Department of Labour and GTZ (the German development agency) as the "Development Quality Partner" in the development of the Occupational Trainer Qualification under the framework of the Quality Council for Trades and Occupation (QCTO). Participants from various sectors

volunteered their time and energy to construct the new curriculum. The South African Board of People Practices was nominated as the Assessment Quality Partner for the next phase, and a project plan to pilot the qualification is under development with a number of merSETA companies expressing interest in the pilot phase.

Relationship with DHET and DoL

The past year saw the handover of merSETA control from the DoL to DHET. The merSETA continued to ensure compliance with DoL and DHET requirements through timeous submission of relevant reports such as the Annual Report to Parliament, the Quarterly Monitoring Report and performance scorecards. Formal communication channels were also forged with the new line authority.

Way Forward

As with other SETAs, the merSETA is assessing the way forward vis-à-vis the SETA landscape.

With the nexus of post-school training being further education and training colleges, merSETA has geared itself for such linkages through various agreements. Several memoranda of understanding with FETs and universities have been signed and implemented with the view to increasing both the flow and stock of the nation's skills.

As a pioneering SETA, the merSETA is called upon to play a particular role in **forging the future** through its expertise and knowledge proficiency.

This report lays out what the merSETA has done for the period under review.

It is an honour for me as CEO to lead this dynamic group of innovative people.

I thank the Governing Board, senior management and staff for their efforts, guidance and commitment in the year.

Thank you.



R A Patel (Dr)
CHIEF EXECUTIVE OFFICER

Manufacturing, Engineering and Related Services Education and Training Authority

The merSETA GOVERNING BOARD



Front row seated (left to right): Mr Anton Hanekom, Ms Carla McIntosh, Ms Chrystal Christian, Mr Xolani Tshayana (Deputy Chairperson), Ms Jeanne Esterhuizen (Chairperson), Ms Malebo Mogopodi, Ms Monica Netshandama, Mr Neil Abrahams

Middle row (left to right): Mr William Nsele, Mr Abe Dunn, Mr Thabang Tsiboli, Mr Thapelo Molapo, Mr Raymond Kgagudi, Mr Vukani Mthethwa, Mr Ephraim Tshikwavhavha, Mr Zamo Xaba, Mr Gibson Lephalo, Mr Mphomotse Leshaba, Mr Piet Verryne, Mr Piet Welgemoed

Back row (left to right): Mr Pierre Bezuidenhout, Mr Guy Harris, Mr John Wilson, Mr Len Whiteley, Mr Elias Kubeka, Mr Anton Gerresten, Mr Blackie Swart, Mr Dave Rule, Mr Phumzile Nodongwe

Not shown: Mr Dana de Villiers, Mr Daniel Rayners, Mr Jakkie Olivier, Ms Janet Lopes, Mr Johan Pieterse, Mr Karl Cloete, Mr Ludwickus Greyling, Mr Mujaahid Toyer, Ms Nomvula Nxumalo, Mr Piet Veldtman, Mr Urban Badenhorst

Manufacturing, Engineering and Related Services Education and Training Authority

The merSETA MANAGEMENT TEAM



Front row seated (left to right): Ms Moketenyana Mayongo (General Manager: Corporate Services), Dr Raymond Patel (Chief Executive Officer), Ms Beaula Dziruni (Chief Financial Officer)

Back row (left to right): Mr Wayne Adams (Chief Operations Officer), Mr Tom Mkhwanazi (General Manager: Corporate Governance), Mr Derrick Peo (General Manager: Projects)



Ms Beaula Dziruni

03

FINANCIAL OVERVIEW

"The merSETA has experienced a good year and its financial position remains sound."

Levies

The merSETA levy income grew by 2.6% in the 2009/2010 financial year to reach R715 million. The merSETA had expected a large drop in levies due to the negative impact of the economic crisis on the manufacturing, engineering and related sectors and had budgeted levy income at R669 million. The levy income exceeded budget by 6.9%. For the second consecutive year, the number of levy-paying companies decreased to 10,792 from 11,913 in 2008/2009 in line with the general economic activity. The merSETA expects a recovery in the forthcoming year.

The employer base decreased by 3% to 45,454 but the distribution in size is 10% being large companies which contribute 79% of total levies, 22% being medium companies contributing 15% of levies and 68% being small companies which contribute less than 6% of all levies.

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 57% as well as having the biggest number of companies, both contributing and exempted. As in prior years, most of the firms, registered, active or contributing, are in Gauteng.

Mandatory Grants

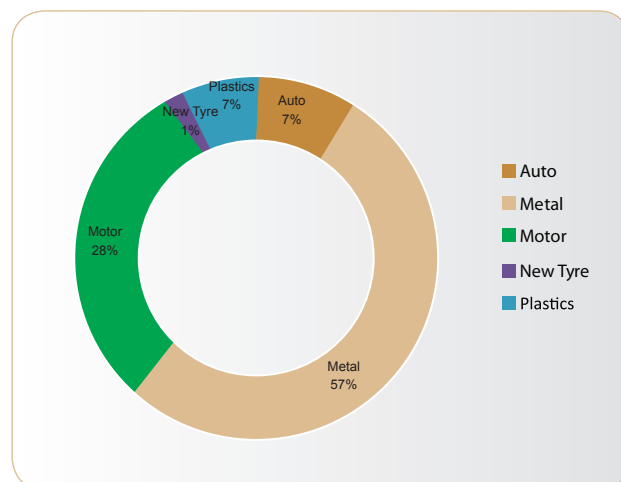
The mandatory grant payout ratio improved to 73% from 70% in the previous financial year. merSETA expended R334 million in mandatory grants this year. The merSETA experienced a good response on the electronic platform set up for WSP submissions. Strict deadlines in the regulations for submission of mandatory grant applications continued to be enforced and most companies adhered to them. In line with levies paid, companies in the Metal Chambers claimed more than 50% of the grants.

Discretionary Expenditure

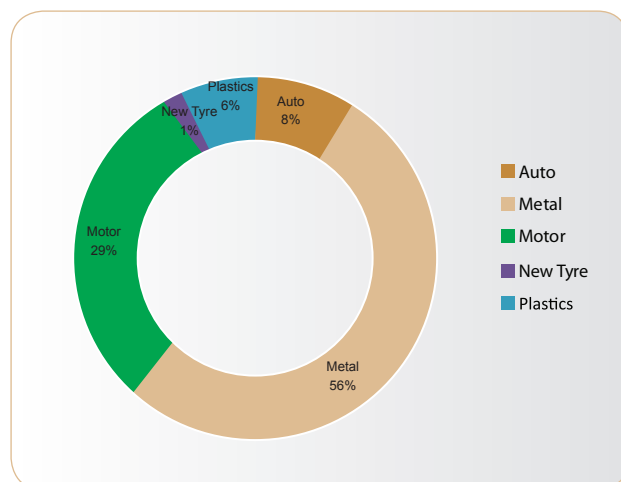
The new system of allocating discretionary grants via Memoranda of Agreement continued to be successful with discretionary grant expense including project expense increasing 78% above the prior year. The merSETA, however, only achieved 68% of budget due to employers being hit by the economic downturn reducing or delaying training.

To better manage the risk of non-performance, the first tranche payment on signature of the MoA was reduced to 10% in 2009/2010 from 33% in the prior year. The merSETA regularly monitored training implementation through field visits and implementation reports and took the necessary action to recover funds where progress was inadequate. The first tranche is classified as a prepayment until the conditions in the MoA are met. Most of the amounts that were classified as prepayments in prior years have been expensed.

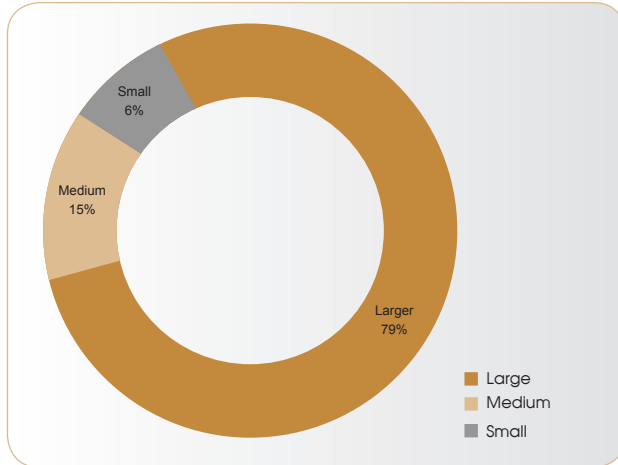
Graph 1: Percentage of Total Levies Paid by Chamber 2010



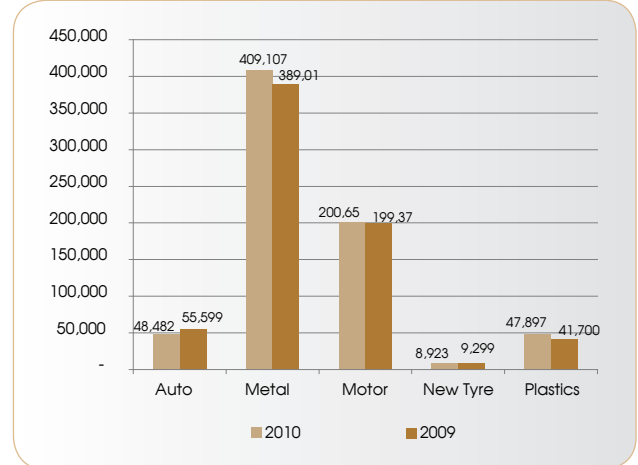
Graph 2 : Percentage of Total Levies Paid by Chamber 2009



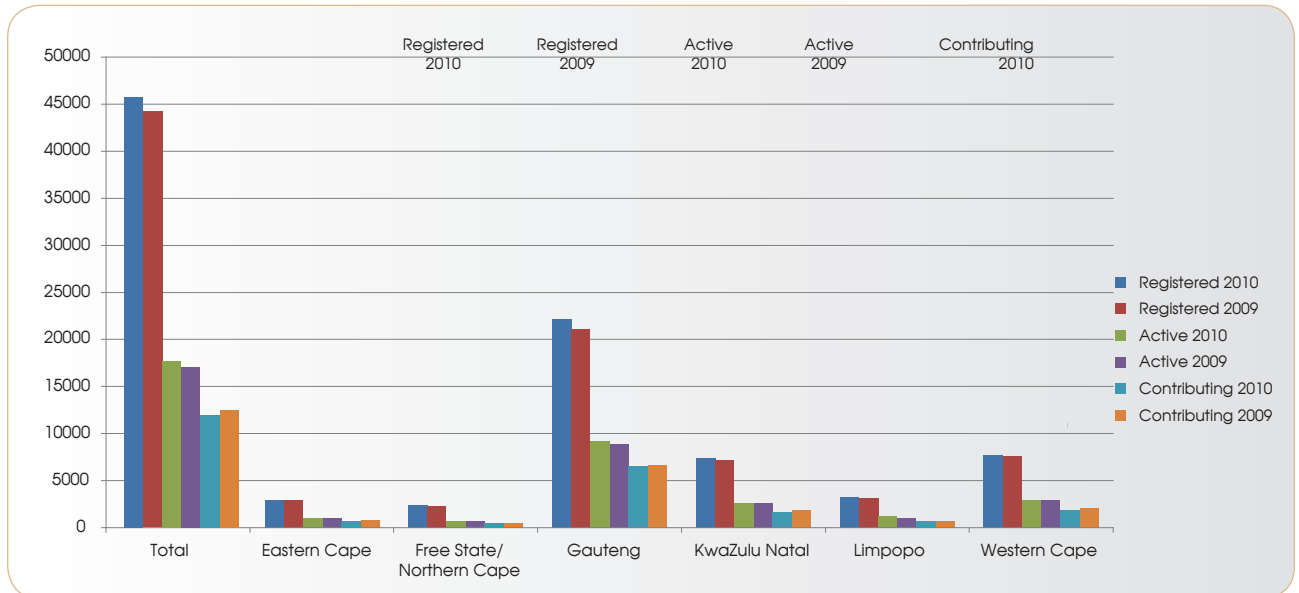
Graph 3: Composition of MERSETA Contributing Companies By Number of Employees



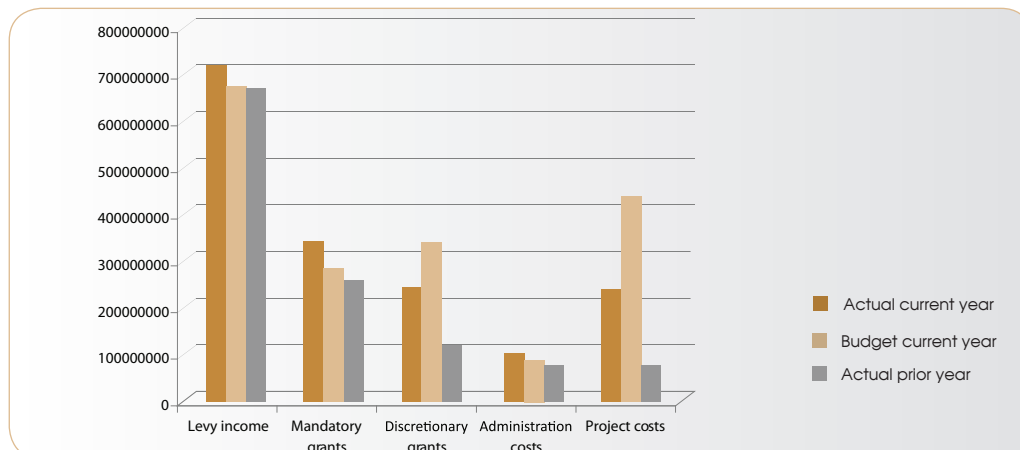
Graph 4: Contribution by Chamber



Graph 5: Total Levy Analysis by Province



Graph 6 : 2009/10 Income and Expenditure





Ms Meketenyana Mayongo

04

CORPORATE SERVICES

The Corporate Services Division comprises the Human Resources Unit, the Information Communication Technology Unit, the Management Information System Unit and the Marketing and Communications Unit. The division provides a support service to internal and external clients and stakeholders.

Human Resources

In the 2009/2010 financial year, the main focus of the Human Resources unit was to align the merSETA Human Resource Strategy with internationally accepted good practice in Human Resource Management.

Highlights

- Accreditation as one of 53 “**Best Employers to work for in South Africa**”;
- merSETA online **Climate Survey** – 82% staff participation and an average of 80% staff satisfaction with regards to HR Practice;
- Roll out of an electronic **Employee Self-Service System** with regards to leave application and management as well as payroll and electronic payslips;
- Implementation of various **Employee Wellness** initiatives such as 24/7 telephonic and face-to-face counselling, financial wellness information sessions, social networking events, **flexible working hours** and physical wellness assessments;

- Establishing **Talent Management and Succession Planning** through conducting intensive competency assessments at all levels within merSETA;
- Enhancing the existing electronic Performance Management System by implementing a formalised **Moderation** process as well as monitoring **Performance Improvement Processes** for underachieving staff;
- Ensuring legal compliance through submitting the **merSETA WSP & ATR** as well as the **merSETA Employment Equity Report**;
- **Recognising, rewarding and retaining** Top Performers through the annual award ceremony; and,
- Ensuring sound **Labour Relations** through monthly Management and Union bilateral meetings.

Focus Areas

- Pro-actively **managing the impact that the changing SETA Landscape** may have on staff;
- Expanding **Talent Management, Retention** and **Staff Wellness** initiatives;
- Improving employee integration and induction through an **online Induction and Buddy Programme**; and,
- Broaden **Training and Development** practice through competency assessments, group training sessions for management and staff and Return on Investment assessments.

Employment Equity

Occupational Level	African		White		Asian		Coloured		Foreign Nationals		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Senior Management (EL & CEO)	1	1	2	0	0	0	2	0	0	1	7
Management (C5-D5)	16	4	3	9	3	1	8	1	1	0	46
Specialists (C4-C1)	20	21	5	7	2	2	8	8	0	0	72
Administration (A1 - B5)	17	60	0	4	0	2	2	9	0	0	93
Total	54	86	10	20	5	5	20	18	1	1	218

Salary Bands

Paterson Grade	Salary Range
CEO (F)	1 255 024
Senior Management (E)	605 100.45 – 1 013 008.85
Management (D)	331 300.13 – 541 732.82
Specialists (C)	178 301.88 – 390 217.87
Administration (B)	74 383.23 – 195 229.00
General Workers (A)	48 643.54 – 90 387.84

Leave Utilisation

LEAVE UTILISATION	ABSENTEEISM RATE
57 209 working days	1,7%
980 days' sick leave	

Staff Complement

Permanent Staff	Fixed term contract
220	5

Staff Turnover = 6.8%

REASON	MALE	FEMALE
Resignation	2	10
Dismissal	2	1
Operational Reasons	0	0
TOTAL	4	11

Job Evaluation

Total positions evaluated	23
Positions upgraded	14
Positions downgraded	0

HR Consultants

- Experiential Technologies – Competency Assessments;
- PE Corporate – for salary surveys and job evaluations;
- 21ST Century – review of job profiles, grading and salary benchmarking;
- VIP – payroll and leave management system; and,
- CBARS – electronic performance management system.

Information Technology and Call Centre

The goal for the IT and Call Centre for the financial year 2009/2010 was to improve our service delivery to the organisation and stakeholders to:

1. Efficiently and effectively address internal and external requests;
2. Maintain quality of service;
3. Improve access to information; and,
4. Improve system up-time and reduce the risk of data loss.

Customer Interaction Centre

The Call Centre effectively dealt with 95 000 calls during the 2009/2010 financial year. These calls ranged from requests for general information to follow-ups on trade tests, workplace approvals, learner registration, training provider accreditation, etc. The Call Centre successfully dealt with and resolved 85% of queries within a single contact (resolving the client request while the client was online) and acted as the client's advocate for requests that could not be resolved online. In this case, the Call Centre Consultant would act as the client's representative, escalating and coordinating activities between different divisions to have the client's request fulfilled.

The Call Centre also assisted other divisions with a number of outbound campaigns. These campaigns included:

- Mandatory Grants;
- Data verification and cleanup; and,
- Grants payment verification

The Call Centre achieved the following performance statistics for the 2009/2010 financial year:

Calls Received	95 000
Abandoned Rate	3.5%
Service Level	87%
Average Speed of Answer	08 seconds
Quality of Service	89%

Information Technology

The objective of the IT unit is to meet and exceed customer expectations as well as improve service delivery. The IT unit has implemented a HELPDESK system to improve

fault logging, tracking and analysis of common IT-related problems within the organisation. The implementation of TRACK-IT allows the IT unit to:

- Log every fault or request sent to the IT Helpdesk;
- Provide the individual concerned with an automated reference number that can be used to track the progress of their request via the intranet;
- Equally distribute requests between technicians;
- Track response times; and
- Analyse the type of request to determine the root cause

To improve access to information, the IT unit implemented the Access Point Name (APN) system. APN utilises existing 3G cards and allows access to the merSETA domain. Staff regularly on the road or out of office have the same access to information and resources as staff at the office. APN allows CLO (Client Liaison Officers) access to Datanet, e-mail, shared files on the K-drive, personal folders on the H-drive etc. Prior to APN, this was not possible.

Great emphasis was placed in the 2009/2010 financial year on reducing the risk of data loss and improved security. The IT unit built a disaster recovery site at its Pretoria office, where core applications are replicated. Applications like Great Plains, Exchange, ESS and VIP are replicated at the Disaster Recovery Site (DRP), and should there be a catastrophic failure at the main site, the IT unit can redirect traffic to the DRP site for continuity.

The merSETA also improved its data recovery strategy by changing the data back-up schedule. Corporate Services implemented a full backup weekly with daily backup of any changes. These backups are stored on external hard drives within the office for quick restores. Copies of these backups are also written to tape drive and stored offsite with Metrofile.

To reduce the risk of external attacks, we implemented Proxi Server to monitor user internet browsing. Malicious websites can now be blocked and user internet browsing can now be tracked. We have also implemented daily virus scans. Scans are conducted for malicious software on all external storage devices plugged into any resource

on the domain, the merSETA has restricted all resources on the merSETA domain from communicating externally except through the relay server. This is to reduce the risk of infection that could possibly relay SPAM emails from our domain.

In the financial year under review, we also implemented a print server that controls access to printing via pin codes. Users, who print, copy, scan and fax, are monitored and monthly reports are available to track usage. This also allows users to have access to a pool of seven multi-functional photo-copier machines. Capital layout as well as cost per print was much lower compared to the previous year.

Management Information System SETA Management System

The 2009/2010 financial year began with an analysis of the suitability of Datanet as a software operating system. Deloitte was identified as the provider of choice to update the programme.

The implementation of the Seta Management System by Deloitte began in October in the year under review. The expectation of the system is that it will cover most of the business processes at merSETA, most of which have been done manually. It will also be implemented on a better platform, i.e. .NET Framework, which will make it easier to adapt to changing business needs. It is also expected to resolve the long outstanding challenges of integration to the Great Plains software.

The implementation was split into three major project phases i.e. Skills Module, ETQA Module and Projects Module. The Skills Module was implemented within the planned timelines according to the project schedule. However, a decision was made to implement the Grants Application on DataNet due to requests from clients to have the application open in February by which time SMS was not yet ready.

The ETQA Module is in the development phase and testing implementation is set to begin in August 2010. There have been challenges in the implementation of this module as the business processes at merSETA differ markedly

from processes in other SETAs. Deloitte implemented the necessary deficit control. The original assumption was that SMS would have an 80% fit, which would require at most 20% new development. The extent of the fit is still being analysed by Deloitte but it is estimated to be about 50%. Some of these deficits affect the structure of the system i.e. major database design and system structure changes. With the ETQA module being the largest module in terms of functionality, the effect will be significant.

The Project Module is at the requirements gathering phase. This will be the final phase of the implementation of the SMS System. Most of the business processes for this module have already been covered in the ETQA Module. This phase will mostly cover the project management part of the Projects Division from a financial management perspective.

Four Data Capturers were employed to assist in cleaning the data as it is being migrated to SMS. This will ensure that the data migrated has minimal flaws. This process will continue for the duration of the project.

DataNet Support

The mandatory grants implementation was done much earlier this financial year as a response to the needs of the business. The grant applications were opened on 1st February 2010. This empowered clients to work at their own pace.

The application was developed using a .Net 3.0 Framework platform. This enabled the merSETA to enhance usability. A major improvement has been the implementation of reports in SQL Reporting Services, which made it easy for clients to draw reports from the system without needing to install a third party application as was the case in previous years. The added feature of exporting to Excel has also been beneficial to the clients.

NLRD submission will continue to be done through Praxis until the live launch of SMS. This means 2010 submissions will continue through DataNet. The next submission, however, will be done through the SMS system.

Medium Term Plans

The MIS unit plans to enhance services to stakeholders. Both internet and internet technologies are being improved to ensure ease of use. These should now be moved to the SharePoint platform to improve integration with SMS and any other systems at merSETA to provide a bird's eye view of the business from one point.

Marketing and Communications

The Marketing and Communications unit promotes the products and services of merSETA, using a wide range of channels and instruments to 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 published for the year ending March 2010.

A merSETA Corporate Profile was also produced and printed and circulated to 5 000 stakeholders. In addition, more than 20 000 new brochures and pamphlets on learnerships and similar opportunities were distributed to scores of schools. Promotional material was available at all expos and exhibitions.

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.

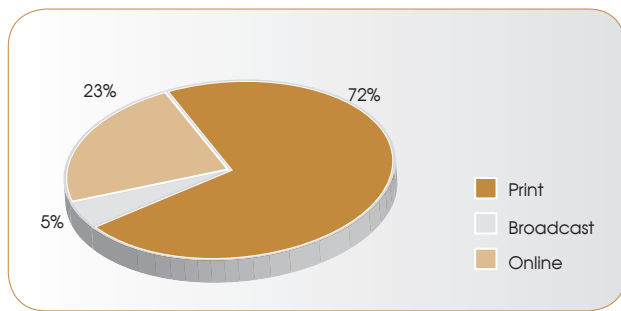
An Advertising and Sponsorship Policy was refined and accepted, with refinement of the Corporate Identity Manual under way.

Summary of Media Coverage

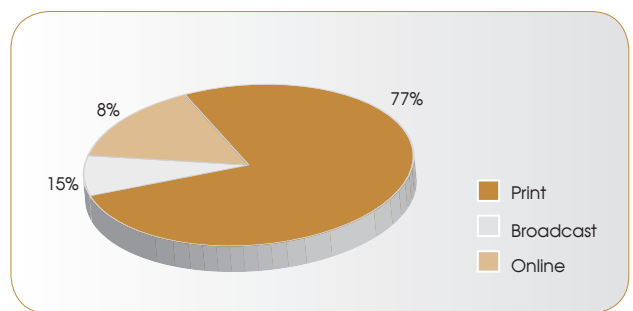
The table below shows the number of articles and Advertising Value Equivalent (AVE) generated in each medium. The merSETA generated a total of 506 media items and a total AVE of R11, 674, 794.

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

Breakdown of AVE in percentages



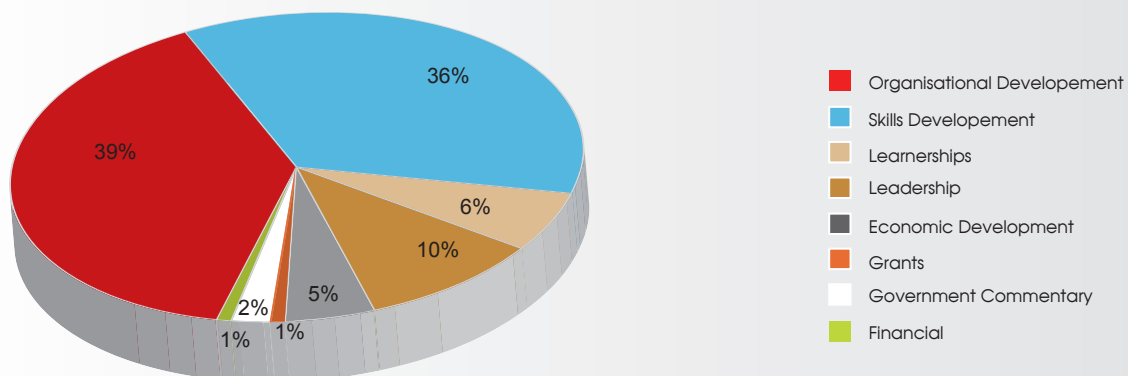
Breakdown of AVE in percentages



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 of companies which 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 work force.

	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/Apprenticeships	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

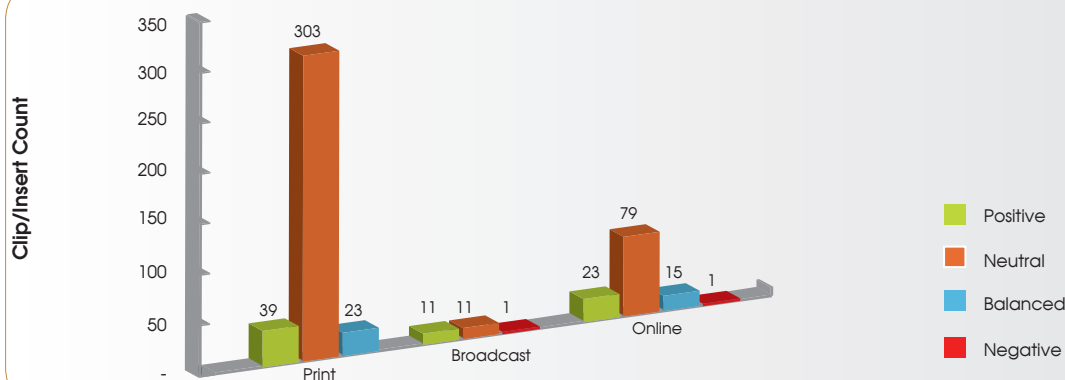
Key performance areas pie chart



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

Perception of coverage

The following graph represents the breakdown of articles in terms of image perception.



Events and Exhibitions

During the financial year, the unit participated in the following public Expos, Exhibitions and Special Events:

Events Management:

- | | |
|-----------------------|--|
| 1. Inter-Seta Summit | 30 September and 1 October 2009 |
| 2. Stakeholder AGM | 250 delegates |
| 3. AATP Summit | November 2009 |
| 4. EPA Conference | 11 March 2010 Branding/Promotional Items/Events co-ordination. |
| 5. SA Automotive Week | 1-11 September 2009, Port Elizabeth |

FORGING THE FUTURE

Career Expo	Venue	Date
Career Day	Middelburg Country Club	4-6 May 2009
Career Day	Sekhukhune District Office	5 May 2009
InKunzi IseMatholeni Career Expo	INkandla	6 June 2009
Start Here Campaign 2009	Hammanskraal Temba (Tshwane North College)	12 June 2009
Masobye Career Expo Day 2009	Pankop Community Hall in Hammanskraal	13 June 2009
Skills Development Workshop	Moletsi Mosate	15 June 2009
I Can Foundation, "Careers of the Future"	Hatfield Christian Church	16 June 2009
National Science Week	Kroonstad	3-4 August 2009
merSETA Career Choice Day	Thohoyandou, Limpopo	5 August 2009
National Science Week	Welkom	6-7 August 2009
Engineering career week	Coca-Cola Dome	10-14 August 2009
Career Expo	Thoyandou	24 August 2009
SDF Forum	Polokwane Country Club	25 August 2009
Cell C career expo	North West: Mabe's Kraal	27 August 2009
Cell C career expo	Kwazulu-Natal: Ngcolosi Pinetown	1 September 2009
Cell C career expo	Eastern Cape: Lusikisi	4 September 2009
Cell C career expo	Free State : Thaba Nchu	8 September 2009
Cell C career expo	Northern Cape : Kimberley	11 September 2009
Cell C career expo	Limpopo : Tzaneen	15 September 2009
Cell C Career Expo	Skiroro	15 September 2009
Cell C career expo	Mpumalanga - Piet Retief	18 September 2009
Mogale City Career Expo	Krugersdorp	18 September 2009
Mass Induction	Capricorn FET College	13-14 November 2009
Provider Forum	Cape Town Convention Centre	26 November 2009



Mr Wayne Adams

05

OPERATIONS

"This division has risen to the challenge."

The 2009/2010 financial year was filled with challenges as it required the Operations Division to consolidate and build on achievements of the previous financial year. The Operations division has once again risen to the challenge and has improved on the previous year's results.

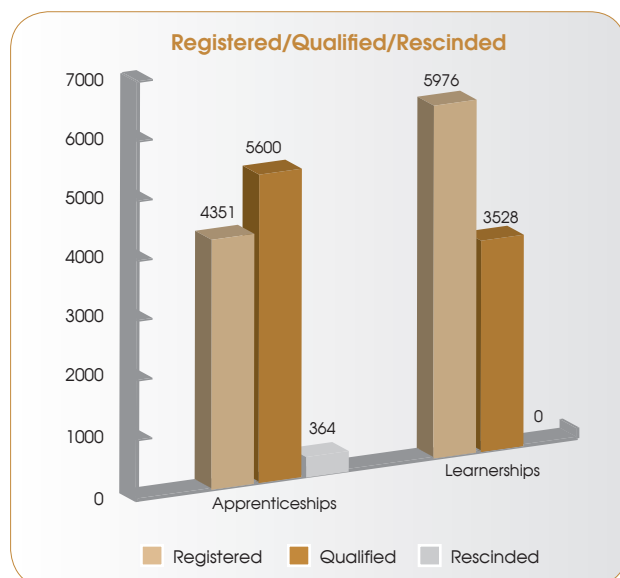
Central Administration

The Central Administration Unit entered its third year as a centralised function and has made tremendous progress in streamlining processes and implementing systems.

The implementation of two dedicated mail boxes has been beneficial to clients. The intention of these mail boxes was to provide for centralised coordination for applications and queries relating to the administration function of learning programmes.

The tables hereunder indicate the number of registered contracts/agreements, level/trade tests arranged, rescissions of contracts effected and grant applications received and processed.

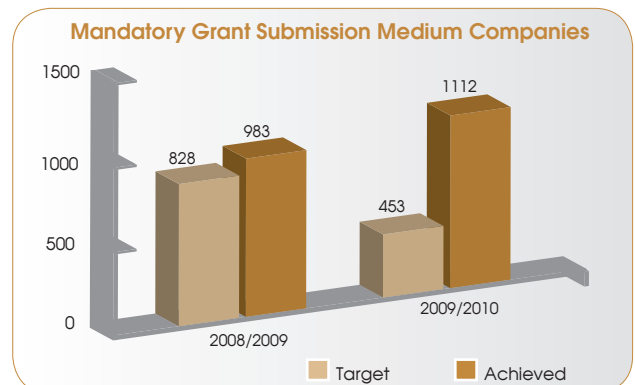
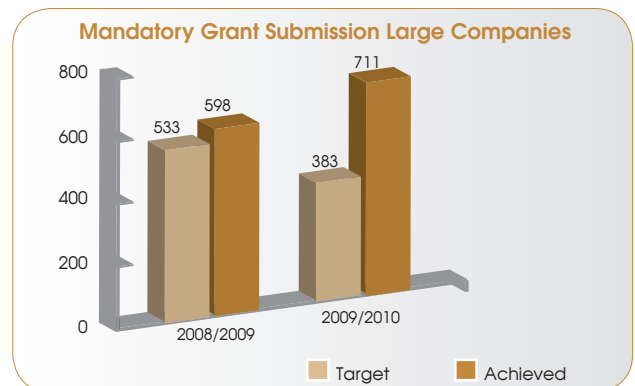
The streamlined services within Central Administration yielded the following results:



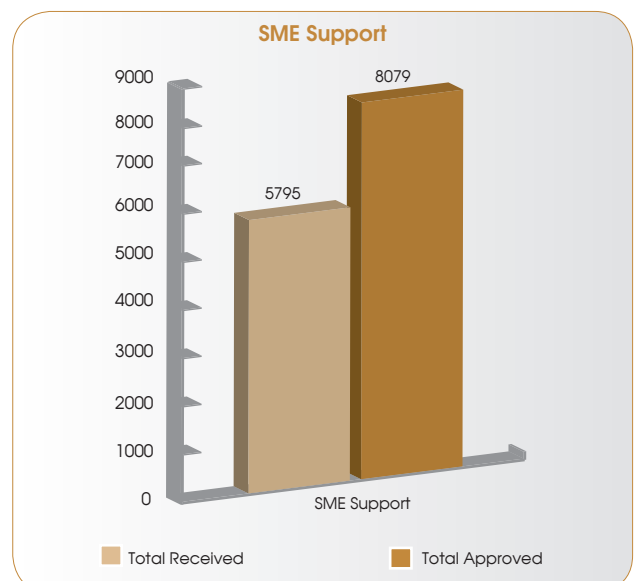
Our mandatory grant campaign coupled with the electronic submission of mandatory grant applications resulted in the following:

Large Companies: from 598 to 711, representing a 19% increase;

Medium Companies: from 983 to 1112, representing a 13% increase



Our Small Company participation, inclusive of the submission of mandatory grants, increased from 5795 to 8079 representing a 39% increase in the year under review.



Client Services

The implementation of our “one stop shop” approach to service delivery within merSETA regional offices contributed to the higher results. Our regional offices provide support to companies, train providers and address Provincial Government initiatives. Implementation of all projects and initiatives are undertaken at regional level.

The merSETA has a presence in all provinces through its seven regional offices situated in:

- Eastern Cape: Port Elizabeth (Satellite office in process for East London);
- Limpopo/Mpumalanga: Regional office in Witbank (Satellite office in Kimberley);
- Free State/Northern Cape: Regional office in Bloemfontein (Satellite office in Polokwane);
- Gauteng South: Johannesburg;
- Gauteng North/North West: Pretoria;
- KwaZulu-Natal: Durban; and,
- Western Cape: Cape Town

Two satellite offices were opened, one in Kimberley to cover the Northern Cape, and one in Polokwane to cover Limpopo.

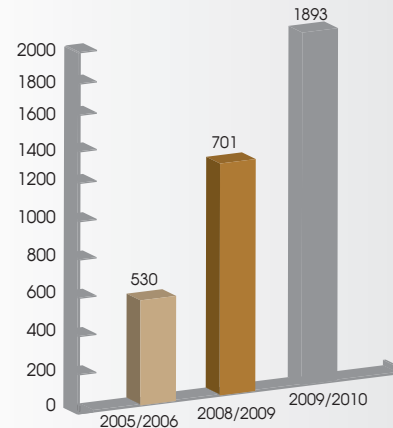
The year under review also saw improvements in Memoranda of Agreements with merSETA member companies. All employers, who pay levies to merSETA or who are legally exempted from paying the skills development levies but actively participate in skills development initiatives, have a dedicated Client Liaison Officer to cater for their skills development portfolio. All services, queries and investigations are dealt with by a Client Liaison Officer, who works with various support units on behalf of clients.

With the new approach by the regional offices, the merSETA delivery agenda gained momentum in the year under review.

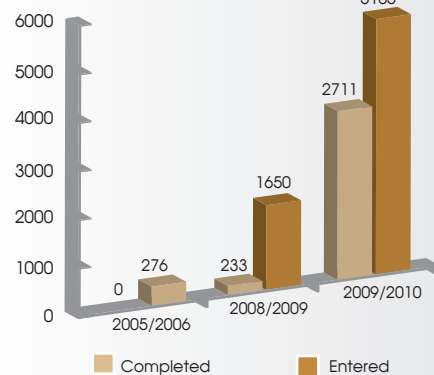
The regional offices have achieved outstanding results

compared to previous years in the following areas:

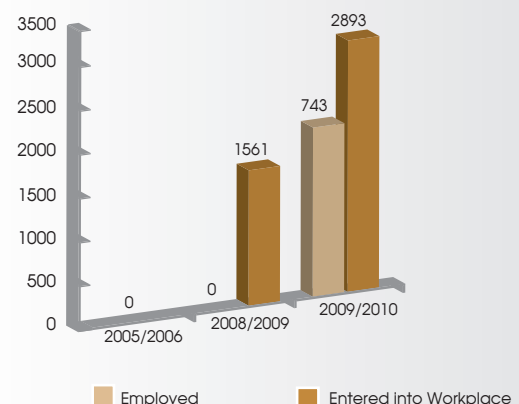
Sector Specialists



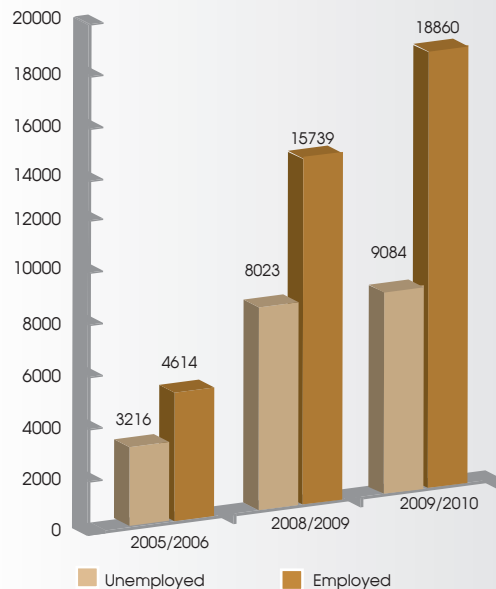
ABET Learners



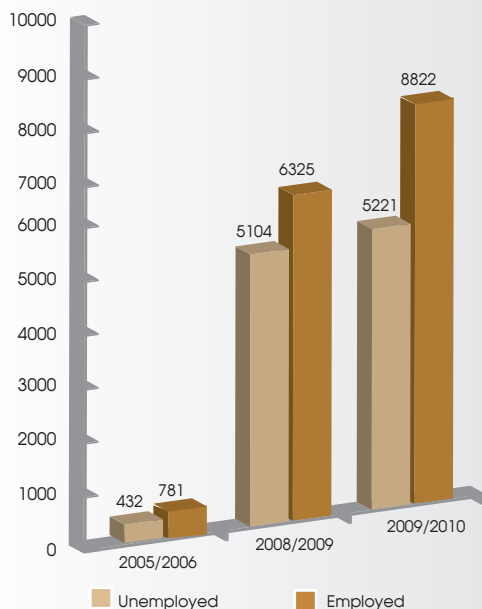
Experiential Learners



Learners Entered into Learning Programmes



Learners Completed Learning Programmes



The Quality Assurors at our regional offices played a critical role in ensuring that quality was not compromised in the achievement of our excellent results.

LETQA

The LETQA Unit maintained good relationships with its provider constituency. The results of our independent customer satisfaction survey indicated the good strides made in this unit.

The unit's key responsibilities include, inter alia, the quality assurance processes of provider accreditation, programme approval, registration of assessors and moderators, development of fit-for-purpose qualifications and learnerships with supporting courseware, and the monitoring and auditing of providers for quality of delivery, culminating in certification of successful learners.

In the year under review, 874 accreditation and programme approval visits were conducted, resulting in the accreditation of 230 providers. In addition, 17 Provider Workshops were conducted to build capacity and strengthen our relationships with our provider constituency. The implementation of our learner programmes culminated in 1032 workplaces being approved for the implementation of our learning programmes. To ensure the maintenance of our quality standards, 78 audits were conducted on merSETA-accredited providers.

The merSETA continued to fund Standards Generating Bodies for the development of qualifications and unit standards required by our sector. We ensure only subject matter experts from the various industries participate in the development of these qualifications and unit standards. Forty qualifications were developed of which two qualifications had 18 specialisation areas.

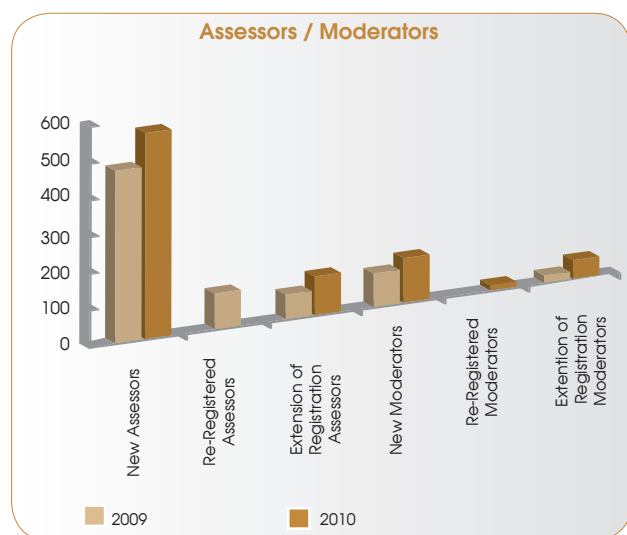
The unit also embarked on developing qualifications in line with the Quality Council for Trades and Occupations (QCTO) methodology. The qualifications were for the Foundry Industry and consisted of:

- Foundry Melting;
- Wooden Pattern-making; and
- Machine Moulding.

The implementation of the QCTO developed qualifications will be piloted in the coming financial year.

The number of registered learnership programmes increased from 50 to 83 representing an increase of 66% while 59 new skills programmes were evaluated and registered this financial year.

To continue the expansion of our infrastructure for delivery, 599 new assessors and 146 new moderators were registered. In keeping pace with technological advancements and the review of our qualifications and unit standards, the merSETA has re-registered 114 Assessors and 14 moderators against the new and improved qualifications.



The merSETA 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).

The merSETA was also awarded the Development Quality Partner status in line with the proposed QCTO regulations for the development of qualifications for the following occupations:

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

Partnerships have been forged with other SETAs, particularly in instances where priority occupational trades reside within the different SETAs.

A total of 975 moderations were conducted culminating in 9535 certificates issued to learners for the following learning interventions:

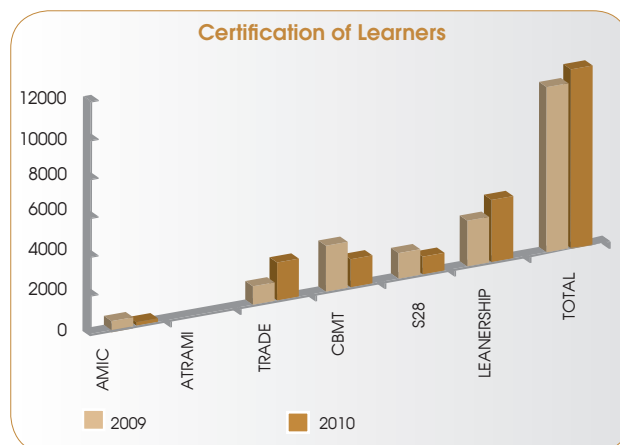
Learning Intervention	Certificates Issued
AMIC	157
ATRAMI	50
TRADE	2346
CBMT	1833
Section 28	1420
LEARNERSHIP	3528
TOTAL	9535

Certification of Learners

The merSETA was called on to verify the authenticity of 3981 certificates compared to the previous financial year's 3402 verifications, representing an increase of 17%.

The certification turnaround time of seven days was severely impacted due to the requirement that our Trade Test Certificates had to be signed by the Registrar within the Department of Higher Education And Training.

The merSETA also managed to achieve ISO 9001 Certification in recognition of the great strides made in the formalisation and management of our business processes.



Courseware

To complement our qualifications and unit standards, the merSETA embarked on a process of developing courseware for 44 qualifications consisting of learner modules and related facilitator assessment guides.

The merSETA followed a skill set approach in designing the curricula frameworks underpinning the courseware. Several unit standards, forming part of several qualifications, were analysed and modules were written across the outcomes of these unit standards, resulting in what is now known as the cross-cutting generic modules. This is available to merSETA-accredited providers.



Mr Derrick Peo

06

PROJECTS

"Project results were excellent."

Accelerated Artisan Training Programme (AATP)

As at 31 March 2010, a total of 2,521 apprentices had been registered on the AATP (this excluded the 321 AATP candidates on the UIF/DoL funded project under incubation at merSETA) with 649 successfully passing the designated Trade Test. Since the project uptake is on a month-by-month basis, it is anticipated that the last apprentice in the current R286m funding block will qualify before 31 December 2012 on an 80% plus throughput rate.

In the year under review, the project continued its focus on sharing best practice through the Annual AATP Symposium in September 2009. The continuous improvement objective also led to the signing of an MOU with the University of Bremen in Germany to enable international benchmarking based on proven research methodologies.

Another significant development in the year under review included collaboration with the Public Sector by sharing systems platforms and coaching of project staff in support of their implementation efforts. The year ended with the finalisation of a formal review of the project using an innovative "review panel" process where experts, including an international expert, formally reviewed the programme to date. Recommendations from this high level review have been incorporated into the programme's operational plan for the 2010/2011 financial year.

New Venture Creation (NVC)

In the year under review, a total of 560 learners were enrolled for training in learnerships and skills programmes (based on skills sets) at NQF Level 2. Six FET colleges participate in this programme. The learners are spread across all provinces and are from previously disadvantaged communities. The projects will close out on 31 July 2010, when a review will take place and a new intake will commence.

Voucher Implementation Programme (VIP)

The Voucher Implementation Programme (VIP) is in its fourth phase. The primary objective was to implement a focused, integrated and sustainable three-year strategy for SME development in the metal, engineering and

related services sector. The Motor Industry Bargaining Council (Mibco) has introduced a requirement for all fitting centres to have a qualified Suspension Fitter in order to be registered with them. The Voucher Implementation Programme was identified as the vehicle to facilitate this training. This programme will also assist employees and employers in the tyre-fitting sub-sector to obtain competence against the registered Suspension Fitting Skills Programme (Part 1 and Part 2). The merSETA Board has approved funding for a total of 400 learners to complete this programme. 2037 SMEs received support in the year under review under this project. An external evaluation of the project was commissioned.

Toolbox Pilot Project

The merSETA introduced the Toolbox Pilot Project to members who pay levies or who are exempted by SARS and employ 49 or fewer permanent employees. These companies may apply for the free supply of trade specific toolboxes as shown on the toolbox project website. A total of 926 toolboxes were issued as at the end of March 2010. A total of 350 levy-paying and an additional 41 non-levy paying companies have been supported through the project to date. This means a total of 391 small companies were supported.

Adult Basic Education and Training (ABET)

ABET Project 1: Accelerated ABET

Utilising advanced approaches to ABET provisioning, curricula, methodologies and the scheduling of learning, (including blended learning and modular approaches), the project reached 2500 learners.

ABET Project 2: Business ABET

This project provided a bridging qualification in the form of a GETC Business Practice learning programme at NQF 1 as an alternative to traditional ABET training. The qualification facilitates entry to work opportunities and articulates with the FET band and learnership opportunities. Through the provision of a generic Business ABET model, the project provided a bridge between the first and second economies in South Africa to 1000 learners.

ABET Project 3: Occupational ABET

Building on learning in context theory, this project aims to develop and provide five (5) sets of ABET curricula and learning materials customised to each of the merSETA chambers in order to build a closer fit between ABET and the occupational needs of those sub-sectors. Besides the courseware development component of the project, 1500 learners were reached through this project.

The targets for learners registered on the Accelerated ABET Project and Business ABET Project were exceeded by two (2) percent and 23 percent respectively, whilst 84 percent of the Occupational ABET Project was achieved. In addition, a significant achievement was the development and piloting of Occupational ABET training material customised for each of the five chambers.

Much of the success of the project was based on the selection of committed and quality-driven training providers. The agreements entered into with the appointed training providers were performance-based, focusing on quality training and successful assessments. This ensured learners not only entered ABET, but also exited it successfully with significant impact. The developmental achievements through this project have been rewarding and encouraging.

FET Capacity Building Project (Occupational Trainer Project)

The merSETA partnered with the Department of Labour and GTZ, as the “Development Quality Partner” in the development of the Occupational Trainer Qualification under the framework of the QCTO. Participants from various sectors volunteered their time and energy to construct the new curriculum. The South African Board of People Practices was nominated as the Assessment Quality Partner for the next phase, and a project plan to pilot the qualification is under development with a number of merSETA companies that have expressed interest in participating in the pilot.

Bursaries Project

In the 2009/2010 financial year, more than 420 unemployed learners received bursaries in the disciplines dictated by the SSP. The students, who would not otherwise have had the opportunity to study beyond

school, or students who are part way through their studies and would have had to give up due to lack of funding, are carefully monitored for progress – often because they have to help support siblings or aging parents. The 2010 academic intake was the second year merSETA used psychometric testing to help shortlist bursary applicants. From over 1400 applicants, the testing this year was more comprehensive than before and the merSETA was able to advise unsuccessful candidates what field of study would be more suitable for them.

The outsourcing of the bursary administration for 18.2 bursars will allow for richer support programmes for the students, such as a “Buddy system” where newly awarded bursary students are assigned to second and third year students to mentor them.

merSETA also provided assistance to a further 200 people employed by merSETA-linked companies to embark on specific management training and development. This includes a programme for employed female learners at the Unisa School for Business Leadership. Sixteen candidates from Barloworld Motors graduated with a Rhodes University Investec Business School Certificate in Business Management in March. The course was tailored to meet the specific needs of the motor industry, and the success rate was 85%.

Mathematics and Science Project (SET)

Under the Science, Engineering and Technology (SET) Project, the merSETA funded 900 learners at grades 10, 11 and 12 (300 at each grade) for enrichment, weekend and holiday classes in Mathematics, Science and English. The project aims to address the problems experienced in the “learner pipeline” that results in shortages of appropriate candidates for entry into merSETA learning programmes.

Project results were excellent: the overall pass rate for Grade 12 was 98% and the pass rate for grades 10 and 11 was 100%, across all six centres (Johannesburg, Vaal, Durban, Richards Bay, Cape Town City and Mowbray). 106 matric distinctions were received by the merSETA learners. While support will continue for 600 learners, a project plan is being developed to ensure the new intake of 300 learners focuses on rural areas, and includes an educator development component.

Recognition of Prior Learning Project

The merSETA completed its RPL pilot project in April 2009. This project was largely outsourced with the primary objective being to assess and certificate participants. The implementation of the pilot and lessons learned formed the basis of the project which commenced in the second financial quarter of 2009. The project reinforces the intention to build best practise and development of assessment tools into the project as more lessons are learned, while piloting a grant-based approach to supporting the implementation of RPL in workplaces. By the end of the financial year, 190 spaces were allocated to companies from the five merSETA chambers, and 50 RPL advisors and evidence collectors from participating companies were set to complete their training. The project is governed by a Project Steering Committee comprising Chamber representatives.

Accounting Technicians Project

Based on a partnership with the South African Institute of Chartered Accountants, and the Association for Accounting Technicians (South Africa), the project is designed to run over a three-year period -- 2009-2011 -- with a total of 100 beneficiaries from the merSETA companies. The qualification is a SAQA-registered Learnership which starts at certificate level followed by an advanced certificate and exits at diploma level.

HIV & AIDS 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 is done by promoting an integrated sectoral response and enhanced co-operation. The overall objective is thus to pilot a strategic HIV & AIDS Workplace Management Programme for SMEs in the sector.

Project for People with Disabilities

The purpose of the project is to develop a strategic and implementation plan to promote training and placement for the disabled in certain occupations in the manufacturing and engineering context, and utilise the initiative as a vehicle for addressing key policy and legislative objectives and obligations. The project comprises a research and development phase

to match disabilities against occupations while the first phase of implementation focuses learning material and interventions for 50 learners who are hearing impaired.

Retrenchment Assistance Programme (RAP)

The merSETA Retrenchment Assistance Programme (RAP) is aimed at retraining workers who have been retrenched or who are in the process of being retrenched as a result of the industry downturn or workplace closure. Eligible individuals are entitled to accredited and/or duly registered training programmes to a maximum value of R12, 500.00 each to enable them to either upgrade their skills or to develop new skills to re-enter the labour market or embrace entrepreneurship. In addition, the project also caters for weekly learner allowances to a maximum of R375.00 per person. The RAP Project was initiated with a budget of R80 million with an additional R50 million being allocated for the 2010/2011 financial year. As at 31 March 2010, 23 companies were actively participating in the project to the benefit of about 8393 individuals. merSETA's total budgetary commitments thereof equated to just under R81 million with about R26 million already disbursed to companies as first tranche payments. A further seven companies applied for approval.

Training Layoff Scheme (TLS)

The Training Layoff Scheme is a national government programme aimed at providing training and subsistence assistance in the case of the temporary suspension of an employee or a group of employees for training purposes and as an alternative to retrenchment. It enables employees to be kept in employment during the economic downturn whilst being re-skilled as an investment for future economic recovery. On approval by the CCMA, companies may, via the relevant SETA, claim for learner allowances of up to 50% of their wage bill from the National Skills Fund (NSF) for the duration of the layoff period.

The merSETA actively promotes the Training Layoff Scheme and as at 31 March 2010, three companies had been approved for the scheme with about R9, 3 million claimed as learner allowances on their behalf from the National Skills Fund. A further six companies were in the final stages of approval by the CCMA. The Training Layoff Scheme has thus far enabled some 4236 merSETA sector

workers to be retained in employment as opposed to being retrenched.

Research and Development (R&D)

WSP and ATR Analysis

The objective of this project was to undertake an analysis of a representative sample of Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) submitted by merSETA member companies. It provides a review of Workplace Skills Plan submissions and Annual Training Reports for a three-year period to determine whether training planned is implemented and the linkage of implemented training to the merSETA Scarce and Critical Skills lists, to determine training trends over a three-year period.

Impact of the Economic Recession

The objective of this project was to undertake research about the nature, form and context of the global economic crisis and its anticipated impact on training and skills development within the merSETA-registered companies. This included the quantitative as well as qualitative analysis of the impact of recession on skills development and also examined possible strategies that could be put in place to support sector responses to the impact of recession.

Education Partnerships for Africa (EPA)

The purpose of the study was to obtain company data on perceptions of employability of FET College graduates. It formed a component of research partnership into employability undertaken between merSETA and its research partners, under the auspices of the British Council's "Education Partnerships for Africa" initiative. The institutions were the University of Nottingham (United Kingdom), the universities of KwaZulu-Natal and Western Cape and partner colleges in the two countries. It is designed to build on existing research on the South African FET college sector and seeks to develop improved theoretical and practical understandings of employability in both South Africa and the United Kingdom.

The merSETA's involvement in this project included undertaking a company-level research survey exploring the role of company-level notions of employability. In particular, this survey examined the organisation/companies' recruitment practices, with a focus on recruitment of FET College graduates. An EPA Symposium

explored learner, staff and employer perceptions regarding the necessary employability skills and emerging good practices in FET colleges in becoming more responsive. The one-day interaction served as a basis for understanding employability from the supply (FET Colleges) and demand-side perspectives.

FET College Audit

The purpose of the study is to investigate engagements between merSETA and FET Colleges and how merSETA can develop a more systemic approach to these engagements. The study will take the shape of a survey; through distributing questionnaires and qualitative interviews with a sample of participants. The merSETA also entered into an agreement with the Human Sciences Research Council (HSRC), which was commissioned by the National Board of FET Colleges (NBFET) to undertake a governance and capacity audit of FET Colleges.

OFO Annual Update

The project involves an annual update of the Organising Framework for Occupations (OFO), which is an occupational codes list that resides with the Department of Labour. SETAs are required to assist industry employers in identifying, implementing and evaluating the OFO codes. This involves conducting workshops and training sessions with all merSETA stakeholders.

HIV & AIDS Review

This study explores HIV & AIDS prevalence in member companies of the merSETA. It is expected to provide a review of available evidence on HIV prevalence in the sector. A roundtable of key stakeholders is to be held to ensure appropriate quality assurance and will be used as a means of ensuring that the appropriate national and international literature has been consulted.

R & D Sub-Committee

The merSETA Governing Board has approved the establishment of a *Research and Development Sub-Committee* to oversee the Sector Skills Planning process. A number of meetings and workshops were held to drive the sector skills plan and ensure that R & D activities were placed on the merSETA agenda.

Dissemination

The merSETA is committed to a dissemination programme of its research and development activities. This includes publications, electronic media as well as lunch-time presentations for SETA staff. In addition, dissemination workshops were held in all regional centres to ensure awareness of Sector Skills Planning processes, including KwaZulu-Natal, Free State, Eastern Cape, Western Cape and the national office.

Finally, the Project Division maintains a policy of active engagement with a range of research entities, universities, non-governmental organisations, as well as funding agencies and government departments, both national and international. Peer reviewed academic papers have been published in a range of national and international journals and presented at national and international conferences.



07

The merSETA PERFORMANCE
AGAINST NSDS TARGETS AND
HIGHLIGHTS

NSDS 11: MERSETA's Performance against NSDS Targets (2009 – 2010)

No	NSDS 2005 - 2010 Objectives	NSDS 2005 - 2010 Success Indicators, National Targets and Outcomes	SETA Plan for 2009 – 2010 Annual Targets and Outcomes	Achievements	Variance Reason
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 signed of by the: a) SETA/DoL agreed growth, development and equity strategy driver. b) DoL Executive Manager responsible for quality assurance of SSP. The SSP or Annual update submitted on time as per DoL Guidelines.	The updated Merseta Sector Skills Plan was submitted to the Department of Labour by 30 August 2009	Indicator 1.1 SSP to be updated - merSETA SSP updated and submitted before due date.
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) 711 SDFs or Sector Specialists trained in sector for the year.	A sector guide covering the five sub sectors was produced. 1893 Skills development facilitators and Sector Specialists were trained	Indicator 1.2 Training of SDFs/ Sector Specialists in use of the guide - the variance is positive. After reaching the target, funds were still available for this indicator.
3	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.1 By March 2010 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 the large firms is 383 firms. The TARGET for medium firms is 453 firms. Two scores will be calculated, one for each sub sector. Score 3a for Large companies and score 3b for medium companies.	711 large firms received WSP/ATR grants for the 2009 /2010 financial year. 1112 medium firms received WSP / ATR grants for the 2009 / 2010 fiscal year.	Indicator 2.1 Large and medium companies paid mandatory grants – this is demand driven, achievements are based on the financial year submission.

NSDS 11: MERSETA's Performance against NSDS Targets (2009 – 2010) (continued)

No	NSDS 2005 - 2010 Objectives	NSDS 2005 - 2010 Success Indicators, National Targets and Outcomes	SETA Plan for 2009 - 2010 Annual Targets and Outcomes	Achievements	Variance Reason
4	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.2 By March 2010 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 2739 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.	8079 small levy paying firms were provided with skills development support interventions during the 2009/2010 financial year	Indicator 2.2 Small levy paying companies - Due to overwhelming uptake and interest, the Governing Board in November approved additional funds to the Voucher Implementation Programme to maintain direct training support to SMEs; Regions also have targets for this indicator, independent of the project, whereby they measure a range of different services and assistance to SMEs.
5	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.4 By March 2010, at least 500 enterprises achieve a national standard of good practice in skills development approved by the Minister of Labour.	Not applicable for 2009-2010	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	3 Small BEE firms and 8 BEE Co-Operatives targeted and supported	82 small BEE firms and 10 BEE cooperatives were supported by skills development during the 2009 / 2010 financial year.	Indicator 2.5 Small BEE and BEE Co operatives – Regions always focus on the 120% target, and different regions have own targets.

NSDS 11: MERSETA's Performance against NSDS Targets (2009 – 2010) (continued)

No	NSDS 2005 - 2010 Objectives	NSDS 2005 - 2010 Success Indicators, National Targets and Outcomes	SETA Plan for 2009 - 2010 Annual Targets and Outcomes	Achievements	Variance Reason
7	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.7 By March 2010 at least 700 000 workers have achieved at least ABET Level 4.	Target for the sector for the period 2009 to 2010 is 4240 learners enter ABET and 2658 achieve ABET.	5165 Entered 2711 Achieved	Indicator 2.7. ABET Entered and Achieved – merSETA wrote a penalty clause into contracts whereby service providers would only be paid their full final tranche payments on 80% successful completion. In order to mitigate their risk of not achieving this due to learner attrition/ withdrawals, several service providers opted to enrol higher numbers than their project allocation. Some of the extra ABET learners may represent non project-related learners, administered through Central Administration on historical, continuation commitments
8	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.8 By March 2010 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 2009 to 2010 is 5030 Employed learners entered 2515 Employed Learners completed	18860 Employed learners entered 8822 Employed learners completed	Indicator 2.8 Entered and completion - All SETAs are given 100% targets to achieve. merSETA opts to qualitatively exceed 120% targets in all NSDS indicators through building partnerships with Training Providers, Government institutes/agencies etc. merSETA also runs marketing campaigns to ensure targets are achieved,

NSDS 11: MERSETA's Performance against NSDS Targets (2009 – 2010) (continued)

No	NSDS 2005 - 2010 Objectives	NSDS 2005 - 2010 Success Indicators, National Targets and Outcomes	SETA Plan for 2009 - 2010 Annual Targets and Outcomes	Achievements	Variance Reason
8	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.8 By March 2010 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 2009 to 2010 is 5030 Employed learners entered 2515 Employed Learners completed	18860 Employed learners entered 8822 Employed learners completed	Indicator 2.8(continued) e.g. Our Mandatory Grant marketing campaign by means of our website, newspaper adverts and bulk emails ensures stakeholders are constantly updated, informed and reminded of this process. To meet the employed and unemployed targets for learning areas, merSETA developed a Memorandum of Agreement process for our Discretionary Grants whereby stakeholders commit to certain intakes.
9	Promoting employability and sustainable livelihoods through skills development	Indicator 3.2 By March 2010, 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 2009 – 2010 is: 50 Non-Levy Paying 8 NGOs 5 CBOs 5 CB Co-Ops	The following organisations were supported during the year: 229 Non Levy Paying 13 NGOs 6 CBOs and 9 CB Co-Ops	Indicator 3.2 Non-Levy Paying enterprises, NGOs, CBOs and CB Co-Ops - Regions always focus on the 120% target, and different regions have own targets.
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 2010 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 2009 to 2010 is 4322 Unemployed learners entered and 2479 Unemployed learners completed	9084 unemployed learners entered and 5221 Unemployed learners completed	Indicator 4.1 Entered and completion - All SETAs are given 100% targets to achieve. merSETA opts to qualitatively exceed 120% targets in all NSDS indicators through building partnerships with Training Providers, Government institutes/agencies etc. merSETA also runs marketing campaigns to ensure targets are achieved, eg. Our Mandatory Grant marketing campaign through our website,

NSDS 11: MERSETA's Performance against NSDS Targets (2009 – 2010) (continued)

No	NSDS 2005 - 2010 Objectives	NSDS 2005 - 2010 Success Indicators, National Targets and Outcomes	SETA Plan for 2009 - 2010 Annual Targets and Outcomes	Achievements	Variance Reason
					<p>Indicator 4.1 (continued)</p> <p>newspaper adverts and bulk emails ensures stakeholders are constantly updated, informed and reminded of this process.</p> <p>To meet the employed and unemployed targets for learning areas, merSETA developed a Memorandum of Agreement process for our Discretionary Grants whereby stakeholders commit to certain intakes.</p> <ul style="list-style-type: none"> - In the spirit of assisting as many unemployed learners as possible, all funding is utilised to give as many bursaries as possible. <p>Targets are set on the estimated average cost per student of around R 45000 to R 50000 per annum which is the norm. Actual costs can vary from between R 10 000 to R 70 000 per student depending on the course, institution, residence and whether the student is part or full time. These factors are unknown until the selection criteria have been met and the student is offered the bursary.</p> <p>Internships - a new focus area that has seen merSETA put in place interventions to build partnerships to also meet these targets in future.</p>

NSDS 11: MERSETA's Performance against NSDS Targets (2009 – 2010) (continued)

No	NSDS 2005 - 2010 Objectives	NSDS 2005 - 2010 Success Indicators, National Targets and Outcomes	SETA Plan for 2009 - 2010 Annual Targets and Outcomes	Achievements	Variance Reason
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 2009 to 2010 is: 2365 learners assisted in workplace experience 1656 of the above learners employed or self employed	2893 learners were assisted 743 Above workers employed	Indicator 4.2 Assist in workplace experience- All SETAs are given 100% targets to achieve. The difference with merSETA is that we do not look at 100% targets, we work towards achieving and exceeding 120% targets in all NSDS indicators. merSETA has partnered with universities of technology to ensure the 120% target. Above workers employed or self employed- ensuring employment or self-employment for workplace
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 2010, 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 2009 to 2010 is: 348 NVC trained 396 Above sustained for 12 months	439 were assisted 227 Above sustained for 12 months	Indicator 4.3. NVC trained - The Service Providers took longer than anticipated to complete the Learner Agreements. NB: The agreements are sent back until all the criteria on the Self Evaluation Checklist are met. This leads to positive or negative variances when the performance information is supplied, depending on the timeframe when the agreements are sent back and forth. Above sustained for 12 months- The Service Providers took longer than anticipated to complete the Learner Agreements. NB: The agreements are sent back until all the criteria on the Self Evaluation Checklist are met. This leads to positive or negative variances when the performance information is supplied, depending on the timeframe when the agreements are sent back and forth.

NSDS 11: MERSETA's Performance against NSDS Targets (2009 – 2010) (continued)

No	NSDS 2005 - 2010 Objectives	NSDS 2005 - 2010 Success Indicators, National Targets and Outcomes	SETA Plan for 2009 - 2010 Annual Targets and Outcomes	Achievements	Variance Reason
13	Improving the quality and relevance of provision	Indicator 5.1 By March 2010 each SETA recognises and supports at least five Institutes of Sectoral or Occupational Excellence (ISOEs) within public and 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 2009 to 2010 is: 5 institutes.	MerSETA continued to support 1 ISOE recognised within the previous financial year and registered 5 additional ISOEs bringing the total to 6 ISOEs registered	Indicator 5.1 ISOEs - As all SETAs we are given 100% targets to achieve. The difference with merSETA is that it has self-imposed elevated targets.
14	Improving the quality and relevance of provision	Indicator 5.2 By March 2010, 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 institution's success.	Target for the sector for the period 2009 to 2010 was 6 .	Total achieved is 7	Indicator 5.2 Provincial Agency to monitor/track/report on NVC operations in 6 provinces -

NSDS 11: MERSETA's Performance against NSDS Targets (2009 – 2010) (continued)

No	NSDS 2005 - 2010 Objectives	NSDS 2005 - 2010 Success Indicators, National Targets and Outcomes	SETA Plan for 2009 – 2010 Annual Targets and Outcomes	Achievements	Variance Reason
15	Improving the quality and relevance of provision	Indicator 5.3 By March 2010 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 DoL and DHET requirements through timeous submission of relevant reports such as the Annual Report to Parliament, the QMR and performance scorecards. The ETQA status received a favourable audit report from SAQA.	Indicator 5.3 Meet SAQA audit requirements <ul style="list-style-type: none"> • Equity; • Governance; • Funds Management; • Provincial Linkages.
16	Improving the quality and relevance of provision	Indicator 5.4 By March 2010, 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 its committees took place.		

R A Patel (Dr)

CHIEF EXECUTIVE OFFICER



Mr Tom Mkhwanazi

08

CORPORATE GOVERNANCE

Introduction

In order to achieve its National Skills Development Strategy II objectives, the merSETA operates on sound corporate governance structures and processes that conform to the Skills Development Act, No 97 of 1998 (as amended), supported by the Skills Development Levies Act, 97 of 2003, as well as the SAQA Act, 58 of 1995, the Public Finance Management Act of 1999 (as amended) and Treasury Regulations, that are regularly reviewed by National Treasury, while ensuring performance, a balance that is necessary. The merSETA is also guided by and upholds the principle of the report on Corporate Governance for South Africa 2002 (King II Report). The merSETA has put in place all processes to gear itself to apply the principles of corporate governance from the King III Report launched in September 2009 and effective March 2010.

Stakeholders

The merSETA is a Schedule 3a public entity and reported to the Department of Labour. The function of skills development was subsequently transferred to the Department of Higher Education and Training on 1 November 2009. 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.

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 with the Executive Authority (Department of Labour, now Department of Higher Education and Training). Each year, the merSETA enters into a Service Level Agreement with the Department of Labour (Higher Education and Training) on the National Skills Development Strategy targets.

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.

Board Charter

The Governing Board has adopted a charter, 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, 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 it appropriate, the Governing Board 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 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 re-appointed 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:

- Mr U Badenhorst on 30 June 2009;
- Mr D Rayners (New Tyre) on 1 December 2009;
- Ms N Nxumalo (CEPPWAWU) on 14 March 2010;
- Mr D Truter (RMI) on 18 March 2010; and,

- Mr J Harris (New Tyre) on 31 March 2010.

The following members were appointed to replace the above members:

- Ms C McIntosh (New Tyre) on 2 December 2009;
- Mr A Dunn (RMI) on 19 March 2010;
- Mr M Leshaba (CEPPWAWU) on 15 March 2010; and,
- Mr N Abrahams (New Tyre) on 1 April 2010

By the end of the financial year there was one vacancy on the Governing Board.

Governing Board Membership and Meeting Attendance

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

NAME	GOVERNING BOARD	EXECUTIVE COMMITTEE	LETQA FUNCTIONAL STANDING COMMITTEE	INVESTMENT COMMITTEE	DISCRETIONARY GRANT TECHNICAL COMMITTEE	RISK MANAGEMENT COMMITTEE	RACE	GENDER
Anton Hanekom	5/5	4/4	3/3	3/3	7/7		W	M
Anton Gerresten	4/5						W	M
Blackie Swarts	5/5	4/4	3/3		7/7	3/3	W	M
Carla McIntosh	1/5				2/7		W	F
Chrystal Christian	3/5	4/4					C	F
Dana de Villiers	3/5	4/4				1/3	W	M
Daniel Rayners	4/5						C	M
Dave Rule	3/5						W	M
Dirkie Truter	5/5						W	M
Elias Kubeka	3/5	1/4					B	M
Ephraim Tshikwa-vhavha	5/5				7/7		B	M
Gibson Lephallo	5/5						B	M
Guy Harris	4/5	3/4				3/3	W	M
Jakkie Olivier	4/5	2/4					W	M

FORGING THE FUTURE

NAME	GOVERNING BOARD	EXECUTIVE COMMITTEE	LETQA FUNCTIONAL STANDING COMMITTEE	INVESTMENT COMMITTEE	DISCRETIONARY GRANT TECHNICAL COMMITTEE	RISK MANAGEMENT COMMITTEE	RACE	GENDER
Janet Lopes	5/5	4/4	3/3		6/7		W	F
Jeanne Esterhuizen	5/5	4/4	2/3	3/3			W	F
Johan Pieterse	5/5						W	M
John Wilson	4/5		2/3				W	M
Karl Cloete	2/5						C	M
Len Whiteley	5/5	3/4			4/7		W	M
Ludwickus Greyling	4/5						W	M
Malebo Mogopodi	5/5	3/4			4/7		B	F
Monica Netshandama	5/5		3/3				B	F
Mphomotse Leshaba	1/5						B	M
Mujaahid Toyer	1/5						I	M
Nomvula Nxumalo	4/5	4/4		3/3			B	F
Phumzile Nodongwe	3/5						B	M
Pierre Bezuidenhout	4/5	2/4	2/3				W	M
Piet Veldtman	4/5						W	M
Piet Verryne	5/5		3/3				C	M
Pieter Welgemoed	5/5	2/4				3/3	W	M
Raymond Kgagudi	3/5						B	M
Thabang Tsiboli	3/5						B	M

NAME	GOVERNING BOARD	EXECUTIVE COMMITTEE	ETQA FUNCTIONAL STANDING COMMITTEE	INVESTMENT COMMITTEE	DISCRETIONARY TECHNICAL COMMITTEE	RISK MANAGEMENT COMMITTEE	RACE	GENDER
Thapelo Molapo	4/5				2/7		B	M
Urban Badenhorst	1/5						W	M
Vukani Mthethwa	5/5				2/7		B	M
William Nsele	4/5						B	M
Xolani Tshayana	5/5	4/4	1/3				B	M
Zamo Xaba	5/5						B	M

The Chairperson and the Deputy Chairperson 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 at the Annual General Meeting held on 18 September 2009.

The merSETA Constitution provides for the appointment of an independent Chairperson if the Governing Board so decides. The Governing Board decided not to opt for this as there was tremendous improvement in Corporate Governance practices with the initiatives that have been implemented.

The role of the Chairperson and Chief Executive Officer does not vest in the same person.

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 merSETA operates on the understanding that they cannot delegate the power to delegate, hence the Board remains accountable for actions under delegation and does not divest any of its powers, duties or function by virtue of any delegation. During the 2009/2010 financial year, the Governing Board reviewed 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 2002 (King II 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 are taken on an induction programme to sharpen their understanding of the Skills Development legislative framework and the nature of business of the merSETA. All members of the Governing Board attended the orientation workshops on the draft King III Report on Corporate Governance, investment and risk 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 regards to 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 the services of the Corporate Governance Division.

Code of Ethics

The Governing Board has complied with its Code of Ethics that sets the ethical and behavioural standards at the merSETA. The Code of Ethics is based on the following 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 its responsibilities. The Governing Board has the following Committees:

- Executive Committee;
- Audit 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 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 Chamber Committees and any other ad hoc Committees.

Meetings

Four (4) meetings were held by the Executive Committee in the year under review.

Audit Committee

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

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

The Audit Committee operates in terms of the Terms of Reference (Audit 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 will be found 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 meetings were held by the Remuneration Committee in 2009/2010:

Name	Race	Gender	No. of meetings attended
Mr R Daniels	Coloured	Male	3/4
Ms C Khuzwayo	Black	Female	2/4
Ms E 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 three (3) meetings in the year under review.

Discretionary Grant Technical Committee

Composition

The Discretionary Grant Technical Committee comprises 10 members equally represented from organised Labour and organised Employers, after the terms of reference were reviewed to increase the number from six (6) to ten (10) members.

Purpose

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

Meetings

The Discretionary Grant Technical Committee convened eight (8) meetings in the year under review.

Risk Management Committee

Composition

The Risk Management Committee comprises four (4) members equally represented from organised Labour and organised Employers.

Purpose

The Risk Management Committee is responsible for oversight on risk management in terms of Treasury regulations.

Meetings

The Risk Management Committee convened three (3) meetings in the year under review.

Learning, Education, Training, Quality Assurance Functional Standing Committee

Composition

The LETQA Functional Standing Committee (FSC) 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 the quality assurance functions and obligations of the 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 FSC convened four (4) meetings in the year under review.

Chamber Committees

Composition

The merSETA has five (5) Chamber Committees

- Automobile Manufacturing;
- Metal and Engineering;
- Retail Motor 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 sixteen (16) voting members.

Purpose

The Chamber Committee develops sub-sectoral inputs into the Sector Skills Plan, identifies education and training needs, makes input into 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

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 this committee, in terms of a 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

Chambers

The period under review saw great challenges as the global economic meltdown affected key sectors of the merSETA. This has been a year in which the MerSETA had to think “with-our-heads facing down”- an unusual year. Even though recent reports by Statistics SA indicate “signs of improvement”, it will take some time for the merSETA sector to regain lost ground. The period under review can therefore be best described through activities carried out by the Chamber Unit of the merSETA - the home for merSETA’s key five (5) components.

Chamber Committees in the main are responsible for representing five sub-sectors in the economy, i.e. Metal and Engineering; Retail Motor and Components Manufacturing; Automobile Manufacturing; Plastics Manufacturing; and New Tyre Manufacturing.

According to the merSETA Constitution, Chambers form a strategic constitutional structure responsible for the following key focus areas of intervention:

- **Chamber Business plan and the activities achieved**

In keeping with the outlined framework for the Chamber’s scope of operations within the merSETA, since the 2007/2008 financial year, Chambers

consistently adopted what started as a mere activity plan at the beginning of each calendar year. Now a relatively structured business plan with budget structure for all Chamber strategic and operational activities is developed for the year. This initiative has been instrumental in enhancing the effectiveness and efficiency within the merSETA's five Chambers. This new initiative assisted Chambers to be more focused and committed to the tasks identified for the financial year 2009/2010, which in some instances compelled a shift to areas not anticipated before. This included urgent responses to the massive retrenchments, lay-offs and "reduced working time resulting in the discontinuation of the training companies initially pledged to undertake". In some instances, companies cut down on training programmes and the number of learners who they had initially committed to train.

The adopted business plan assisted Chambers to remain focused and committed amidst the world wide economic turmoil which severely ravaged the manufacturing sectors within which the merSETA operates.

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

In collaboration with the Learnership, Education, Training and Quality Assurance Unit, in particular the Learning Programmes Unit and the LPU's Standards Generating Bodies (SGBs), the following was achieved:

- Processed a total number of 29 qualifications, of which fourteen (14) were reviewed and fifteen (15) newly developed;
- Developed courseware for forty-four (44) qualifications submitted for the period under-review;
- In the New Tyre Chamber, the provision of courseware was a great achievement in that there were no "core" unit standard-based learning materials since the inception of the SETA. The industry started training based on the new courseware;
- Another milestone was with the Auto

Chamber, where the old but still relevant non-NQF aligned Auto industry training programme (AMIC) was converted to a new national SAQA compliant NQF aligned qualification - the new National Certificate in Automotive Manufacturing and Assembly level 2. A courseware development project was commenced together with the DoL's learnership registration process.

- **Monitoring the implementation of training.**

In the period under review, the merSETA had to be innovative by redesigning its projects and introducing programmes to assist in sustaining training. The following milestones were accomplished:

- Despite the impact of the recession, there was significant improvement and upscaling of learner enrolments and learners completing training programmes;
- In collaboration with the merSETA Projects division, Chambers, through their individual plants, managed to sustain and continue training based on the number of training projects introduced during the period under review. These included:
 - The R80 million "Retrenchment Assistance Programme" (RAP) and later in the year the R2.4-billion DoL's Training Lay-off scheme. These enabled companies to continue training despite unfortunate economic factors that forced some to close down;
 - Stakeholder capacity-building was crucial in assisting stakeholders to understand the economic circumstances of the country in the year under review 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. History has shown that buy-in and support is achieved mainly when stakeholders are sensitised, consulted and capacitated about any project to be undertaken. The notion of "steering committees" served to capacitate stakeholders on each project and assisted

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 revised RPL project and the Research and Development sub-committee.

During the period under review, Chambers also participated in a number of processes regarding proposed legislation.

These included:

- New artisan regulation process;
- Trade test workshops;
- Quality Council for Trades and Occupations -- QCTO; and
- Sensitisation of looming SETA changes anticipated beyond the end of NSDS 11 in March 2011.

The Chambers continued their quest to reach out to perceived fraternal institutions to partner with them 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 had formal joint sessions which included an initiative with the potential to turn into a flagship project – a case in point is the Suspension Fitter Skills Programme Project.

Given the nature and mode of the Motor Chamber focus, there were signs that training in the industry is likely to take the form of skills programmes. The Motor Chamber and MIBCO have prepared for a massive industry roll-out skills programme 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: It was felt that there was a need to appoint two (2) Chamber coordinators to improve coordination of Regional Committee meetings, track and follow up decisions arrived at in Chamber Committee meetings and the coordination of **ad hoc** and operational chamber committee/sub-committee meetings.

Inter-Chamber workshops continued to address cross-cutting issues; capacitate and sensitise stakeholders about new policies and regulations introduced by Government and invitations to experts to speak on specific strategic and other matters of interest identified by Chambers.

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

In the year under review, suggestions were made to conduct these meetings on the same lines as Chambers, given that administrative processes are now standardised, including the agenda.

Significance and Materiality Framework

The Treasury Regulations issued in terms of the Public Finance Management Act require that the Governing Board compile and agree on a significance and materiality framework of acceptable levels with the Department of Labour. The approval has been agreed to and approved by the Minister through the Service Level Agreement.

Risk Management

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

The merSETA continuously strives to improve its risk management and, as result, a risk assessment was performed to ensure we improve 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 conditions by adopting strategic objectives and this is evident in the

reviews and reports presented in this Annual Report.

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 31st March, 2010, 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
Ms Mokefenyana Mayongo	:	General Manager: Corporate Services
Mr Tom Mkhwanazi	:	General Manager: Corporate Governance

The Management Committee meets at least twice a month.



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SUCCESS STORIES

Driven by Passion and Fortitude

With the motor industry's existing workforce approaching retirement age, their imminent departure will leave a void. Having seen this scenario, BMW SA afforded learner Annah Pilusa an opportunity to take the industry forward.

The passing away of her parents did not stop Annah from pursuing her dreams. As John D. Wright put it, life is like a bicycle, either you keep moving or you fall down. In keeping with this philosophy, Annah decided to use the tragedy as motivation. She matriculated at Gerson High school in 2004; unfortunately her extended family did not have money for her to study further. Instead of reflecting on the unfairness of life, Annah applied to merSETA for a learnership in 2006.

After rigorous interviews and assessments, she was accepted. She was afforded an opportunity to do a merSETA-funded learnership at Ekurhuleni West College, studying towards a qualification as a motor mechanic, NQF level 1. After completing her learnership, she applied for an apprenticeship at BMW SA in Sandton and she was granted this opportunity.

Annah says that as an apprentice, you have to work harder than ever before. "Unlike a learnership, apprenticeship is more intense, it requires you to double your effort. During an apprenticeship, you learn something today and tomorrow you write about it, whilst in a learnership, you learn something today and you will only be assessed three or four months later, so the pressure is much greater."

Annah is currently a motor mechanic NQF Level 2 apprentice. She says working in a male-dominated field can be a daunting prospect, but she is not intimidated at all. "When I started here, my colleagues were not at ease with the fact that I would be working with them, but they are fine now," she says. Paving the way for other women, she has set her sights on an ambitious goal, which is to be a service advisor.

"I enjoy working with a person of Annah's calibre, she is hard working, she follows instructions and if she doesn't understand she asks. Annah has passion and the potential to be the best motor mechanic ever -- she must just keep on working very hard and learn all the



"It is a fulfilling and exciting field" -- Annah Pilusa

time," says her mentor, Mr Thomas Malatja. He says people like Annah are the answer to the skills shortage in our country.

Asked about the relationship between BMW SA and merSETA, Mr Bryan Fernandez, the After Sales Manager at BMW, says the relationship started in 2003 and it has improved by leaps and bounds. Mr Fernandez could not hide his passion for apprenticeships.

Annah's message to other aspiring young women wanting to follow her footsteps is to maintain discipline and know that being a motor mechanic requires physical and mental strength.

"The fact is that there's no glitz and glamour in this, but it is a fulfilling and exciting field to venture into," concluded Annah.

It is through people like Annah that we can dispel the myth that only men can be motor mechanics.

Poised and Prepared - Thanks to the merSETA

Currently completing her third year of a degree in Mechanical Engineering at the University of Johannesburg (UJ), merSETA bursary holder Zanele Nkomo is supremely self-confident, as well she should.

Zanele has overcome challenges that would daunt an older, more experienced person. When she was nine-years-old, Zanele's father passed away, leaving the care of the family to her mother. The family faced immense obstacles, both financially and psychologically. In the face of adversity, Johannesburg girl Zanele prospered. During her matric year she was made a prefect, chaired the public speaking trophy team, was a recipient of the Lion's Cup Trophy and won numerous academic awards. Today, she boasts a record of academic excellence and finds that her chosen field, Mechanical Engineering, challenges both her intellect and her sense of social justice.

Mechanical engineers combine sound knowledge of the physical and engineering science with the ingenuity to create the mechanical devices and systems essential to almost every industry and every phase of technological advancement.

In the automotive industries, they are involved in the design, development, fabrication, assembly and maintenance of engines, transmissions, chassis, bodies and suspension systems.

As the sole female in a class of 50, her academic career has honed her sense of where women fit within South African society. However, she is adamant that she asks no favour in what is traditionally a male-dominated field. "My mother is my inspiration, strong and determined. She is the one who planted the seeds of my belief that women need to stand up for themselves. We need to fight and empower ourselves, not ask for recognition from men. We don't need permission to be equal, we are equal," says Zanele. "The guiding principle of my life has been to push against adversity. If adversity throws up a seemingly immovable roadblock, find a way to walk around it."

In order to promote greater interaction between big business and students, she helped to establish the Student Business Association, where Directors of large corporations are invited to speak, bursaries are actively sought for those in need and company visits are arranged.

She currently serves as vice chairperson of the association.

"The association is a way for students like myself to interact in a meaningful way with big business and build bridges that will help shape the society of tomorrow."

"If adversity throws up a seemingly immovable roadblock, find a way to walk around it."

Her love of mechanical engineering stems in part from the broadness of the field, from component design to automotive engineering. She dreams of revolutionising the way technology is perceived and used. Zanele has profound advice for big business. "I believe that big business and corporates need to do more in terms of offering programmes that reach out to people in the rural areas. They need to supply information and market the engineering industry vigorously."

She is grateful to merSETA for its part in making her dreams and aspirations come true.



"...push against adversity" -- Zanele Nkomo



Automotive Graduates



merSETA-sponsored graduates on senior management studies



AIDC Graduates



Western Cape Graduates



Welding Graduates



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REPORT OF THE AUDIT 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

AUDIT COMMITTEE



Mr Andrew Mashifane
(Chairperson)



Mr John Davis



Ms Thuli Mashanda



Mr Chris Murray



Adv. Wisani Sibuyi

Report of the Audit 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 Committee is pleased to present its report for the financial year ended 31 March 2010.

Audit Committee Members and Attendance

The audit 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, representative(s) of the Auditor-General South Africa, representative(s) from the outsourced Internal Audit Firm, are invited to attend meetings. These members listed hereunder met four times as per its approved terms of reference.

Name of Member

Mr. A Mashifane (Independent Chairperson of the Audit Committee)
 Mr. JL Davis (Independent member)
 Ms. M Mashanda (Independent member)
 Mr. C Murray (Independent member)
 Adv. W Sibuyi (Independent member)

Number of Meetings Attended

4/4
 4/4
 4/4
 4/4
 3/4

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38 (1) (a) of the PFMA and Treasury Regulation 3.1.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with the 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 II Report on Corporate Governance requirements, Internal Audit provides the Audit 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 final management letter of the Auditor-General South Africa, it was noted that the system of internal control was not entirely effective for the year under review as certain instances of significant control deficiencies were noted relating to the adequacy of financial and performance management systems. Management has undertaken to ensure that these matters receive urgent attention to prevent recurrence in the future.

Evaluation of Annual Financial Statements

The Audit Committee has

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General South Africa and the Accounting Officer;
- Reviewed the Auditor-General South Africa's management letter and management's response thereto;
- Reviewed the organisation's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General 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 South Africa.

Internal Audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the organisation in its audits. The Audit Committee is satisfied with the independence of the outsourced internal audit function.

Auditor General South Africa

The Audit Committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues.

Appreciation

The Audit Committee commends management and staff for their dedication and commitment in meeting stakeholder interests.



A Mashifane
(Chairperson of the Audit Committee)

Date... 23 July 2010



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AUDITOR-GENERAL'S
REPORT

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE MANUFACTURING, ENGINEERING AND RELATED SERVICES EDUCATION AND TRAINING AUTHORITY FOR THE YEAR ENDED 31 MARCH 2010

REPORT ON THE FINANCIAL STATEMENTS

Introduction

I have audited the accompanying financial statements of the Manufacturing, Engineering and Related Services Education and Training Authority, which comprise the statement of financial position as at 31 March 2010, the statement of financial performance, the statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages **66** to **106**.

Accounting Authority's responsibility for the financial statements

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 in the manner required by the Public Finance Management Act of South Africa (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa, section 4 of the Public Audit Act of South Africa (PAA) and section 14(6)(a) of the Skills Development Act of South Africa (SDA), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. 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.

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.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Manufacturing, Engineering and Related Services Education and Training Authority as at 31 March 2010, and its financial performance and its cash flows for the year then ended, in accordance with Standards of GRAP and in the manner required by the PFMA.

Additional matter

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

Re-licensing

As indicated in the accounting authority's report, the SETAs were established for a five-year period until 31 March 2010. However, this licence was renewed by the Department of Higher Education and Training until 31 March 2011. A final decision with regard to the new SETA landscape is expected later in the year.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA and *General Notice 1570 of 2009*, issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the PFMA and SDA, and financial management (internal control).

Findings

Predetermined objectives

No matters to report.

Compliance with laws and regulations

No matters to report.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA and SDA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported are limited to the deficiencies identified during the audit.

No significant matters to report.

Auditor-General

Pretoria

31 July 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



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ANNUAL FINANCIAL
STATEMENTS

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

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

1. General review of the state of affairs

The financial affairs of the merSETA are sound. The levy base is substantial and the merSETA maintains a steady stream of mandatory and discretionary grant disbursements. The discretionary grants and expenditure on skills development initiatives increased substantially during the period under review. The merSETA financial position is strong with substantial financial assets. Its substantial reserves are 91% committed in learnerships, apprenticeships and projects stretching over the next four years to the value of R795 million.

a. Executive Authority

During the year, the Executive Authority for all SETAs was changed from the Department of Labour (DoL) to the Department of Higher Education and Training (DHET). The change came into effect from 1 November 2009. The receipt of levies and reporting thereof was still conducted with DoL up to 31 March 2010.

b. Levies

The merSETA levy income grew by 2.6% in the 2009/10 financial year to reach R715 million. The budgeted levy income, based on expected negative effect of the economic crisis on the manufacturing, engineering and related sectors was R669 million. The actual levy income therefore exceeded budgeted levy income by 6.9%. The exemption to paying levies threshold remained at annual payrolls of R500, 000. The number of contributing employers decreased for a second consecutive year to 10,792 from 11,913 in the last year. The decrease is due to retrenchments in the chambers which would reduce the payrolls below the levies payment thresholds. The levies were received timeously from DoL during the period.

c. Grants and Projects

The merSETA had a good response on the electronic WSP application platform and the claim ratio increased to 73% from 70% in prior year. The merSETA maintains a consistent flow of mandatory grant payments and expensed R334 million in mandatory grants this year compared to R304 million in the prior year. The merSETA maintains strict deadlines according to the regulations for submission of mandatory grant applications and these continue to be enforced. Most companies adhere to them.

Discretionary grant expense including project expense this year amounted to R478 million which translates to an increase of 78% above the prior year. This translates to 68.5% of the budgeted expenditure. The merSETA was unable to expend to meet the full budget due mainly to the economic recession which the industry experienced. The recession led to some employers phasing down their training and/or delays in the implementation of training programmes. 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 who are not implementing training to effect remedial actions or to return the grants. The amount that is paid on signature of a Memorandum of Agreement with the employers has been reduced from 33% in the prior year to 10% in 2009/2010 in order to better manage risk.

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

Rand Millions

Chamber	SDF	WSP	ATR	Disc. Grant	Total	% of Total
Auto	2.1	157.8	66.9	60.7	287.5	12%
Metal	9.2	787.6	253.8	268.9	1,319.5	53%
Motor	3.5	379.0	115.1	173.2	670.8	27%
New Tyre	0.5	27.9	13.8	6.0	48.2	2%
Plastics	0.9	91.6	26.8	26.6	145.9	6%
Total	16.2	1,443.9	476.4	535.4	2,471.9	100%
% of Total	1%	58%	19%	22%	100%	

d. Planned utilisation of surpluses

The merSETA has reserves of R873 million and cash balances of R969 million at year end. The merSETA has applied and received approval to carry forward these surpluses for the 2008/9 year, and will apply for similar carry forward of surpluses for the 2009/10 year in June 2010. The merSETA has committed to utilise R795 million in board-approved learnerships, apprenticeships, strategies and projects in the 2010/11 to 2013/14 financial years. The commitments cover 91% of the reserves at year-end.

e. Re-licensing and going concern

The Setas, including the merSETA, were established in terms of the Skill Development Act No 97 of 1998 for a five year period until 31 March 2010. The process of re-establishment is governed by the Skill Development Act Regulations number 20442 dated September 1999. The merSETA applied for the renewal of its certificate of establishment on 31 March 2009. On 1 November 2009, the SETAs were transferred to the Department of Higher Education and Training as a result of this change. All SETAs were granted an extension until 31 March 2011, whilst the new Department of Higher Education and Training considered the re-establishment. In May 2010, the Minister of Higher Education and Training announced the SETAs which would be established for a further five year term. The merSETA was included on the list. The Minister proposed some changes be made in the sectors covered by the merSETA and his proposals are still open for public debate and input.

Therefore, the Accounting Authority believes that the merSETA will be granted a new certificate. Accordingly, the merSETA has compiled and presented these financial statements on a going concern basis.

f. Any other material matter - 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 ware in the form of t-shirts for staff to wear at certain organisational and national functions. In line with the President of South Africa's call this year that all South Africans support the national soccer team and build a culture of national pride, merSETA decided to adopt the soccer theme and purchased soccer t-shirts branded with the merSETA logo amounting to R181,873 up to July 2010. The merSETA further spent R5, 340 on a merSETA staff soccer competition, soccer flags and decor.

2. Services rendered by the merSETA

The merSETA renders the following broad services to its sector:

Grants disbursements:

- Disbursement of mandatory grants accounts for 50% of levies paid. This is subject to the companies submitting an appropriate workplace skills plan received by 30 June 2009. This reimburses companies who undertake training.
- 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 for companies and training providers; and
- Administration and maintenance of the apprenticeship and learnership systems.

3. Human resources

The number of employees increased from 197 to 218 during the year. The merSETA remained focused on customer service with the regional offices being brought in to deliver project work.

Employment data for key personnel for merSETA for the 2009/2010 financial year:

Rand 000's

Key Personnel	Basic Salary 2009/10	Other Allowances and Costs 2009/10	Performance Bonus 2009/10	Total 2009/10	Total 2008/9	Period in office 2009/10	Period in office 2008/09
CEO	981	272	265	1,518	1,408	Full year	Full year
CFO	708	138	105	951	850	Full year	Full year
COO*	711	175	114	1,000	541	Full year	7 months
GM Client Services	-	-	-	-	120	*	1 month
GM LETQA	-	-	-	-	317	*	5 months
GM Corp Services	633	131	89	853	786	Full year	Full year
GM Corp Governance	598	166	96	860	794	Full Year	Full year
GM Projects	684	87	93	864	782	Full year	Full year
TOTAL	4,315	969	762	6,046	5,598		

* The position of GM Client Services and GM LETQA were consolidated in September 2008 into the position of COO. The GM Client Services position had been vacant since May 2008.

4. Utilisation of donor funds

The merSETA entered into a R136 million agreement for co-financing of the Accelerated Artisan Training Programme for the National Skills Fund in March 2009 and received R18 million of the funds in 2009/10. At year end all of these were fully disbursed. The merSETA also entered into an agreement with DoL for the Training Layoff Scheme in 2009/10 of which R9 million was received in 2009/10. Of this R 5 million was disbursed as of year end.

5. Business address

The physical and postal addresses of the merSETA are as follows:

merSETA
Metropolitan Park
8 Hillside Road
3rd Floor
Parktown
2193

merSETA
P O Box 61826
MARSHALLTOWN
2107

6. Discontinued activities/ activities to be discontinued

The merSETA did not discontinue any of the activities during the year under review and has no plans to discontinue any activities.

7. New/proposed activities

The merSETA in line with government directive has decided to focus greater on rural participation in our discretionary expenditure.

New projects undertaken in 2010/11 include

- a. A Careers Office Project to spearhead the dissemination of information on careers and occupations within our sectors and availability of workplaces and bursaries for the training, targeted at general and further education level students and institutions.
- b. Information Dissemination projects on the activities, programs and facilities available through the merSETA.

8. Events after the reporting date

Subsequent to year end approval was obtained from National Treasury for the retention of surplus funds.

9. Performance information

The merSETA's performance is measured by the Department of Labour against the National Skills Development Strategy objectives which were translated into targets by the merSETA in 2009/10 and for which a Service Level Agreement was signed between the merSETA and Department of Labour. This function has been taken over by the 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 has met its targets as set by the Department of Higher Education and Training for 2009/2010. The final rating will be provided when finalised by the Department of Higher Education and Training. The details of these 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 as follows:

a. Internal audit

The merSETA's internal audit function is outsourced to an independent audit firm which operates on an approved three year internal audit plan. The independent internal auditors report in terms of their charter and in line with the Audit Committee Charter. In response to matters raised in the audit and risk assessment, a review of the merSETA's IT platforms and controls within the Corporate Services division are being undertaken. The systems of accounting and internal controls are also being constantly monitored and improved.

b. Audit and Risk Management committees

The Audit Committee comprises of five independent members. The Audit 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 Committee's responsibilities also cover oversight of risk management processes. During the year, an extensive risk assessment was undertaken. The Risk Management Committee is comprised of management and reports to the Audit Committee. The committee has the authority to seek such independent professional advice as it considers necessary.

c. 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) Chambers 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.

d. Financial management

The merSETA's financial management is sound and compliant with the PFMA and National Treasury regulations. The merSETA Governing Board and 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.

e. 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. During this year the requirements to disclose budget information in the annual financial statements in accordance with GRAP 1 became effective.

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.

f. Supply chain management unit

The procurement policy as well as a supply chain management framework is reviewed annually in light of changes in operations and legislation. The Supply Chain Management Unit is managed as prescribed by National Treasury.

g. Human resources

All issues raised by internal audit in previous year have been resolved.

h. IT systems

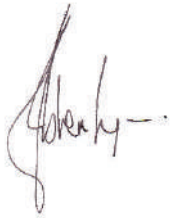
High level risks have been identified in regard to our information technology systems and in particular the Datanet system used for learner information management. The merSETA has appointed Deloitte to set up the Seta Management System currently in use at twelve other SETAs and this should be functional by April 2011. This system will cover all our eight operational offices.

i. Conflict of interest

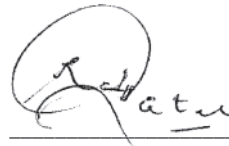
MerSETA's Governing Board maintains a declaration of interest register. This is over and above the requirements that members declare if they have an interest in any item on the agenda, to comply with the Public Finance Management Act as well as good corporate governance practice.

11. Approval

The annual financial statements for the year ended 31 March 2010 set out on pages 74 to 106, have been approved by the Accounting Authority in terms of Section 51 (l)(F) of the Public Finance Management Act, 1999 (Act 1 of 1999) on 27 July 2010, and are signed on their behalf by:



J. Esterhuizen
(Chairperson)



R. Patel
(Chief Executive Officer)

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2010

		2009/10			2008/09		
	Note	Actual R'000	Budget R'000	Variance R'000	Actual R'000	Budget R'000	Variance R'000
REVENUE							
Skills development levy income	3	715 449	669 420	46 029	697 001	677 224	19 777
Skills development penalties and interest	4	6 478	4 500	1 978	5 034	4 500	534
Government grant income	5	22 146	16 000	6 146	218	-	218
Total non-exchange revenue		744 073	689 920	54 153	702 253	681 724	20 529
Investment income	6	74 950	80 000	(5 050)	114 760	30 000	84 760
Other income	7	45	100	(55)	189	100	89
Total exchange revenue		74 995	80 100	(5 105)	114 949	30 100	84 849
Total revenue		819 068	770 020	49 048	817 202	711 824	105 378
EXPENSES							
Employer grant and project expenses	8	(812 011)	(1 029 880)	217 869	(572 676)	(726 970)	154 294
Administration expenses	9	(87 203)	(83 678)	(3 525)	(83 716)	(82 666)	(1 050)
Government grant expense	5	(22 146)	(16 000)	(6 146)	(218)	-	(218)
Total expenses		(921 360)	(1 129 558)	208 198	(656 610)	(809 636)	153 026
Net (deficit)/surplus for the year	2	(102 292)	(359 538)	257 246	160 592	(97 812)	258 404

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2010

	Note	31 March 2010 R'000	31 March 2009 R'000
ASSETS			
Current assets			
Prepayments and advances	10	30 424	123 928
Receivables from non-exchange transfers	11	900	2 450
Other receivables from exchange transactions	12	8 789	20 010
Inventories	13	72	205
Available-for-sale financial assets	14	880 000	925 020
Cash and cash equivalents	15	88 849	6 153
Assets held for sale	18	-	142
		1 009 034	1 077 908
Non-current assets			
Property and equipment	16	10 219	8 939
Intangible assets	17	823	1 254
		11 042	10 193
Total Assets		1 020 076	1 088 101
LIABILITIES			
Current liabilities			
Grants and transfers payable	19	108 835	82 712
Trade and other payables from exchange transactions	20	24 995	16 851
Provisions	21	80	80
Total Liabilities		133 910	99 643
Net Assets		886 166	988 458
Net assets represented by:			
Administration reserve		11 869	10 193
Employer grant reserve		1 015	3 892
Discretionary grant reserve		873 282	974 373
Total Net Assets		886 166	988 458

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2010

	Note	Administra- tion reserve R'000	Employer grant reserve R'000	Discretion- ary grant reserve R'000	Unappro- priated surplus/ (deficit) R'000	Total R'000
Balance at 1 April 2008		7 178	5 253	815 435	-	827 866
Net surplus for the year per statement of financial performance		-	-	-	160 592	160 592
Allocation of unappropriated surplus for the year	2	3 196	131 791	25 605	(160 592)	-
Excess reserves transferred to discretionary reserve		(181)	(133 152)	133 333	-	-
Balance at 31 March 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

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 23.

CASH FLOWS FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2010

		2009/10			2008/09		
	Note	Actual	Budget	Variance	Actual	Budget	Variance
		R'000	R'000	R'000	R'000	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Operating activities							
Cash receipts from stakeholders and others		753 824	688 584	65 240	713 081	669 747	43 334
Levies, interest and penalties received		726 108	672 484	53 624	712 892	669 647	43 245
Donor income from NSF		27 671	16 000	11 671	-	-	-
Other income		45	100	(55)	189	100	89
Cash paid to stakeholders, suppliers and employees		(798 560)	(1 126 207)	327 647	(753 545)	(799 388)	45 843
Grants and project payments		(719 230)	(1 044 679)	325 449	(678 523)	(711 733)	33 210
Compensation of employees		(44 249)	(45 621)	1 372	(43 126)	(47 708)	4 582
Payments to suppliers and other		(35 081)	(35 907)	826	(31 896)	(39 947)	8 051
Cash (utilised)/ generated by operations	22	(44 736)	(437 623)	392 887	(40 464)	(129 641)	89 177
Interest received		86 150	84 527	1 623	103 274	32 067	71 207
Net cash inflow/ (outflow) from operating activities		41 414	(353 096)	394 510	62 810	(97 574)	160 384
CASH FLOW FROM INVESTING ACTIVITIES							
Purchase of property and equipment	16	(2 966)	(4 052)	1 086	(3 832)	(5 700)	1 868
Purchase of intangible assets	17	(937)	-	(937)	(1 852)	-	(1 852)
Proceeds from disposal of property and equipment		165	-	165	1 147	1 995	(848)
Disposal/ (purchase) of held-to-maturity financial assets		-	-	-	240 000	-	240 000
Disposal/ (purchase) of available-for-sale financial assets		45 020	416 995	(371 975)	(925 020)	(20 000)	(905 020)
Net cash inflow/ (outflow) from investing activities		41 282	412 943	(371 661)	(689 557)	(23 705)	(665 852)
Net increase in cash and cash equivalents		82 696	59 847	22 849	(626 747)	(121 279)	(505 468)
Cash and cash equivalents at beginning of year		6 153	6 153	-	632 900	632 900	-
Cash and cash equivalents at end of year	15	88 849	66 000	22 849	6 153	511 621	(505 468)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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 2010

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% (2008/09: 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 2010

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:

Asset class	Depreciation period
- 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 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 (i.e. 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 2010

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:

Asset class	Amortisation period
- 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 Engineering and Related Services Staff Pension Fund, a multi-employer defined benefit fund that provides pensions linked to salaries. It is funded on a pay-as-you-go basis, contributions being set at a level that is expected to cover the benefits falling due in the same period. Future benefits earned during the current period will be paid out of future contributions.

The merSETA recognises the benefit plan as if it were a defined contribution plan. This is due to the fact that the fund does not hold separate assets and liabilities for the various participating employers and is valued globally.

The merSETA recognises contributions to the fund as an expense in the period in which the employee renders the service.

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 2010

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, held-to maturity financial assets, 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.

Held-to-maturity financial assets

These are non-derivative financial assets that have a fixed maturity date, where the merSETA has the positive intention and ability to hold to maturity. These are initially measured at fair value plus transaction costs. Subsequently these are carried at amortised cost using the effective interest rate method less any impairment losses. Interest income from these is recognised in the statement of financial performance using the effective interest method.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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 2010

1.13 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset or group of assets is available for immediate sale in its present condition subject only to terms that are usual and customary.

On initial classification as held for sale, non-current assets (other than financial assets and inventory) are measured in accordance with IFRS 5 at the lower of the carrying amount and fair value less costs to sell. Any differences are taken to the statement of financial performance.

1.14 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:

	2009/10 %	2008/09 %
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 acquire a building and available administration reserves are being accumulated for this purpose.

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 plans.

1.15 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 2010

1.16 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.

1.17 COMPARITIVE FIGURES

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

1.18 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 19 for the carrying values of property and equipment. The merSETA is currently established until 31 March 2011 in terms of a ministerial directive which extended merSETAs mandate from 31 March 2010.

In the light of the requirement to apply for a renewal of a SETA's certificate of establishment, management was required to consider how it impacts the period over which assets are expected to be available for use by the SETA. Management determined, consistent with the prior year, that the useful life of assets should not be limited by the merSETA's establishment until 31 March 2011. Management's determination of useful life also impacts the determination of the residual value of assets.

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 2010

2. ALLOCATION OF NET (DEFICIT)/SURPLUS 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
819 068	88 879	448 572	(761)	447 811	26 056	234 176	22 146	282 378
88 879	88 879	-	-	-	-	-	-	-
626 570	-	448 572	(761)	447 811	(55 417)	234 176	-	178 759
6 478	-	-	-	-	6 478	-	-	6 478
22 146	-	-	-	-	-	-	22 146	22 146
74 950	-	-	-	-	74 950	-	-	74 950
45	-	-	-	-	45	-	-	45
921 360	87 203	334 814	(560)	334 254	243 581	234 176	22 146	499 903
812 011	-	334 814	(560)	334 254	243 581	234 176	-	477 757
87 203	87 203	-	-	-	-	-	-	-
22 146	-	-	-	-	-	-	22 146	22 146
(102 292)	1 676	113 758	(201)	113 557	(217 525)	-	-	(217 525)

Year ended 31 March 2009

Total revenue	817 202	86 912	436 556	(857)	435 699	197 499	96 874	218	294 591
Skills development levy: Income									
Admin levy income (10%)	86 912	86 912	-	-	-	-	-	-	-
Grant levy income (70%)	610 089	-	436 556	(857)	435 699	77 516	96 874	-	174 390
Skills development levy: penalties and interest	5 034	-	-	-	-	5 034	-	-	5 034
Government grant income	218	-	-	-	-	-	-	218	218
Investment income	114 760	-	-	-	-	114 760	-	-	114 760
Other income	189	-	-	-	-	189	-	-	189
Total expenses	656 610	83 716	304 206	(298)	303 908	171 894	96 874	218	268 986
Employer grants and project expenses	572 676	-	304 206	(298)	303 908	171 894	96 874	-	268 768
Administration expenses	83 716	83 716	-	-	-	-	-	-	-
Government grant expense	218	-	-	-	-	-	-	218	218
Net surplus per the statement of financial performance allocated	160 592	3 196	132 350	(559)	131 791	25 605	-	-	25 605

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

3. SKILLS DEVELOPMENT LEVY INCOME

Notes

2009/10
R'0002008/09
R'000

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

Levy income: Administration	88 879	86 912
Levies received from SARS	88 628	88 176
InterSETA transfers in	1 083	265
InterSeta transfers out	(260)	(33)
Provision for refund SARS	(572)	(1 496)
Levy income: Employer Grants	447 811	435 699
Levies received from SARS	446 192	442 026
InterSETA transfers in	5 466	1 323
InterSETA transfers out	(986)	(171)
Provision for refund SARS	(2 861)	(7 479)
Levy income: Discretionary Grants	178 759	174 390
Levies received from SARS	178 273	176 919
InterSETA transfers in	2 167	524
InterSETA transfers out	(537)	(61)
Provision for refund SARS	(1 144)	(2 992)
	715 449	697 001

4. SKILLS DEVELOPMENT LEVY: PENALTIES AND INTEREST

Penalties	3 233	3 112
Interest	3 245	1 922
	6 478	5 034

5. GOVERNMENT GRANTS

National Skills Fund grant

Opening balance	-	218
Received during the year for the training layoff programme	9 399	-
Received during the year for accelerated artisan training programme	18 031	-
Investment income	241	-
Utilised and recognised as revenue - conditions met	(22 146)	(218)
Closing balance	19	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 2010

6. INVESTMENT INCOME

	Notes	2009/10 R'000	2008/09 R'000
Interest income from short term deposits, bank and call accounts		74 889	114 734
Fair value adjustments		61	26
		74 950	114 760

7. OTHER INCOME

Trade test fees received		45	189
		45	189

8. EMPLOYER GRANT AND PROJECT EXPENSES

Mandatory grants		334 254	303 908
Discretionary grants	24.1.2	243 581	171 894
MOA grants		175 046	104 935
Other grants		68 535	66 959
Project expenditure	8.1	234 176	96 874
		812 011	572 676

8.1 Project expenditure consists of:

Direct project costs		213 018	89 677
Indirect project administration costs	9	21 158	7 196
	8	234 176	96 874

9. ADMINISTRATION EXPENSES

Advertising, marketing and promotions, communication		5 730	3 492
Amortisation - intangible assets	17	1 343	937
Audit Costs - Internal audit		791	725
Audit Costs - External audit		1 606	568
Bank Charges		240	229
Board and sub-committee costs		1 004	647
Remuneration to members of the audit committee		203	203
Capacity building of board and sub-committee members		319	230
Board and sub-committee assessment cost		337	105
Secretarial services		145	109
Cleaning and groceries		304	177
Depreciation	16	1 581	2 789
Prior to re-assessment of useful lives/ residual values		2 754	2 822
Depreciation due to re-assessment of useful lives/ residual values		(1 173)	(33)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2009/10 R'000	2008/09 R'000
Employment costs		59 766	52 513
Recruitment costs		279	702
Salaries, wages and benefits	9.1	57 520	50 363
Staff training, development and welfare		1 967	1 448
Entertainment expenses		3	7
Fair value adjustments to plant and equipment	16	(7)	7
Gifts, donations and sponsorships paid		148	47
Impairment of property and equipment		-	18
Insurance and licence fees		1 112	899
Legal fees		216	270
Loss on disposal of property and equipment		114	147
Operating lease rentals		8 284	7 517
Buildings		7 509	6 785
Equipment		-	1
Parking		775	731
Printing, stationery and postages		2 357	2 031
Rates, water and electricity		1 423	1 077
Removal costs		9	24
Repairs, maintenance and running costs		1 270	1 516
Buildings		768	361
Property and equipment		502	1 155
Service provider administration fees		2 778	2 371
Special functions		1 743	1 006
Storage		83	128
Telecommunication expenses		5 397	4 245
Travel, subsistence and meeting expenses		11 066	7 884
		108 361	91 271
Less: amounts allocated to project expenditure		(21 158)	(7 196)
Less: amounts allocated to discretionary expenditure		-	(359)
		87 203	83 716

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2009/10 R'000	2008/09 R'000
9.1			
Salaries and wages		51 169	45 074
Basic salaries		43 183	36 353
Performance awards		3 938	3 660
Other non-pensionable allowance		3 483	3 716
Temporary staff		331	311
Leave payments		234	1 034
Social contributions		6 351	5 289
Medical aid contributions		1 874	1 528
Pension contributions: defined benefit plans		3 799	3 518
UIF		270	257
Insurance		-	10
Other salary related costs		408	(24)
		<u>57 520</u>	<u>50 363</u>
Average number of employees		<u>218</u>	<u>165</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

The merSETA participates in the Engineering and Related Services Staff Pension Fund. It is a defined benefit fund and is administered by independent fund managers. All employees are required to join this pension fund. The merSETA recognises the pension plan as a defined contribution plan, as it is a multi-employer plan and all assets and liabilities for the various participating employers are held globally.

The fund was last actuarially valued in 2009 in terms of the fund rules. This valuation showed that the fund was financially sound and had a surplus of R4,755,000. The valuation also shows that there were no unfunded past service liabilities. Contribution rates have remained consistent since the merSETA joined the fund ten years ago.

The expense recognised in the income statement, equal to the contributions due for the year amounts to R 3 799 000 (2008/09: R 3 518 000)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2009/10 R'000	2008/09 R'000
10. PREPAYMENTS AND ADVANCES			
Staff advances		80	73
Prepayments - Insurance		236	1 385
Discretionary grant prepayments	10.1	30 108	122 470
Closing balance		30 424	123 928

10.1 Discretionary grants prepayment arising from non-exchange transactions

Discretionary grants prepayments to the value of 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		122 470	-
MOA disbursements		87 783	223 735
MOA expense charged to the statement of financial performance		(175 046)	(104 935)
Net recoveries and adjustments		1 841	4 148
		37 048	122 948
Provision for impairment		(6 940)	(478)
Net discretionary grant prepayments	10	30 108	122 470

11. RECEIVABLES FROM NON-EXCHANGE TRANSFERS

Employer receivable	11.1	-	1 755
InterSETA receivable	26.1	900	695
		900	2 450

11.1 Employer receivable

Employer receivable

Overpayment to employers		3 732	4 523
Allowance for doubtful debts		(3 732)	(2 768)
Net effect of SARS retrospective adjustments on affected employers		-	1 755

The employer receivable of R 3 732 000 (March 2009: R4 523 000) recognised is due to SARS effecting retrospective adjustments to levies on which mandatory grants have already been paid. An amount of R3 732 000 (March 2009: R2 768 000) was provided against such employer receivables. Refer also to policy note 1.3.1.

12. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits		372	318
Interest receivable		8 267	19 527
Sundry receivables		150	165
		8 789	20 010

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	31 March 2010 R'000	31 March 2009 R'000
13. INVENTORIES			
Consumables stock		72	205

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Short term investments/instruments	880 000	925 020
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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 7.8% (2008/09: 11.6%).

15. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	408	157
Cash at bank	375	130
Cash on hand	33	27
Short term investments/instruments	88 441	5 996
Cash and cash equivalents at end of year	88 849	6 153

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 6.9% (2008/09: 11.7%).

16. PROPERTY AND EQUIPMENT

	Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
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
	19 882	(9 663)	10 219
Less vehicles held for sale	-	-	-
Balance at end of year	19 882	(9 663)	10 219
Year ended 31 March 2009			
Computer equipment	6 352	(3 521)	2 831
Office furniture and fittings	5 061	(1 996)	3 065
Office equipment	2 964	(1 483)	1 481
Motor vehicles	2 902	(1 645)	1 257
Other assets	486	(39)	447
	17 765	(8 684)	9 081
Less vehicles held for sale	(372)	230	(142)
Balance at end of year	17 393	(8 454)	8 939

In 2008/9 improvements on leased buildings amounting to R486 000 were capitalised and are depreciated over the remaining lease period. No assets have been pledged as security or collateral for any liability.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

Opening carrying amount	Transfers (out)/ fair value adjustment	Additions	Impairment cost	Disposals cost	Depreciation	Accumulated depreciation on disposals	Closing carrying amount
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000

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

Movement summary 2008/09

Computer equipment	1 805	-	2 188	-	(223)	(1 137)	198	2 831
Office furniture & fittings	2 564	-	944	(18)	(54)	(407)	36	3 065
Office equipment	1 783	-	214	-	(64)	(491)	39	1 481
Motor vehicles	3 205	(7)	-	-	(2 511)	(715)	1 285	1 257
Other assets	-	-	486	-	-	(39)	-	447
Balance at end of year	9 357	(7)	3 832	(18)	(2 852)	(2 789)	1 558	9 081

17. INTANGIBLE ASSETS-COMPUTER SOFTWARE

Cost	Accumulated Amortisation	Closing carrying amount
R'000	R'000	R'000

Year ended 31 March 2010

Intangible assets	3 774	(2 951)	823
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Year ended 31 March 2009

Intangible assets	2 860	(1 606)	1 254
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Opening carrying amount	Transfers (out)/ fair value adjustment	Additions	Impairment cost	Disposals cost	Amortisation charge	Accumulated Amortisation on disposals	Closing carrying amount
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000

Movement summary 2009/10

Intangible assets	1 254	(25)	937	-	(857)	(1 343)	857	823
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Movement summary 2008/09

Intangible assets	339	-	1 852	-	-	(937)	-	1 254
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

18. ASSETS HELD FOR SALE

	Notes	2009/10 R'000	2008/09 R'000
Vehicles - cost		-	379
less: fair value adjustments		-	(7)
Accumulated depreciation		-	(230)
Carrying value at end of year		-	142

19. GRANTS AND TRANSFERS PAYABLE

Grants payable		76 793	60 581
InterSETA payables	26.1	44	235
Donor income received in advance	5	5 525	-
Provision for SARS refund	19.1	26 473	21 896
		108 835	82 712

19.1 Provision for SARS refund

Opening carrying amount		21 896	9 929
Amount utilised		(1 257)	(2 257)
Additional provision during the period		5 834	14 224
Closing carrying amount	19	26 473	21 896

Companies with annual payrolls below R500,000 are exempted from paying skills development levies. An amount of R26 473 000 (2008/09: R21 896 000) 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.

20. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Project payables		16 900	9 815
Trade creditors			
Sundry payables		8 095	7 036
Accruals operating expenditure		929	921
Accruals salaries and wages		7 036	5 981
Other payables		130	134
		24 995	16 851

21. PROVISIONS

Workman's Compensation provision

Opening carrying amount		80	139
Amounts utilised		-	(60)
Additional provision during the period		-	1
Closing carrying amount		80	80

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 2010

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

	Note	2009/10 R'000 Actual	2009/10 R'000 Budget	2008/09 R'000 Actual	2008/09 R'000 Budget
Net (deficit)/ surplus as per the statement of financial performance		(102 292)	(359 538)	160 592	(97 812)
Adjusted for non-cash items:					
Depreciation property and equipment	9, 16	1 581	2 781	2 789	2 784
Amortisation of intangible assets	9, 17	1 343	1 372	937	928
Impairment of property plant and equipment	9, 16	-	-	18	-
Loss on disposal of property and equipment	9	114	-	147	-
Transfers out/fair value adjustments to property and equipment	16	(7)	-	7	-
Movements in provisions		-	500	(59)	-
Adjusted for Items separately disclosed					
Investment income		(86 150)	(84 527)	(103 274)	(32 067)
Adjusted for working capital changes:					
Decrease/(increase) in prepayments and advances		93 504	8 928	(122 391)	(5 963)
Decrease/(increase) in receivables from non-exchange transfers		1 550	2 450	(1 444)	(3 494)
Decrease/(increase) in other receivables from exchange transactions		11 221	5 010	(11 630)	2 380
Decrease/(increase) in inventories		133	105	(130)	75
Increase/(decrease) in grants and transfers payable		26 123	(13 053)	28 829	10 734
Increase/(decrease) in trade and other payables from exchange transactions		8144	(1 651)	5 145	(7 206)
Cash generated by operations		(44 736)	(437 623)	(40 464)	(129 641)

23. CONTINGENCIES

Contingent liabilities comprise an Employer Grant Reserve of R1 015 000 for newly registered member companies participating after the legislative cut-off date.

24. COMMITMENTS

24.1 Discretionary reserve

Of the balance of R873,282,000 available in the discretionary reserve on 31 March 2010 an amount of R794,692,000 has been approved for future project expenses and discretionary grants asset 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 2010

24.1.1 Projects

Project name	NSDS indicator	Adjustments/ non contractual payments		Approved by Accounting Authority and contracted		Opening balance		Adjustments/ non contractual payments		Approved by Accounting Authority and contracted		Opening balance		Utilised		Approved by Accounting Authority and contracted		Utilised		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
SSP Review	1.1	591	-	1 988	(1 719)	860	(1 963)	4 460	(2 532)	825											
SME Voucher Project	2.2	22 338	-	7 673	(16 008)	14 003	9 437	63 886	(59 169)	28 157											
ABET Project Phase 3	2.7	416	-	47 549	(10 650)	37 315	10 955	6 525	(26 581)	28 214											
Courseware & Curriculum Development	2.8	-	-	5 450	(2 686)	2 764	3 412	3 270	(8 600)	846											
MAP SGB	2.8	422	-	546	(854)	114	263	759	(771)	365											
RPL Pilot Project	2.8	1 077	-	254	(821)	510	(254)	1 125	(971)	410											
Vehicle Maintenance SGB	2.8	280	-	939	(874)	345	(418)	1 181	(851)	257											
Accelerated Artisan Training Programme	4.1	18 493	(8 741)	60 752	(32 569)	37 935	2 136	38 142	(45 415)	32 798											
Maths and Science Student Project	4.1	2 500	-	4 094	(644)	5 950	(7 679)	6 500	(4 771)	-											
New Venture Creation	5.2	6 000	-	5 151	(864)	10 287	(9 049)	31 722	(20 336)	12 624											
NSF SME Project		-	46	218	(264)	-	-	-	-	-											
Air-conditioning and Refrigeration SGB	2.8	240	(92)	-	(148)	-	32	-	(32)	-											
Aircon Learnerships	2.8	-	-	4 593	(1 531)	3 062	-	-	(3 062)	-											
Engineering SGB	2.8	-	-	388	(388)	-	-	-	-	-											
Assessor and Moderator Training	1.2	1 341	(1 341)	-	-	-	-	1 129	-	1 129											
Plastics manufacturing SGB	2.8	-	-	7	(7)	-	-	-	-	-											
Welding SGB	2.8	200	(179)	-	(21)	-	-	-	-	-											
Bursaries	4.1	3 746	-	10 867	(14 613)	-	9 864	15 001	(23 626)	1 239											
Labour & Stakeholder Capacity Building	5.4	-	-	1 326	(1 326)	-	-	1 490	(1 490)	-											
Interchamber Capacity Building	N/A	-	-	286	(286)	-	-	660	(660)	-											
Capacity Building FETs	5.2	-	-	6	(6)	-	-	500	(500)	-											
Member Satisfaction Survey	N/A	-	-	180	(180)	-	-	543	(543)	-											
Annual Conference	N/A	-	-	3 267	(3 077)	190	-	703	(893)	-											
SETA Re-establishment	N/A	-	-	375	(276)	99	(10)	-	(89)	-											
ISOE's	5.1	-	-	1 377	-	1 377	(103)	191	(653)	812											
GMET SGB	2.8	-	-	75	(75)	-	-	-	-	-											
Tool Box Project	4.1	-	-	-	-	-	2 402	11 448	(6 833)	7017											
People with Disabilities	4.1	-	-	-	-	-	-	2 250	(100)	2 150											
Accounting Technicians Project	N/A	-	-	-	-	-	1 106	-	(1 106)	-											
World Skills	N/A	-	-	-	-	-	203	-	(203)	-											
International Conferences	N/A	-	-	-	-	-	1 085	-	(1 085)	-											
Organisational Development	N/A	-	-	-	-	-	304	-	(304)	-											
Competency Model	N/A	-	-	-	-	-	360	-	(360)	-											
Electronic Induction Model	N/A	-	-	-	-	-	505	-	(505)	-											
Leadership Development Programme	N/A	-	-	-	-	-	546	-	(546)	-											
Marketing Project	N/A	-	-	-	-	-	461	-	(461)	-											
HIV AIDS Project	2.8	-	-	-	-	-	(307)	7 391	(461)	7 116											
Project administration expenditure	N/A	-	(10 307)	6 987	(6 987)	-	-	21 160	(21 160)	-											
		57 644	(10 307)	164 348	(96 874)	114 811	23 288	220 036	(234 176)	123 959											

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

24.1.2 Discretionary Grants

Project name	NSDS indicator	Opening balance 2008/09	Adjustments/ non contractual payments 2008/09	Approved by Accounting Authority and contracted 2008/09	Utilised 2008/09	Opening balance 2009/10	Adjustments/non contractual payments 2009/10	Approved by Accounting Authority and contracted 2009/10	Utilised 2009/10	Closing balance
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Employed learners	2.8	108 101	-	40 373	(32 781)	115 693	-	1 179	(20 499)	96 373
Unemployed learners	2.8	110 866	-	41 040	(51 637)	100 269	-	41 400	(48 296)	93 373
Apprenticeships	4.1	89 082	-	175 393	(47 655)	216 820	-	53 659	(36 188)	234 291
Non primary focus learners	2.8	14 030	-	7 545	(21)	21 554	(21 336)	-	(218)	-
Skills programmes	2.8	13 000	-	96 268	(48 643)	60 625	-	67 395	(38 080)	89 940
Experiential training	4.2	20 833	-	47 664	(30 242)	38 255	-	70 744	(21 387)	87 612
ABET	2.7	-	-	38 620	(27 834)	10 786	-	8 954	(19 740)	-
Sector Specialists	1.2	-	-	30 917	(25 267)	5 650	-	53 966	(19 676)	39 940
Assessors & Moderators	1.1	-	-	-	-	-	-	126	(126)	-
Internships	2.8	-	-	25 267	(25 267)	-	-	19 053	(19 053)	-
Retrenchment assistance	2.8	-	-	-	-	-	-	47 780	(18 576)	29 204
Trade test fees and other	2.8	355 912	-	1 652	(1 652)	-	-	1 742	(1 742)	-
				504 739	(290 999)	569 652	(21 336)	365 998	(243 581)	670 733
Total Projects and discretionary grants		413 556	(10 307)	669 087	(387 873)	684 463	(87 776)	586 034	(477 757)	794 692

24.2 Operating Leases

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

Not later than one year

2009/10 R'000	2008/09 R'000
6 946	632

The operating leases relate to premises utilised for office accommodation. All the current lease agreements expired on 31 March 2010. New lease agreements have been entered into for one year in line with the extended SETA term. They will thus expire on 31 March 2011.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

25. 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 2010

Cash and cash equivalents	408	6.5%	88 441	6.9%	0.25			88 849
Available-for-sale financial assets			880 000	7.8%	0.25			880 000
Other receivables from exchange transactions						8 789	0.25	8 789
Total financial assets	408		968 441			8 789		977 638
<u>Liabilities</u>								
Trade and other payables from exchange transactions						24 995	0.1	24 995
Total financial liabilities						24 995		24 995
Net financial assets	408		968 441			(16 206)		952 643

Year ended 31 March 2009

<u>Assets</u>								
Cash and cash equivalents	157	6%	5 996	11.7%	0.25	-	-	6 153
Available-for-sale financial assets	-	-	925 020	11.6%	0.33	-	-	925 020
Other receivables from exchange transactions	-	-	-	-	-	20 010	0.3	20 010
Total financial assets	157		931 016			20 010		951 183
<u>Liabilities</u>								
Trade and other payables from exchange transactions						16 851	0.3	16 851
Total financial liabilities	-	-	-	-	-	16 851		16 851
Net financial assets	157		931 016			3 159		934 332

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

25. 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, held-to-maturity financial assets, available-for-sale financial assets and receivables from non-exchange transfers.

The ageing of receivables from non exchange transfers: -

	2009/10		2008/09	
	Gross	Impairment	Gross	Impairment
Current	438	(438)	2 232	(477)
30 Days	387	(387)	95	(95)
60 Days	732	(732)	200	(200)
90 Days +	2 175	(2 175)	1 996	(1 996)
Total	3 732	(3 732)	4 523	(2 768)

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.

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	-	-	-
2008/09	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	16 851	16 851	16 851	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

25. 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 held-to-maturity 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 held-to-maturity financial assets

The carrying amount of cash and cash equivalents and held-to-maturity 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 2010

26. RELATED PARTY TRANSACTIONS

26.1 Transactions with other SETAs

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

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

	Note	2009/10 R'000		2008/09 R'000	
		Net transfers in/(out) during the year	Amount receivable/ (payable)	Transfers in/(out) during the year	Amount receivable/ (payable)
Receivables	11	6 366	900	3 163	695
AGRISETA		-	-	42	-
CETA		6 969	-	-	74
CTFL		8	-	-	-
ESETA		-	21	-	21
FASSET		87	-	-	-
CHIETA		(1 136)	92	991	102
FIETA		-	20	449	29
FOODBEV		-	-	-	-
HW SETA		-	39	-	2
INSETA		-	-	-	14
ISETT		-	5	-	-
MAPPP		11	-	37	12
MQA		-	-	79	-
SASSETA		28	-	-	-
SERVICES		57	-	1 565	-
W&R SETA		342	723	-	441
Payables	19	(100)	(44)	(1 316)	(235)
CETA		-	-	(13)	(131)
CTFL		(9)	-	(35)	(17)
ESETA		-	-	(569)	-
FOODBEV		(14)	-	(16)	(16)
ISETT		-	-	(125)	-
THETA		-	-	-	(14)
W&R SETA		(77)	(44)	(558)	(57)
Total		6 266	856	1 847	460

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

26. RELATED PARTY TRANSACTIONS (continued)

These transactions and balances are due to levies received, grants and capacity building costs paid

Company	Board members	2009/10 R'000		2008/09 R'000	
		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, D Truter	(41)	-	(28)	-
SEIFSA	J Lopes, G Harris , W Nsele	(35)	-	(19)	-
PLASFED	A Hanekom, D Rule	-	-	(64)	-
NUMSA	X Tshayana, E Kubeka, G Lephallo, T Tshikwavhavha, P Verryne, V Mthethwa, M Mogopodi, E Nodongwe, K Cloete	(68)	-	(54)	-
MISA/SAMU	P De Villiers	(3)	-	(4)	-
SOLIDARITY	P Veldman, B Swarts	(46)	-	(13)	-
CEPPWAWU	N Nxumalo, M Netshandama	(15)	-	(17)	-
UASA	P Bezuidenhout, L Greyling, T Kruger	(12)	-	(7)	-
MEWUSA	R Kgagudi	-	-	(2)	-
BMW SA	C Christian	(3 098)	-	(2 056)	-
Bridgestone Firestone SA	P Welgemoed	621	-	(2 647)	-
Cape Gate Pty Ltd	J Swarts	(1 128)	-	(1 550)	-
Continental Tyre SA	M Toyer, J Harris	(337)	-	402	-
Daimler Chrysler SA	D Jekwa	-	-	(2 142)	-
Dunlop Tyres International	J Wilson, V Mthethwa	142	-	-	-
Goodyear SA	D Rayners	945	-	(563)	-
Plasticolors PTY	D Rule	-	-	45	-
Precision Valve	M Netshandama	(76)	-	23	-
Toyota SA	U Badenhorst, T Molapo	6 009	-	(6 161)	-
Wispeco	T Tshikwavhavha	259	-		
Technicolour	J Esterhuizen	14	-	-	-
Volkswagen of SA	X Tshayana, L De Klerk	(3 976)	-	(16 599)	-
Bell Equipment	G Harris	(2 433)	-		
Macsteel	W Nsele	(114)	-		
IMBISA	Dr. R. Patel (Ceo: Merseta)	(2 243)	-	(1 916)	-
		(5 635)	-	(33 372)	-

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

26. 3 NATIONAL PUBLIC ENTITIES

Organisation name	Nature of transaction	2009/10 R'000		2008/09 R'000	
		Net transfers in/(out) during the year	Amount receivable/(payable)	Net transfers in/(out) during the year	Amount receivable/(payable)
Auditor General	Auditing work	(1 606)	(21)	(663)	-
Assessment College of South Africa	Bursary payments	(16)	-	(321)	-
Business Enterprises - University of Pretoria	Bursary payments	(374)	-	(533)	-
Cape Peninsula Univ. of Technology	Bursary payments	(136)	-	-	-
Cape Peninsula Univ. of Technology	Bursary payments	-	-	(112)	-
Central University of Technology - Free State	Bursary payments	(40)	-	(127)	-
Department of Labour (Transfers)	Trade test fees	(24)	-	(111)	-
Durban Institute of Technology	Bursary payments	-	-	(319)	-
East Cape Midland College	Bursary payments	-	-	(4)	-
Eastern Cape Training Centre	Bursary payments	-	-	(23)	-
Mangosuthu Univ. of Technology	Bursary payments	(17)	-	(204)	-
Nelson Mandela Metropolitan University	Bursary payments	(691)	-	(547)	(17)
NMMU - South (Nelson Mandela)	Bursary payments	-	-	(299)	-
NMMU - GAUTENG (NELSON MANDELA)	Bursary payments	-	-	(5)	-
Northlink College	Bursary payments	(135)	(95)	(63)	-
Northwest University	Bursary payments	(43)	-	(23)	-
Cape Peninsula Univ. of Technology	Bursary payments	-	-	(29)	-
Telkom	Telephone	(472)	-	(1 840)	-
Tshwane University of Technology	Bursary payments	(375)	(1)	(678)	-
University of Cape Town	Bursary payments	(395)	-	(106)	-
University of Jhb - Doornfontein	Bursary payments	(437)	66	-	-
University of Jhb - Auckland Park Campus	Bursary payments	(900)	-	(854)	(687)
University of Jhb - Conference centre	Bursary payments	(18)	-	(49)	-
University of KZN	Bursary payments	(339)	1	(563)	-
University of Pretoria	Bursary payments	(1 648)	32	(1 572)	-
University of Stellenbosch	Bursary payments	(118)	-	(245)	-
University of Witwatersrand	Bursary payments	(142)	-	(55)	-
UNISA - University of South Africa	Bursary payments	(116)	(287)	(1 117)	-
Vaal University of Technology	Bursary payments	(442)	25	(1 057)	-
Varsity College - Sandton	Bursary payments	(27)	-	(12)	-
Varsity College - Eastern Cape	Bursary payments	(38)	-	(16)	-
Walter Sisulu University (Border Campus)	Bursary payments	(59)	-	(13)	-
WITS Business School	Bursary payments	(55)	-	(29)	-
WITS PLUS Language School	Bursary payments	(13)	-	(75)	-
College of Cape Town	Bursary payments	(563)	-	(7)	-
		(9 239)	(280)	(11 671)	(704)

All transactions with national public entities are conducted at arm's length

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

27. GOING CONCERN

The merSETA was set up in terms of the Skills Development Act No 97 of 1998. During the year the executive authority of SETAs changed from the Department of Labour to the Department of Higher Education and Training. The merSeta's certificate which was due to expire on 31 March 2010 was extended for one year to 31 March 2011 while the new administration deliberated over the new SETA landscape. The Minister recently announced the SETA's that would comprise the new landscape. This list included the merSETA. Although this announcement by the Minister is up for debate, the Accounting Authority is confident that the merSETA will be granted a new certificate. Accordingly, the merSETA has drawn up and presented these financial statements on a going concern basis.

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

CRIMINAL CONDUCT

Management is not aware of any losses incurred through criminal conduct during this year.

IRREGULAR EXPENDITURE

Management is not aware of any irregular expenditure during this year.

FRUITLESS AND WASTEFUL EXPENDITURE

Management is not aware of any losses incurred through fruitless and wasteful expenditure during this year.

29. 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.

30. EVENTS AFTER THE REPORTING DATE

Approval was obtained from National Treasury for the retention of surplus funds.

31. 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:

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

31. NEW ACCOUNTING PRONOUNCEMENTS (continued)

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 provides guidance on the presentation of approved budget figures in the financial statements. The application of this standard will result in additional disclosures in the financial statements and result in compliance with GRAP 1 paragraphs 11 – 15.

GRAP 26

Impairment of cash-generating assets

The standard provides guidance on accounting for impairment losses of cash-generating assets. It is similar to IFRS and is not expected to significantly impact disclosures on the financial statements.

Other Standards

The following standards and interpretations have been issued but are not yet effective at the reporting date. They do not apply to the merSETA.

GRAP 18 – Segment Reporting

GRAP 103 – Heritage Assets

Manufacturing, Engineering and Related Services Education and Training Authority

GLOSSARY DEFINITIONS

Act	The Skills Development Act No 97 of 1998 (as amended)
Administration costs	Means the costs contemplated in grant regulation 4(3) in terms of the Act
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
Alternate	A person appointed to act on behalf of a member of the Governing Board in the absence of the latter
Chambers	The chambers established in terms of sub-clause 13.1 (c) of the Constitution, as provided under section 12 of the Act
Chairperson	The Chairperson of the Governing Board nominated in terms of clause 12 of the constitution
Chief Executive Officer	The Chief Executive Officer of the merSETA who is appointed under clause 14 of the constitution.
CLO	Client Liaison Officer
Committee	Any permanent committee, ad hoc or sub-committee of the merSETA, established in term: of the constitution
Constitution	Means the constitution of the merSETA, in terms of section 13 of the Skills Development Act, No 97 of 1998 as amended)
Deputy Chairperson	The Deputy Chairperson of the Governing Board appointed in accordance with clause 12 of the constitution
Director-General	Means the Director-General of Labour/Higher Education and Training
Discretionary grants	Means grants contemplated in grant regulation 7, in terms of the Act
Education and training	Registered statements of desired education and training outcomes and their associated standards assessment criteria as defined in the SAQA Act
ETQA	Education and Training Quality Assurance Body
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
Financial year	Means the period contemplated in terms of the Act, which covers the period 1 April to 31 March
Governing Board	Accounting Authority of the merSETA
Levies Act	The Skills Development Levies Act 1999 (Act No 9 of 1999)
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
LRA	The Labour Relations Act 1995 (Act No 66 of 1995)
Mandatory grants	Means grants contemplated in grant regulation 6 in terms of the Act
merSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
Minister	Means the Minister of Labour/Higher Education and Training
NSDS	National Skills Development Strategy
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
PFMA	Means the Public Finance Management Act, 1999 (Act No 1 of 1999) as amended, including Treasury Regulations
SAQA Act	The South African Qualifications Authority Act, 1995 (Act No 58 of 1995)
Sector	Means the Manufacturing, Engineering and Related Services Sector
Treasury Regulations	Means the regulations issued in terms of Public Finance Management Act, 1999, as amended
AATP	Accelerated Artisan Training Programme
ABET	Adult Basic Education and Training

Manufacturing, Engineering and Related Services Education and Training Authority

GLOSSARY DEFINITIONS

AMEO	Automobile Manufacturers' Employers Organisation	P2	Second practical six months' experiential work requirement to quality for a national diploma at a recognised university of technology
AMIC	Automotive Industrial Council	PBMR	Pebble Bed Molecular Reactor
ATR	Annual Training Report	PLASFED	Plastics Federation of South Africa
ASGISA	Accelerated shared growth initiative of South Africa	PPP	Public Private Partnerships
ATRAMI	Artisan Training and Recognition Agreement for the Metal Industry	SCM	Supply Chain Management
BEE	Black Economic Empowerment	SEIFSA	Steel and Engineering Industries Federation of South Africa
BSC	Balanced Scorecard	RPL	Recognition of Prior Learning
CBO	Community Based Organisation	RMI	Retail Motor Industry Organisation
CBMT	Competency Based Modular Training	SAIW	Southern African Institute of Welding
CEPPAWU	Chemical, Energy, Pulp, Paper, Wood and Allied Workers Union	SET	Science, Engineering and Technology
CFO	Chief Financial Officer	SETA	Sector Education and Training Authority
CHE	Council for Higher Education	SGB	Standards generating body
COGSI	Cape Oil and Gas Strategic Initiative	SLA	Service Level Agreement
DOE	Department of Education	SME	Small, Micro Enterprise
DoL	Department of Labour	SSP	Sector Skills Plan
DTI	Department of Trade and Industry	TASA	Toolmakers Association of South Africa
FET	Further Education and Training	UMALUSI	Council for Quality Assurance in General and Further Education and Training
FRA	Fuel Retailers Association	WSP	Workplace Skills Plan
FRIDGE	Fund for Research into Industrial Development Growth and Equity		
GAAP	Generally Accepted Accounting Practice		
GRAP	Generally Recognised Accounting Practice		
GDS	Growth and Development Summit		
HET	Higher Education Training		
IDZ	Industrial Development Zone		
ISOE	Institute of Sectoral, Occupational Excellence		
JIPSA	Joint Initiative for Priority Skills Acquisition		
MISA/SAMU	Motor Industry Staff Association - South African Motor Union		
MOU	Memorandum of Understanding		
NGO	Non-governmental Organisation		
NQF	National Qualifications Framework		
NSDS	National Skills Development Strategy		
NSDS 11	National Skills Development Strategy 2005-2010		
NSF	National Skills Fund		
NUMSA	National Union of Metalworkers of South Africa		
NTI	National Tooling Initiative		
OFO	Organising Framework for Occupations		
PI	First practical six months' experiential work requirement to quality for a national diploma at a recognised university of technology		



FORGING THE FUTURE

Notes



