ANNUAL REPORT 2013/2014

20 YEARS OF DEMOCRACY,

WE BUILD THE PEOPLE THAT BUILD THE NATION

merSETA

MANUFACTURING, ENGINEERING AND RELATED SERVICES SETA

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WE BUILD THE PEOPLE THAT BUILD THE NATION

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MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA

MINISTER BN NZIMANDE

MP, MINISTER OF HIGHER EDUCATION AND TRAINING

Honourable Minister

It is indeed a pleasure and privilege to present to you the annual report of the Manufacturing, Engineering and Related Services SETA for the period 1 April 2013 to 31 March 2014.

I thank you and your Ministry for the unwavering support received during this accounting period and trust you will find the report in order and share our pride in contributing to the strategic objective of meaningful skills development in South Africa.

Yours Faithfully

Raymond Patel (Dr)
Chief Executive Officer

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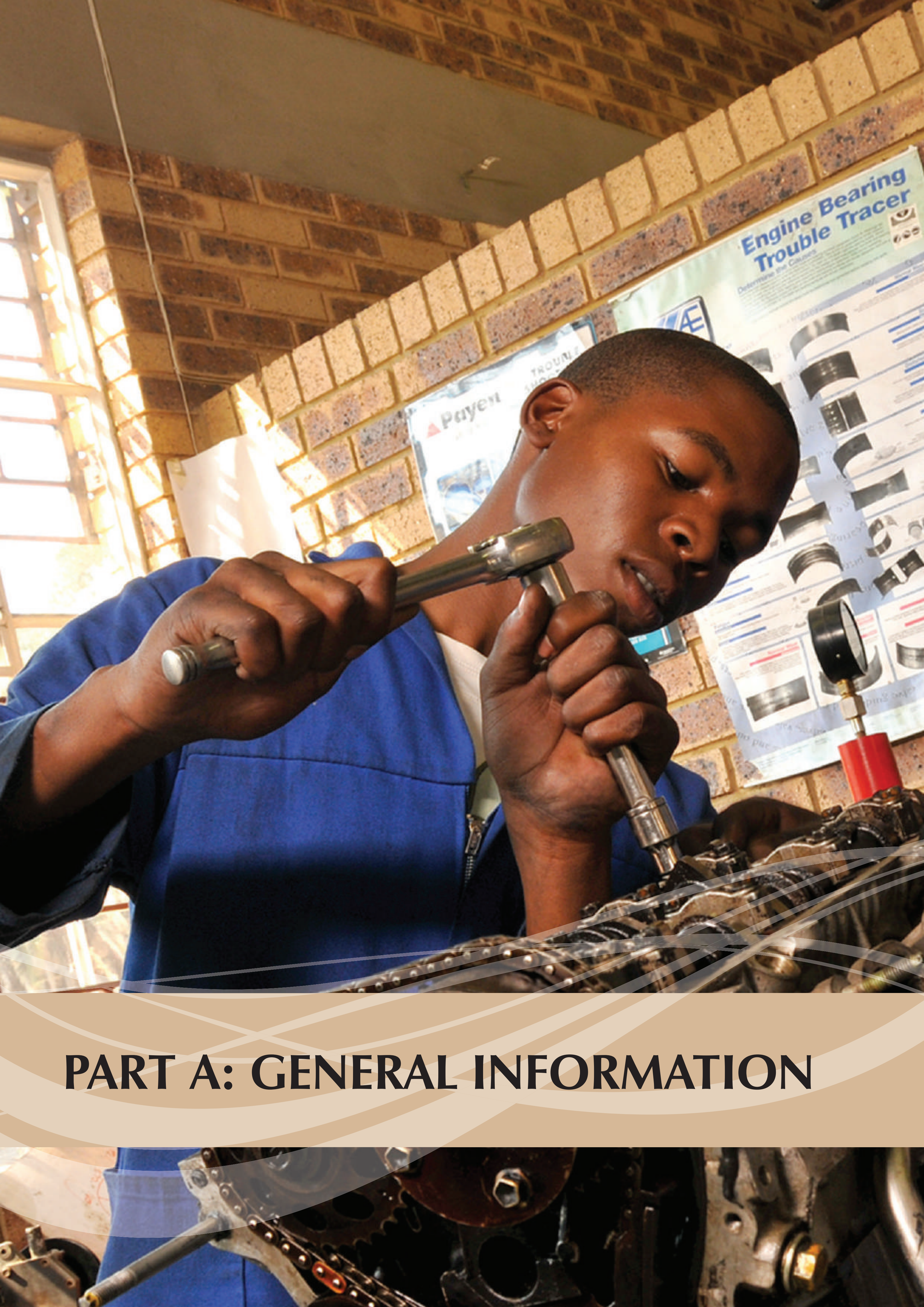

PART A: GENERAL INFORMATION

GENERAL INFORMATION

Registered Name:	merSETA - Manufacturing, Engineering and Related Services SETA
Registration Number:	17/merSETA/1/04/11
Physical Address:	95, 7th Avenue, cnr. Rustenburg Road Melville Johannesburg 2092
Postal Address:	PO Box 61826 Marshalltown Johannesburg
Telephone Number:	010 219 3000
E-Mail Address:	info@merSETA.org.za
Website Address:	www.merSETA.org.za
External Auditors:	Auditor General (SA)
Bankers:	Standard Bank of South Africa
Company Secretary:	Ms Florence M. Nkomo
ISBN Number:	978-1-77018-769-6
RP Number:	RP234/2014

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Merseta Social

higher education & training
Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

20 YEARS OF FREEDOM south africa 1994 - 2014

merSETA
MANUFACTURING, ENGINEERING AND RELATED SERVICES SETA

LIST OF ABBREVIATIONS/ACRONYMS

AATP	Accelerated Artisan Training Programme
ABET	Adult Basic Education and Training
AGSA	Auditor General of South Africa
CBMT	Competency-Based Modular Training
CBO	Community-Based Organisation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DHET	Department of Higher Education and Training
DTI	Department of Trade and Industry
EE	Employment Equity
ESSA	Department of Labour's Employment Services of South Africa
ETQA	Education and Training Quality Assurance
FET	Further Education and Training
FLC	Foundational Learning Competence
GAAP	Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IEB	Independent Examination Board
NAMB	National Artisans Moderation Body
NC (V)	National Certificate (Vocational)
NEETs	Young People Not In Employment, Education or Training
NGO	Non-Government Organisation
NLPE	Non-Levy Paying Entities
NSFAS	National Student Financial Aid Scheme
NSDS III	National Skills Development Strategy III
NMMU	Nelson Mandela Metropolitan University
NUMSA	National Union of Metalworkers of South Africa
OFO	Organising Framework for Occupations
PIVOTAL	Professional, Vocational, Technical and Academic Learning
PFMA	Public Finance Management Act
QCTO	Quality Council for Trades and Occupations
QDP	Quality Development Partner
SAQA	South African Qualifications Authority
SETA	Sector Education Training Authority
SSP	Sector Skills Plan
TVET	Technical Vocational Education and Training
UIF	Unemployment Insurance Fund
WSP	Workplace Skills Plan

FOREWORD BY THE CHAIRPERSON

Towards a Stronger Sector, and a Stronger, Better South Africa

Taking our inspiration from the advent of democracy in 1994, we continue to build a sector that will grow the economy and work for all South Africans.

Twenty years ago, millions of South Africans made their mark on history, by choosing the way forward to a better future.

We have travelled a long way since our first democratic elections in 1994, and one of the great lessons we have learned along the way is that our nation will only thrive if we equip people with the skills and know-how they need to participate meaningfully in the economy.

Training is the key to personal development, and personal development is the engine that drives jobs and opportunities. Work is the way forward, the route to pride, prosperity, and progress.

At the merSETA, we are privileged to be able to play our part in charting this journey to tomorrow, and it is against this background that I am honoured once again to present the Annual Report, including the Annual Financial Statements, of the Manufacturing, Engineering and Related Services Sector Education and Training Authority for the year 2013/2014.

This is the fourth year of my stewardship, and I am very pleased to note that the merSETA has received yet another unqualified financial report, the 14th since its establishment.

Steady Progress & a Significant Contribution

While our performance environment has been under pressure due to budgetary constraints, merSETA has been able to make a significant contribution to skills development in the sector, thanks to the strength of our partnerships with labour, industry, local governments, and NGOs.

We continue to make steady progress in overcoming obstacles faced by the many young people not in employment, education, or training (NEETs), while raising the base of skilled employees in the manufacturing and engineering industries.

During the year under review, our multi-year partnerships with Technical, Vocational Education and Training (TVET) colleges increased to 24 colleges overall.

The Challenges of Skills Development

We have had a successful year at merSETA, and our achievements have gone a long way towards building a globally competitive industry in a challenging macro-economic environment.

At the same time, the sector continues to feel the pain of the economic recession of 2008/2009, as evidenced by the drop in manufacturing's contribution to GDP from 19.7% in 2002, to 17.5% in 2011.

Most of the seven sectors that make up the merSETA have shown some level of recovery between 2009 and 2012, but we still have some way to go in order to restore full vigour and health to a sector that is in many ways the heartbeat of the South African economy.

We draw guidance and motivation for our role in this process, from the raft of strategies and policies put in place by Government to address the underlying structural problems and stimulate growth in manufacturing and infrastructure development.

The National Development Plan (NDP) provides the 30-year vision that informs and drives all other strategic policies and projects in the sector. Of particular significance are the Strategic Infrastructure Projects (SIPs), which have been provided with substantial economic, political and administrative support.

Living up to Our Mission

While we talk of macro policies and broad strategic endeavours, we must not lose sight of the everyday impact on the people whose interests we uphold and represent. The workers of South Africa, and the industries that provide them with jobs and opportunities.

As a direct result of the economic recession of 2008/2009, more than 109 000 jobs were lost in the merSETA sector. While some of these workers have since been reabsorbed into the sector, many remain jobless.

And yet, skills remain in short supply. Between now and 2018, a total of 114 190 people will be required by the sector to fill new positions and positions that become vacant as a result of retirement, death or emigration of current employees.

With this in mind, it is more crucial than ever that we at merSETA live up to our mission of increasing access to high-quality and relevant skills development and training opportunities.

A Look at the Performance Indicators

Let us focus now on the 27 performance indicators by which we measure our work at merSETA.

We managed to achieve 23 of the set targets, reporting more than 22 000 entries into learning programmes, with over 13 000 completions.

Our highest performance achievement was recorded against the core focus area of Employed Artisans Certified. While we did not reach four of our 27 targets, performance far exceeded targets in the key sphere of artisan development, as well as the sphere of unemployed people entering skills programmes and internships provided to candidates entering higher education institutions.

Our lowest performance was recorded against the Unemployed Bursaries Entered target. This was due to the transfer of this budget and accompanying responsibility to the National Student Financial Aid Scheme (NSFAS).

We take great pride in our research initiatives at merSETA, allowing us to contribute towards strategic policy debates and developments in manufacturing, engineering, and vocational learning at home and abroad.

While we talk of macro policies and broad strategic endeavours, we must not lose sight of the everyday impact on the people whose interests we uphold and represent.

Strategy & Governance

The Accounting Authority has continued to provide strategic direction to merSETA, endorsing the principles and guidelines of the King III Codes to ensure that the affairs of the SETA are conducted with the highest level of integrity.

Our Governance structures have been well aligned to the standard SETA Constitution. Organised labour, along with organised employers and independent members of the Accounting Authority, have worked tirelessly in the various committees, including chambers and regional committees.

I thank the Honourable Minister, Dr Blade Nzimande, Deputy Minister, Mr. Mduduzi Manana, the Parliamentary Portfolio Committee on Higher Education, the merSETA Deputy Chairs, Mr. Xolani Tshayana and Ms Jeanne Esterhuizen, all other members of the Accounting Authority, our stakeholders, the Chief Executive Officer, management and staff for making all our achievements possible.

In this, our 20th anniversary of a free and democratic South Africa, I am proud to play my part in helping the merSETA to advance and achieve its goals of building the people that build a better, stronger nation!

Baleni

Ms Phindile Baleni (née Nzimande)

CHIEF EXECUTIVE OFFICER'S OVERVIEW

WE BUILD THE PEOPLE THAT BUILD SOUTH AFRICA – 20 YEARS OF DEMOCRACY

Last year, in our report to you, we reflected on Charles Dickens's epic novel, "A Tale of Two Cities", about the best and worst of times in Revolutionary France. This year, we continue with that theme, but with our focus shifting to a Tale of Two Countries, one before 1994 and one since 1994.

Prior to 1994, we lived in a country where one part was a mature, and to some eyes decrepit, manufacturing, commercial and financial centre with a long history of immigration and a community of black people with elementary to bare essential skills.

The other part of South Africa, where 80% of the population were forced to live on about 20% of the land, was overwhelmingly rural, thrust into an uneven and wretched modernity. From 1994 to 2014, this country has witnessed an unprecedented movement of people, money, goods and ideas.

Infrastructure has been developed, towns and cities have been born and a new nation has taken shape from the ashes of the old. The dream of the Rainbow Nation became a reality. Sadly, for some, that dream has been deferred; for others, that dream has been shattered.

Allow us to mourn and respectfully remember the young Reiger Park, Boksburg, boy, Taegrin Morris, who tragically died in a hijacking. He was a boy whose love for cars and engineering led him to believe he would one day grow up to be an engineer. But Taegrin never had the chance to grow up.

We owe it to him, and to many others whose dreams were never realised, to improve the lives of the people of this nation, by investing in the skills that will help to build and grow our nation. Let us learn from the worst of times, to turn tomorrow into the best of times.

We came to realise, in the last 13 years of our existence, made possible by the advent of democracy in 1994, that industrial and economic development cannot be achieved without the successful application of Manufacturing, Science, Engineering and Technology.

Science and technology form the basis for economic growth, the development of local industries and the improvement of education and research. The society that does not embrace and foster science and technology cannot expect sustainable growth. merSETA, therefore, has a dual imperative: a social drive and an economic imperative. Through science, technology, engineering and mathematics, we have contributed to sustainable Human Development. We have helped to Build the People that Build South Africa.

The need for building merSETA's capacity to fulfil this vision saw a growth in local and international partnerships.

merSETA has links and partnerships with the University of Cape Town, University of Johannesburg, University of the Western Cape, the University of the Witwatersrand and the Tshwane University of Technology and the Central University of Technology in Bloemfontein. Internationally, we continue our work with the University of Bremen in Germany as well as assisting the British Council in monitoring agreements between five South African colleges and five British TVET colleges. This cross-pollination has contributed to a revolutionary effect on the development of manufacturing, engineering, science and technology.

We have carried out pioneering research in tracing and tracking learners, developing a competency framework for artisans through our COMET study.

The merSETA research project on large scale competence diagnostics systems in vocational education (COMET) became the basis of two PhD Scholarship awards under the supervision of Dr Prof Felix Rauner. Both PhD candidates have completed their Research Proposals which have now been accepted for registration. The field research programme takes place between August and December 2014 to complete a large scale COMET diagnostic test which aims to address the following research questions:

1. Main research hypothesis (Mark Corneilse) - "The implementation of a vocational teaching and learning approach connected to the COMET model has the potential to improve competence development in apprenticeship training." – with sub-hypotheses as follows:
    - "The development of teacher competence, using the COMET model as a didactical tool, has the potential to improve student performance"
    - "The COMET competence measurement model as a self-evaluation tool, enhances teaching and learning towards holistic competence development"
    - "Teachers implicitly transfer their problem-solving competency patterns to their students"
2. Main research question (Patricia Jacobs) - "Would the implementation of the COMET competence diagnostics model in TVET effect higher quality assessment for the development of occupational competence and commitment?" – with sub-questions as follows:
    - Which assessment concepts are implemented in TVET?
    - How are cognitive domain specific dispositions (competence) for the programmes Welding, Mechatronics and Electronics transferred into practice? (What is the relationship between conceptual and practical competence)
    - What is the impact of the assessment feedback structure and tools in TVET on competence development?

A third PhD scholarship, also supervised by Prof Rauner, has been awarded, and is dedicated to research on whether an analysis of costs, benefit and quality associated with in-company apprentice training could improve the investment proposition of apprenticeships. The research also looks at whether training partnerships among small and medium-sized companies will improve the net return and quality associated with apprenticeship training costs. The Premier's Office in the Eastern Cape has adopted this project as a Provincial Priority. The research undertaken by these scholars will certainly contribute to improving knowledge in neglected areas.

Structural and attitudinal changes are required for SETAs to fully participate in building a greater knowledge base in artisan development, learnership and skills acquisition. As a country, we should make considerable efforts to develop the capacity of Human Resources in Skills Development.

In the celebration of 20 years of democracy, sweeping changes have occurred in science, technology, engineering and manufacturing. This was promoted by these major factors:

- An increasing call for sustainable human development by maintaining an ecological balance and providing South Africa with adequate food, energy, water, housing and infrastructure;
- The economic development of South Africa and the opening up of the economy for all; and
- The growth of information and communication

technology and its effect on the operation of government business and the work of individuals leading to a new culture and a global village.

In response to the focus on manufacturing, engineering, science and technology, merSETA generated an income of R8,5 billion in the last 13 years and has expensed R3,7 billion in mandatory grants and R3,6 billion in discretionary grants. For the year under review, we paid out R261 million in mandatory grants and R650 million in discretionary grants.

JOB SEEKERS: WE'LL GUIDE YOU TO OPPORTUNITIES

We have in the last 13 years guided numerous learners to opportunities, improving not only their lives, but the lives of their families, communities and society as a whole.

During NSDS II and III, we trained 63 774 unemployed learners. In this period, we exceeded the target considerably. During the year under review we entered 2 971 learners on learnerships.

In the area of unemployed skills programmes entered, we consistently exceeded this target. For this year, 3 188 was entered and the target was exceeded by 113%.

LET US WORK TOGETHER TO ENSURE THAT SOUTH AFRICA WORKS

To ensure that labour works, we funded 1 900 workers as employed artisans entered in 2012/13. Together with the industry, we increased this number by 540, bringing our achievement to 2 440 and exceeding this target by 2% in 2013/14. In the past 13 years, we facilitated more than 11 300 workers on artisan training.

We also saw 4 534 employed workers entering skills programmes, once again a target that was exceeded by 33%. 2 370 employed learners entering learnerships were certified, exceeding the target by 8%.

Our target for the number of employed learners entering learnership was not met, with only 2 651 of 4 500, or 59%, achieving the goal. For the year under review, together with industry, we achieved a target of 2 824 employed artisans certified, exceeding the target by 135%.

EDUCATION IS THE KEY TO UNLOCKING A BRIGHTER FUTURE FOR THE CHILDREN OF SOUTH AFRICA'S DEMOCRACY

merSETA also has a symbiotic relationship with our fellow post-school institutions. Unemployed interns entered for this year was 346, thus exceeding the target of 57% and in the 13-year period, we entered more than 1 000 unemployed interns. 2 278 unemployed skills programmes were certified, once again exceeding the target by 35%.

Unemployed learnerships certificated was exceeded by 10%, and over the 13 years, unemployed learners certified was 38 763, considerably exceeding the target.

Internships were neglected in the early years of the SETA, but in the last five years, we improved our performance. In the year under review, 231 were certified, exceeding the target by 110%.

In the area of unemployed bursaries entered, we have always performed well. However, during the year under review we experienced challenges. We transferred the funds to NSFAS and as such only achieved a 3% success. But in the area of unemployed bursary holders certificate, we exceeded our target by 17%.The sector experienced an increase in the number of employed bursaries entered. 202 students were studying, and this target was exceeded by 53%.

The target for certificates in this category was exceeded by 30%. 75 students were awarded their qualifications. We have supported 874 learners with work experience, enabling them to acquire their P1 and P2 experience in order to get their qualification.

We exceeded this target by 32%. In the past 13 years we assisted 10 545 learners in the acquisition of their qualifications. During the year under review, we assisted 1 904 FETC graduates with workplace placements, exceeding this target by 41%.

OUR GREATER GOAL IS TO PLAY A ROLE IN MAKING SOUTH AFRICAN INDUSTRY GLOBALLY COMPETITIVE

In helping our industries to become globally competitive, we have paid 469 large companies their mandatory grants in the last year, falling 6% short of our target of 500.

668 medium-sized companies were paid their mandatory grants, achieving 80% of the target. We exceeded the payment to small companies by 19%. In the past 13 years, we paid grants to more than 5 000 large companies, 8 000 medium-sized companies and 39 098 small companies. We also supported 4 859 small business, exceeding the target by 110%.

As indicated before, merSETA has a social agenda. We have funded 19 co-operatives, exceeding our target by 19%. Ten NGOs were supported, along with five CBOs and 330 NLPEs, again exceeding the target by 65%. We listened to you and revisited our outreach for Career Awareness, reaching 3 980 learners and exceeding the target by 131%.

CHALLENGES FOR THE YEAR AHEAD UP TO 2016

As we draw closer to March 2016, when the next round of SETA relicensing takes place, our focus will will tend towards solving pressing challenges. These include:

Fostering basic technical secondary education, especially that which instils and cultivates creativity in STEM subjects, as well as research and development at the early stages of basic education;

Promoting linkages between manufacturing, science, and technology research in universities and the industry for increased participation in the economy and its response to the growth and development path and particularly in the strategic infrastructure projects;

Increasing financial resources for the development of science, technology, engineering and manufacturing to boost the development of artisans, technicians, technologist and engineers;

Improving the SETA landscape, and in particular the role of merSETA in developing artisans;

Improving connections between artisans, scientists, engineers, industrialists, researchers, students and policy makers;

Addressing challenges contained in the White Paper on Post School Education;

Promoting post-school education and training in science, technology, engineering and manufacturing;

Promoting national and international cooperation in STEM; and

Promoting national and international co-operation in STEM.

Yours Sincerely

Dr Raymond Patel

STATEMENT OF RESPONSIBILITY FOR AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

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

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

The Annual Report is complete, accurate and free from any omissions.

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

The annual financial statements (Part F) have been prepared in accordance with Generally Recognised Accounting Practice (GRAP).

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

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The Auditor General is engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, performance information, human resources information and the financial affairs of the public entity for the financial year ended 31 March 2014.

Yours Faithfully

Chairperson of the Accounting Authority

Ms Phindile Baleni

31 July 2014

Chief Executive Officer

Dr Raymond Patel

31 July 2014

VISION

Leaders in closing the skills gap

MISSION

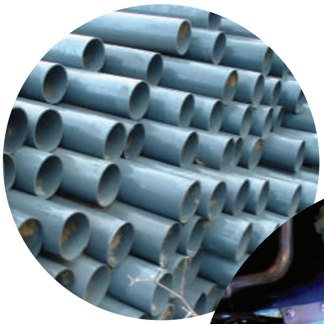
To increase access to high-quality and relevant skills development and training opportunities to support economic growth in order to reduce inequalities and unemployment and to promote employability and participation in the economy

VALUES

We care

We belong

We serve



PLASTIC MANUFACTURING

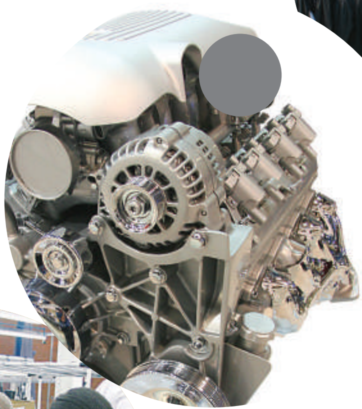
It is a significant participant in the country's manufacturing sector, accounting for more than 50% of the materials used

METAL AND ENGINEERING

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

NEW TYRE MANUFACTURING

This sector has a long history of contributing to import and export markets. Given steady investments 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



AUTOMOBILE MANUFACTURING

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

MOTOR RETAIL AND COMPONENTS MANUFACTURING

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

LEGISLATIVE AND **OTHER MANDATES**

merSETA is a Schedule 3a public entity, governed by the Public Finance Management Act No. 1 of 1999 (as amended). The entity's mandate is derived from the Skills Development Act No. 97 of 1998, and its responsibilities include the following:

Develop a Sector Skills Plan (SSP) within the framework of the National Skills Development Strategy (NSDS III):

i. Establish and promote learnerships by:

- identifying the need for learnerships
- developing and registering learnerships
- identifying workplaces for practical work experience
- supporting the development of learning materials
- improving the facilitation of learning and
- assisting in the conclusion and registration of learnership agreements

ii. Collect and disburse the skills development levies in its sector; approve workplace skills plans and allocate grants in the prescribed manner to employers, education and training providers and workers;

iii. Fulfil the functions of an ETQA as delegated by the QCTO;

iv. Monitor education and training in the sector.

The legislative framework in which merSETA functions and policies and legislation that influence programme spending plans are given below:

i. National Skills Development Strategy (NSDS III);

ii. Skills Development Act No. 97 of 1998;

iii. Skills Development Amendment Act No.31 of 2003;

iv. Skills Development Amendment Act No.37 of 2008;

v. Sector Education and Training Authorities (SETA) Grant Regulations regarding monies received by a SETA and related matters ("Grant Regulations") under Notice 35940 of 3 December 2012;

vi. Skills Development Act (97/1998) Service Level Agreement Regulations under regulation number No. R716 of 18 July 2005;

vii. Skills Development Levies Act No. 9 of 1999;

viii. Regulations regarding the establishment of Sector Education and Training Authorities under Notice R106 of 4 February 2005, ("SETA Establishment Regulations");

ix. Public Finance Management Act No. 1 of 1999 as amended ("PFMA");

x. Treasury Regulations issued in terms of the Public Finance Management Act ("Treasury Regulations") of 2005;

xi. Public Audit Act No. 25 of 2004;

xii. Directive: Public Finance Management Act under GN647 of 27 May 2007;

xiii. Government Notice GN52 of 6 February 2010: Extension of existing period of establishment of Sector Education and Training Authorities;

xiv. Approval of the Constitution for the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) No. R.830 of 11 August 2006 ("merSETA Constitution");

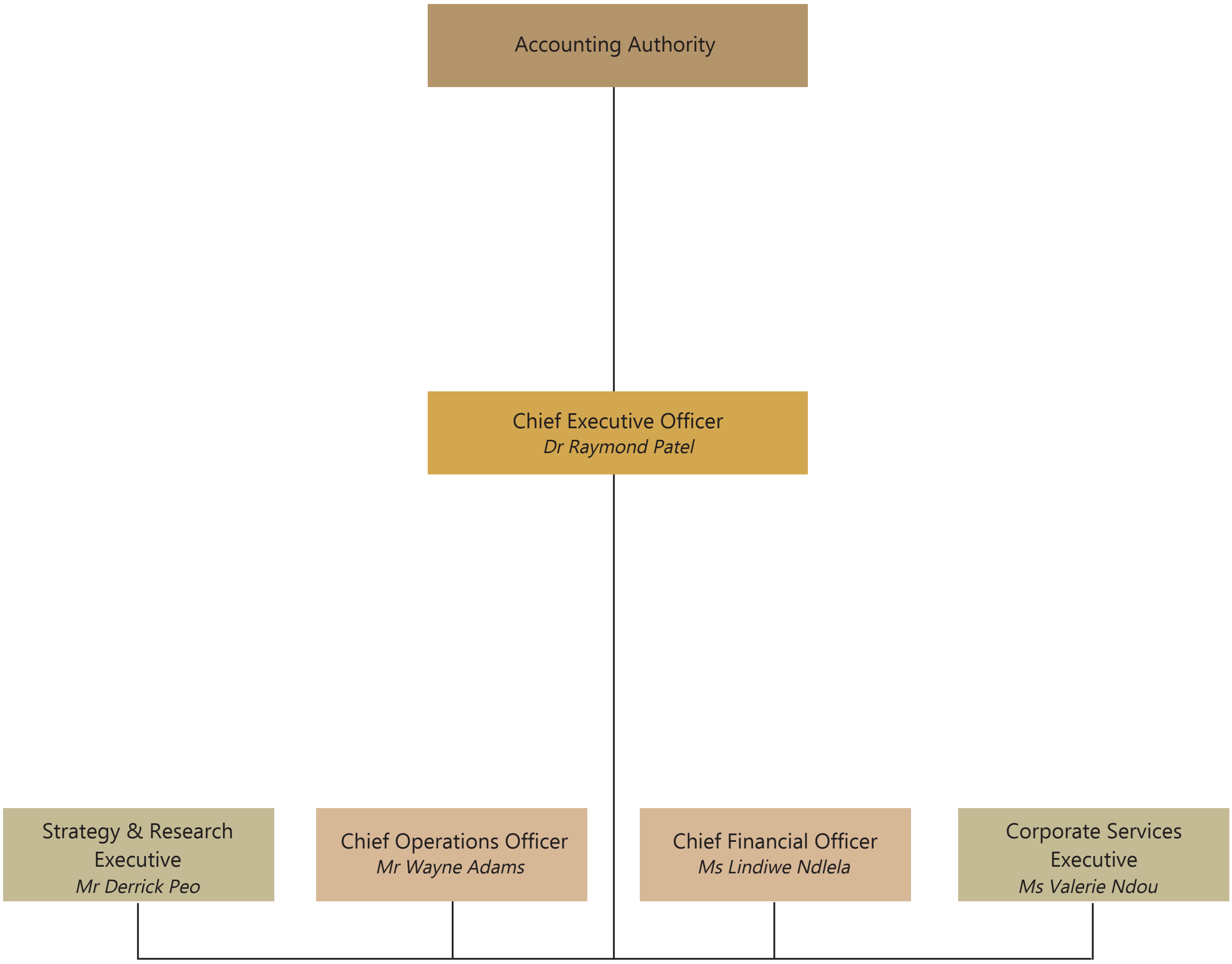
xv. Promotion to Access to Information Act;

xvi. Promotion to Administrative Justice Act;

xvii. Employment Equity Act, Labour Relations Act, Basic Conditions of Employment Act and Occupational Health and Safety Act;

xviii. Tax Laws.

ORGANISATIONAL STRUCTURE



ACCOUNTING **AUTHORITY**

Sitting from left to right: Ms Malebo Mopogodi, Mr Xolani Tshayana (Deputy Chairperson), Ms Phindile Baleni (Chairperson), Dr Raymond Patel (CEO), Ms Jeanne Esterhuizen (Deputy Chairperon) & Prof Fiona Tregenna

Standing from left to right: Mr Johan van Niekerk, Mr Herman Kostens, Mr Alex Mashilo, Mr Anton Hanekom, Mr Jacobus Olivier, Mr Andrew Mashifane (ARC Chairperson) & Mr Jonathan Swart

Absent: Mr Thapelo Molapo, Mr Andries Chirwa

MANAGEMENT COMMITTEE

Standing from left to right: Mr Derrick Peo, Mr Wayne Adams, Dr Raymond Patel, Ms Lindiwe Ndlela, Ms Valerie Ndou

PART B: OPERATIONS OVERVIEW & PERFORMANCE INFORMATION

OPERATIONS OVERVIEW

INTRODUCTION

The 2013/14 financial year saw merSETA making significant inroads into skills development in the sector through the implementation of its strategic programmes.

In fulfilling its mandate and achieving the National Skills Development Strategy III (NSDS III) objectives, the Operations Division has continued to focus on the delivery of quality services to merSETA stakeholders. This has not been an easy journey, due to a number of challenges that the organisation was faced with. One of the critical challenges was the delays in issuing artisan certificates.

Of the 27 numerical indicators, merSETA has achieved seven targets by more than 100% and 16 by more than 120%. Only four targets were under-achieved. One of the under-achieved targets relates to unemployed candidates entered into an agreement for bursaries and this resulted from a request from the Department of Higher Education (DHET) to transfer all available funds to the National Student Financial Aid Scheme (NSFAS).

The main role of the Operations Division is as follows:

- Ensure that quality assurance and compliance standards are met
- Assess the quality of the administration of all learning areas
- Manage the mandatory and PIVOTAL grant submissions, evaluation and approvals
- Register and support skills development facilitators
- Register assessors, moderators and trade test officials
- Manage the implementation of discretionary grant agreements for various programmes
- Guide and support stakeholders within the sector

The achievements in relation to these areas of work for the financial year under review are summarised in the sections that follow.

MANDATORY/PIVOTAL GRANTS

Legislation requires that companies submit their mandatory and PIVOTAL plans annually. This is to ensure that the sector adopts a culture of continuous learning.

The mandatory grant applications were designed to go beyond the minimum compliance requirements. The new format supported the greater emphasis placed on good-quality skills planning and reporting data in the NSDS III, which required captured, verified and researched data for effective skills planning. This has enabled better analysis of current employment within the sector, as well as more accurate labour demand projections and identification of skills needed.

Due to a constructive and well-directed advocacy campaign implemented in the various regions, the mandatory grant results were encouraging. A total of 643 (with a target of 500) large, 1 155 medium (with a target of 833) and 2 446 (with a target of 2 315) small employers submitted the relevant documents within the mandatory grant window. The disbursements of mandatory grants was in line with budget where mandatory grant expense amounted to R261 million. Despite the changes in the funding regulations, which have decreased the mandatory grant award from 50% to 20%, the number of mandatory grant applications has remained constant.

Although merSETA experienced challenges with the SETA Management System, the mandatory grant application process has not been affected by these challenges over the past three years.

Challenges faced during the period under review related to the changes in legislation that resulted in labour representatives having to sign off on the mandatory/PIVOTAL applications, where recognition agreements exist between the relevant employers and unions.

Many applications were not approved because the abovementioned criteria were not met. Various capacity-building processes were put in place to provide greater support to merSETA stakeholders, to ensure that this process runs smoothly during the next financial year. In an attempt to curb these challenges, 116 employer stakeholder training committee members were capacitated on skills development matters that would have a direct impact on the quality of submissions during the next submission period. Workshops on the updated Organising Framework for Occupations (OFO) codes and changes within the mandatory and discretionary grant processes were held with stakeholders in all regions.

DISCRETIONARY **GRANTS**

The available funds for discretionary grants for the period under review totalled R614 million for discretionary grant programmes, with a focus on the following:

- Further Education and Training (FET) College support
- PIVOTAL programme application support
- Provincial programme support

Agreements were entered into with various stakeholders to the value of R605 million during the period under review. These funds have been awarded to focus on addressing skills gaps identified in the SSP and as approved by the Accounting Authority, to fulfil the goals of merSETA's strategic plan as well as the deliverables set in the Annual Performance Plan.

The agreements included support to the following government departments:

STAKEHOLDER	LEARNING INTERVENTION
Gauteng Education Department	• Supported career development in priority public schools and selected technical schools. • 2 000 learners supported through the FLC. • 300 unemployed learners placed into apprenticeships. • Supported 40 school students in apprenticeship programmes.
Limpopo Provincial Government	• 100 level 2 learners in training.
KwaZulu-Natal Provincial Government Programme	• 200 unemployed learners placed on apprenticeships. • 1 660 unemployed learners placed on skills programmes.
STAKEHOLDER	**LEARNING INTERVENTION**
Mpumalanga Department of Public Works	• 100 apprentices.
Department of Economic Development and Tourism, Western Cape	• 100 apprentices.
Office of the Premier in the Eastern Cape	• 231 learners on Practical 1 and Practical 2 to gain the experiential learning required to obtain the National Diploma. • 92 learners on learnerships. • 28 apprentices. • 31 NC (V) learners to artisan programmes.
Bloemfontein and Kimberley Correctional Services facilities	• Develop the skills for awaiting-parole offenders to become economically viable civilians in society. There are 40 learner offenders in Bloemfontein on the programme and another 40 learners in Kimberley.
Western Cape Department of Education	• Give 33 disadvantaged school learners with learning difficulties workplace exposure through FET Colleges.

The signed Service Level Agreement (SLA) with the DHET requires merSETA to achieve set objectives with agreed deliverables. The information outlined below details the achievements and challenges of each objective.

CAREER GUIDANCE

merSETA takes career guidance events seriously in order to allow young learners to make informed career choices and to expose them to the career opportunities in the sector. merSETA's commitment to career guidance has resulted in the following:

- the development and distribution of a career booklet to learners and career guidance teachers
- participation in 43 career guidance events with at least 3 980 learners across all nine provinces in attendance
- visits to 42 schools, where 4 859 learners participated in the career guidance information sessions

During 2013-2014 the merSETA Career Guidance Team diversified their strategy to include interactive technology as part of the various outreach initiatives. The merSETA

Career Bus was rolled out during the last quarter of the financial year. The mobile unit is equipped with 12 satellite-linked computer stations that offer the various bus visitors (school learners, out-of-school youths and unemployed people) the opportunity to explore their career interests as well as the technical career opportunities available within the sector. A total of 3 980 learners were reached, which exceeds the SLA target with more than 100%.

Although many more learners have participated in the merSETA career guidance campaign, the challenge is that not all learners complete the register and therefore actual outreach numbers are not reflected.

FET PLACEMENT, WORK EXPERIENCE AND INTERNSHIP PROGRAMMES

The target for FET College student placement was 1 350 and merSETA achieved 1 904 (141%). The students were placed at merSETA member companies in structured learning programmes, which in some cases resulted in a full qualification being achieved or credits being achieved towards a qualification.

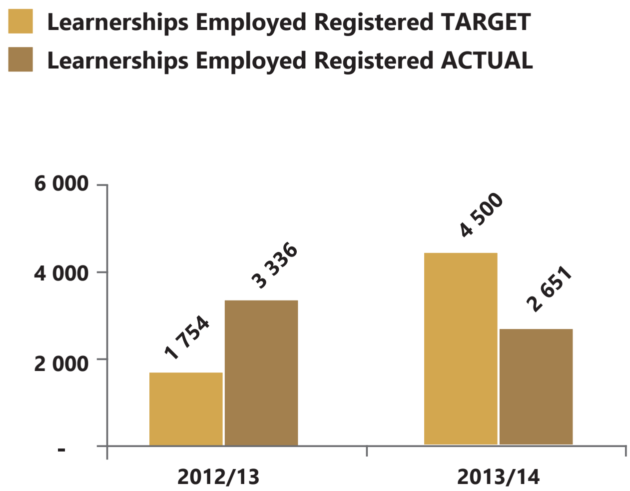
The NSF awarded funding to a number of FET Colleges to train college students in structured learning programmes. merSETA identified an opportunity to work with the FET Colleges to ensure that the learners were placed at merSETA-approved member companies for their workplace exposure. This resulted in the establishment of the Provider/Industry Networking Forums with the aim of improving the working relationships between public providers and industry. A total of 38 networking forums and 240 employers attended the networking sessions.

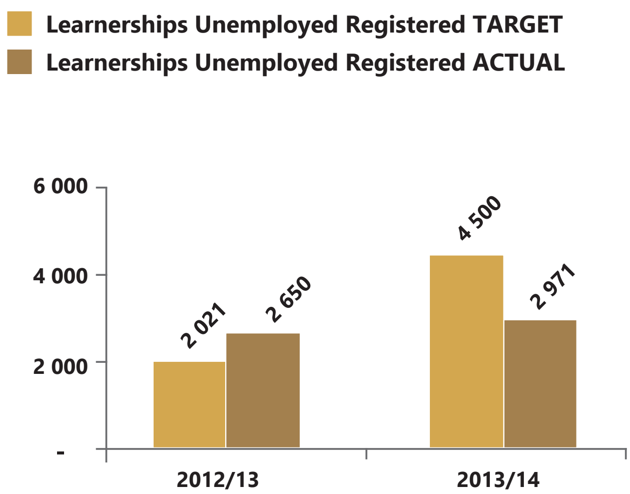
The target for workplace experience learner placement was 662 and merSETA achieved 874, which translates to 132%. These learners were placed at merSETA member companies to gain the relevant workplace exposure in order to obtain the relevant qualification. Regarding unemployed candidates, 346 were placed into internship programmes at merSETA member companies and 231 completed their internship programme during the same period. These targets were surpassed by more than 183%.

LEARNERSHIPS

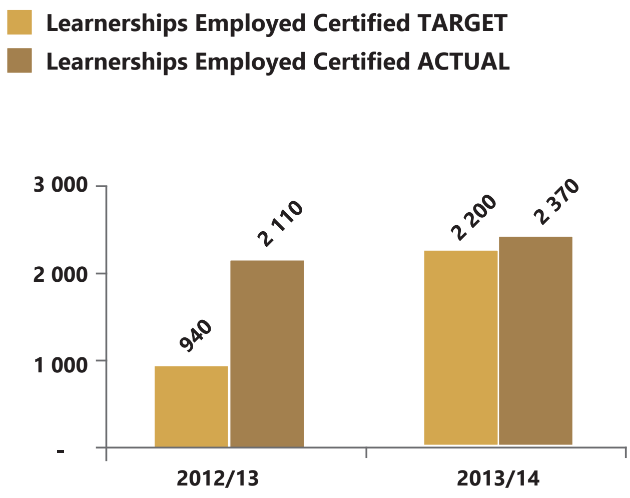
A total of 2 651 employed (59% of target met) and 2 971 unemployed learners (66% of target met) entered various learnership programmes, and 2 370 employed (108% of target met) and 1 765 unemployed learners (110% of target met) achieved their qualifications.

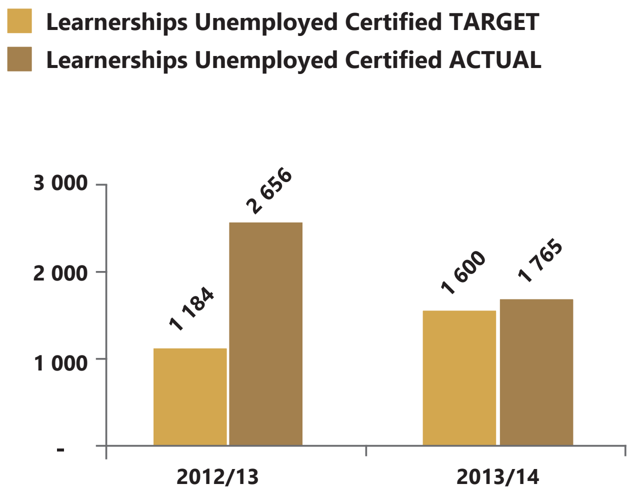
The learnership programmes also focused on the development of people with disabilities in the sector, with a total of 68 learners registered and 65 learners successfully completing learnerships. Of the learners, 29 are on NQF level 4 and will attempt a trade test during the next financial year in order to obtain artisan status.





LEARNERSHIPS (CONTINUED)





SKILLS PROGRAMMES

A total of 4 534 employed (133% of target met) and 3 188 unemployed learners (213% of target met) entered various skills programmes, and 1 300 employed (55% target met) and 2 278 unemployed learners (135% of target met) received statements of results.

APPRENTICESHIPS

In the period under review a total of 3 798 unemployed (105% of target met) and 2 440 employed apprentices (102% of target met) were registered. A total of 5 811 Recognition of Prior Learning (RPL) applicants were evaluated for Section 28 trade tests. The total recommended for assessment was 2 721, of which 1 900 achieved artisan status – a 70% pass rate.

merSETA remained an active participant in the "Year of the Artisan" initiative under the guidance of the Deputy Minister of Higher Education and Training, the Honourable Mduduzi Manana. merSETA also committed itself to being part of the Decade of the Artisan that was introduced during the period of reporting, and funded the launch in November 2014.

Due to the positive impact of induction training on the implementation of learning programmes, merSETA inducted 2 019 learners during the period under review.

1. Challenges

The number of complaints received during the period under review was due to the implementation of the Seta Management System, with specific reference to the data migration of learner details under registration and completion of learning programmes.

A further challenge relates to the delay in artisan certificates being issued by the Quality Council for Trades and Occupations (QCTO). It is important to note that once the learner has been found competent in the trade test, merSETA is required to submit all evidence of the learning process to the National Artisan Moderation Body (NAMB). NAMB in turn evaluates the documentation and recommends certification to the QCTO.

Despite the challenges it faced with the SETA Management System migration, merSETA retained "green status" on the South African Qualifications Authority (SAQA) National Learners' Records Database.

ADULT BASIC EDUCATION AND TRAINING

A total of 1 931 learners were registered in Adult Basic Education and Training (ABET) programmes, and 1 086 successfully completed these programmes during the financial year under review.

FOUNDATIONAL LEARNING PROGRAMME

A pilot for the training of learners on the Foundational Learning Programme resulted in 65 learners being registered and completing the course successfully. A challenge experienced was that the Independent Examinations Board (IEB) is not able to accommodate "walk-in learners" on the FLC programme as the online assessment tool is not available.

UNEMPLOYMENT INSURANCE FUND PROGRAMME

merSETA entered into a joint funding agreement with the Unemployment Insurance Fund (UIF) to train and qualify 1 500 apprentices in merSETA-related trades over a four-year period ending 31 March 2016. Among the rules of the project is that suitably qualified unemployed candidates should be recruited from the Department of Labour's Employment Services of South Africa (ESSA) database. A total budget of R168 750 000 was allocated, which is co-funded by the parties on a 50/50 basis. A total of 325 employers have submitted expressions of interest to date, to which 153 Memoranda of Agreement to the value of R152 775 have been allocated in respect of 1 358 apprentices.

THE TRAINING LAYOFF SCHEME PROGRAMME

The Training Layoff Scheme, a government initiative that commenced in 2009, provided some degree of economic relief to companies in distress, while preventing the retrenchment of workers.

During the period under review, 17 merSETA levy-paying companies were approved for the scheme, of which eight have already completed their participation and reverted to normal operating conditions. A total of 6 880 workers have benefited from this intervention and have retained their employment. A further 11 companies have been approved to participate in the scheme, and the applications are being processed. The total cost of training for these companies amounts to R29 million, while the total wage component amounts to R50 million.

RETRENCHMENT ASSISTANCE PROGRAMME

The Retrenchment Assistance Programme caters for the training of retrenched workers within the merSETA sector and is aimed at equipping them with the skills required to re-enter the labour market and/or to start their own business or co-operative. During the period under review, 16 companies were assisted in the programme, of which nine have completed. A total of 6 525 workers have benefited from this intervention. In addition, some 916 retrenched workers were assisted via applications through the National Union of Metalworkers of South Africa (NUMSA).

The programme continues to focus on the provision of skills for sustainable livelihoods that contribute towards job creation and income generation. The total cost of the programme for the 2013/14 period amounted to R40 million.

merSETA continued to maintain its seven regional and two satellite offices to ensure accessibility to various stakeholders. These offices are situated in Johannesburg, Pretoria, Witbank, Port Elizabeth (with a satellite office situated in East London), Cape Town, Durban and Bloemfontein (with a satellite office situated in Kimberley). merSETA, in collaboration with the FET Colleges, has identified an additional three sites for satellite offices, which will be situated in Kwa-Thema, Polokwane and Pietermaritzburg. The satellite offices will be established during the next financial year.

QUALITY ASSUARANCE

merSETA continued to perform the quality assurance activities of all unit standard-based sector-specific qualifications, as delegated by the QCTO. These activities included verification of assessments, accreditation, monitoring and capacity building of providers. We further participated in the activities of policy development within the QCTO and the National Artisan Moderation Body. Fourteen capacity-building workshops were held with providers to ensure that all new developments and their implementation, particularly in the quality assurance arena, were communicated to stakeholders.

merSETA formally applied to become the Assessment Quality Partner for three recently developed occupational qualifications, and continued with its responsibilities as a Development Quality Partner during the period under review. A total of 913 accreditation visits, 1 119 moderations and 86 audits of accredited training providers were carried out to ensure that merSETA's quality standards are adhered to and maintained. The occupational qualifications developed during the period of reporting totalled 31.

PARTNERSHIPS

NSDS III requires merSETA to form partnerships with public institutions and departments on a provincial and national level. This has resulted in merSETA signing a total of 24 Memoranda of Understanding with public FET Colleges and various Universities of Technology. merSETA has extended the strategy of bringing FET Colleges together with companies to implement pivotal programmes utilising funding from the National Skills Fund (NSF).

PROVIDER	LEARNING INTERVENTION
Nelson Mandela Metropolitan University (NMMU)	Upliftment of teachers and learners in Mathematics and Science in the Somerset East and Cradock areas. Development work on renewable energy is included in the partnership.
Lovedale FET College in Zwelitsha	16 on apprenticeship training.
Tshwane University of Technology	24 experiential learners.
Eastcape Midlands FET College	25 NCV learners on gap training.
Coastal KwaZulu-Natal FET College	10 NCV learners on gap training.
West Coast FET College	20 NCV learners on gap training.
Sedibeng FET College	10 NCV learners on gap training.
British Council and the National Business Initiative	merSETA co-funded an FET leadership development programme with management exchanges with UK counterparts. merSETA forms part of the steering committee on the Skills for Employability programme.
University of the Western Cape	Manage a programme in Maths and Science for undergraduates. The objective of these programmes is to ensure smaller student-to-tutor ratios as well as offering a winter school in Maths and Science. During the period of reporting, the first phase of this agreement was completed and the second phase is being planned.

The merSETA initiative for placing learners from FET Colleges in possession of National Certificate (Vocational) (NC (V)) level 4 on a career path to artisanships continued and was expanded during the year of reporting.

The Customer Interaction Centre received 126 226 calls, of which 93.4% were successfully dealt with. The average answering speed is 13 seconds, with an internal quality score of 80.5%.

CUSTOMER INTERACTION CENTRE PERFORMANCE

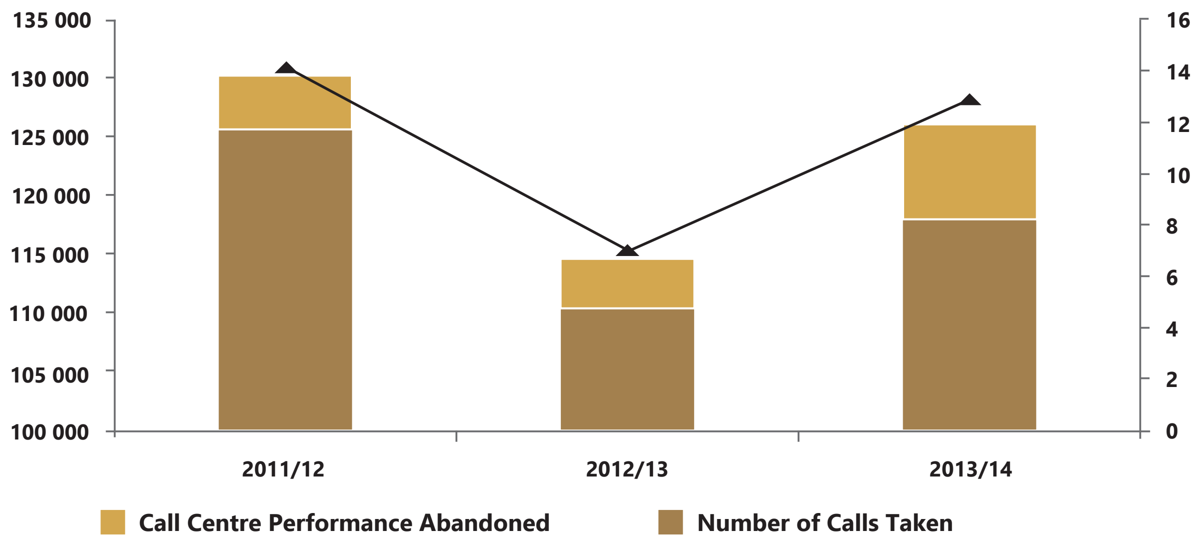
To improve efficiency, the Customer Interaction Centre assisted with quality surveys, with 93% of visits to member companies conducted by the regional offices. The purpose of these surveys was to determine whether clients were satisfied with the service delivery and to establish if any further assistance was required. The outcome of the survey resulted in increased interaction with various stakeholders through various forums and stakeholder visits by the Client Liaison Officers.

The following highlights were recorded:

- merSETA identified a need for the NC (V) learners to achieve artisan status. A pilot training programme was established in the Eastern Cape, with the aim of closing the gaps between the NC (V) programme and what is required of an apprentice, in preparation for candidates undertaking trade tests. Ten learners participated in the first pilot of the programme and 15 in the second pilot programme. Of the 15 who participated in the second pilot programme, 14 achieved artisan status.
- Seven students with hearing impairment achieved their NQF level 4 qualifications. Six of these learners have been put into training in order to undertake the trade test during the 2014/15 financial year.

CUSTOMER INTERACTION CENTRE PERFORMANCE

(CONTINUED)



PERFORMANCE INFORMATION

SITUATIONAL ANALYSIS

1. Service delivery environment

The merSETA skills development ecosystem has its foundation in the National Growth Path, the National Development Plan (NDP) and the NSDS III.

In the 2013/2014 financial year, these core policies enabled merSETA goals and objectives to be developed from the SSP to a five-year Strategic Plan set to end in March 2016. From this, merSETA drew its strategic plan, which was operationalised. The SLA with the DHET guided our targets and achievements. The service delivery environment was influenced by many factors, such as:

- the introduction of new treasury regulations, which resulted in budget cuts and strict monitoring of expenditure
- the request from government for merSETA to contribute towards the National Student Financial Aid Scheme (NSFAS)
- the request from government for merSETA to support FETCs and the Strategic Infrastructure Projects

In the 2013/2014 financial year under review, merSETA was, however, still able to meet its targets despite the above-mentioned developments.

2. Organisational environment

The Corporate Services division was formed from the organisational review of 2013/14 and consists of Human Resources, Governance, Marketing and Communications and Facilities. The division has sought to establish itself as the key enabler for successful implementation of the strategy, through assisting other merSETA functions with internal and external communication, encouraging good governance and responsible stewardship of organisational facilities and assets.

merSETA's internal environment has remained stable throughout the year and much progress has been made towards building a learning organisation. The organisation has continued to expand its capacity to create future success through increased adaptability to a fast-changing external environment and establishing a systems thinking approach across merSETA. The success of this is owed to increased cross-functional collaboration, improved innovation, enhanced communication systems and a focused effort to improve leadership and governance structures. The first phase of the organisational values drive has gone a long way towards instilling a culture of service, belonging and active organisational citizenship.

Improved communication mechanisms have assisted in enabling the exchange of relevant information between the organisation and its environment as well as between the different functions within the organisation.

Actively encouraging generative (double-loop) learning across organisational units, the Human Resources unit has been a strategic and proactive partner to all functions and participated significantly in key strategic processes.

A revamped governance unit has focussed specifically on aligning governance structures and practices to King III codes and other good governance standards. Good leadership and ethics are critical elements in creating and sustaining a learning culture.

The Travel, Assets and Facilities unit has continued to ensure the management and development of merSETA's assets and facilities. A key focus of the unit is to contribute to the organisation's cost-containment efforts through efficient and effective travel and logistics practices.

3. Strategic Outcome-oriented goals

Five strategic priorities were implemented:

- Priority 1 is to develop a sector labour market intelligence system
- Priority 2 is the continued and increased focus on artisan development
- Priority 3 is to establish and facilitate strategic partnerships that will impact both the funding available for skills development and the improved quality of skills development
- Priority 4 is to increase the flow of newly-skilled workers into the sector, through increasing the skills available to the sector to meet its short-term needs and improving the base level of learning and
- Priority 5 is to develop the skills of the existing workforce, as this is of primary importance for the development of the sector and for achieving outcomes that are consistent with decent work, equity and sector economic growth and employment.

PERFORMANCE INFORMATION BY PROGRAMME

1. merSETA ‘s performance against NSDS III targets 2013/14

The 2013/14 financial year was the third year of NSDS III. merSETA and the DHET signed an SLA which indicated the targets for the 2013/14 financial year against the NSDS III indicators. The targets per indicator from the previous year continued to be grouped according to the eight programmes that were identified by the NSDS III.

The indicator "Work Placement" from the last financial year was replaced by the indicator "FET Graduate Placement" and the indicators "NGO, CBO and CBC" were changed to the indicators "NGO, CBO and NLPE". The indicators "Adult Education and Training (AET) Programmes Entered" and "AET Programmes Certificated" were introduced in this financial year.

Our quarterly performance was reported to the Accounting Authority and DHET. merSETA has reported over 22 000 entries into learning intervention and over 13 000 completions of learning interventions. Our highest performance by percentage was against our core activity of employed artisans certified. Our worst performance was against the indicator "unemployed bursaries entered" due to the re-allocation of its budget to NSFAS.

merSETA's overall annual performance is reflected in the table on the following pages:

PROGRAMME GOAL	PERFORMANCE INDICATOR	INDICATOR DEFINITION/NOTES	2012/13 ACHIEVEMENT	2013/14 TARGETS	2013/14 ACHIEVEMENT AND VARIANCE NOTES
Programme 3: Increased access to occupationally-directed programmes	**Unemployed learnerships entered**	This shall be the list of employed learners who are recognised by merSETA as having commenced a registered learnership in accordance with merSETA's processes and procedures for the quarter being considered.	**2 690**	**4 500**	**2 971**. This target was not achieved (only 66% achieved).
	Unemployed interns entered	This shall be the list of unemployed graduates who are recognised by merSETA as having been supported by merSETA to enter a formal internship programme in accordance with merSETA's processes and procedures for the quarter being considered.	**377**	**221**	**346.** This target was exceeded by 57%. This is a key core area for merSETA that has not always enjoyed significant uptake by employers. merSETA has in previous financial years initiated a number of partnerships with various institutions which have resulted in merSETA employers recognising the benefits of taking on interns.
	Unemployed skills programmes entered	This shall be the list of unemployed learners who are recognised by merSETA as having commenced a registered skills programme in accordance with merSETA's processes and procedures for the quarter being considered.	*** 2 461**	**1 500**	**3 188.** This target was exceeded by 113%. The over-achievement was due to a partnership project that was initiated with the KZN Provincial Government for various skills programmes.

* Please note that some of the indicators reflect a high level of achievement in the previous year. This is a result of organisations using their own financial resources over and above those of merSETA. This is outside merSETA's control.

PROGRAMME GOAL	PERFORMANCE INDICATOR	INDICATOR DEFINITION / NOTES	2012/13 ACHIEVEMENT	2013/14 TARGETS	2013/14 ACHIEVEMENT AND VARIANCE NOTES
Programme 3: Increased access to occupationally-directed programmes	**Unemployed learnerships certified**	This shall be the list of unemployed learners who are recognised by merSETA as having successfully completed a registered learnership in accordance with merSETA's processes and procedures for the quarter being considered.	***2 650**	**1 600**	**1 765.** This target was exceeded by 10%. The achievement is a reasonable parameter.
	Unemployed internships certified	This shall be the list of unemployed graduates who are recognised by merSETA as having been supported by merSETA to complete a formal internship programme in accordance with merSETA's processes and procedures for the quarter being considered.	**103**	**110**	**231.** This target was exceeded by 110%. The over-achievement was due to the previous year's partnership projects with the University of Johannesburg and NYDA closing out.
	Unemployed skills programmes certified	This shall be the list of unemployed learners who are recognised by merSETA as having successfully completed a registered skills programme in accordance with merSETA's processes and procedures for the quarter being considered.	*** 1 856**	**1 690**	**2 278.** This target was exceeded by 35%. The over-achievement was due to a partnership project that was initiated with the KZN Provincial Government for various skills programmes.
	Employed bursaries entered	This shall be the list of employed learners who are recognised by merSETA as having been supported by a bursary to enter a qualification in accordance with merSETA's processes and procedures for the quarter being considered.	**77**	**132**	**202.** This target was exceeded by 53%. The achievement included industry-funded learners.

	Employed bursaries certified	This shall be the list of employed learners who are recognised by merSETA as having been supported by merSETA to complete a bursary qualification in accordance with merSETA's processes and procedures for the quarter being considered.	**75**	**10**	**13.** This target was exceeded by 30%. The achievement represents three additional learners, which is a reasonable parameter.
	Unemployed bursaries certified	This shall be the list of unemployed learners who are recognised by merSETA as having been supported by merSETA to complete a qualification on a bursary in accordance with merSETA's processes and procedures for the quarter being considered. This target currently excludes learners graduating under the NSFAS agreement and will be updated in the first quarter of the new financial year.	**94**	**47**	**55.** This target was exceeded by 17%. The achievement represents eight additional learners, which is a reasonable parameter.
	Unemployed bursaries entered (NSFAS)	This shall be the list of unemployed learners registered for HET & FET studies as per the list provided by NSFAS and governed by the MoU.	**220**	**350**	**11.** This target was not achieved (only 3% achieved).The budget for this indicator was re-allocated to NSFAS.
	Total employed artisans entered	This shall be the list of employed apprentices who are recognised by merSETA as having commenced a registered apprenticeship in accordance with merSETA's processes and procedures for the quarter being considered.	**1 900**	**2 400**	**2 440**. This target was exceeded by 2% which is a reasonable parameter.

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PROGRAMME GOAL	PERFORMANCE INDICATOR	INDICATOR DEFINITION / NOTES	2012/13 ACHIEVEMENT	2013/14 TARGETS	2013/14 ACHIEVEMENT AND VARIANCE NOTES
Programme 3: Increased access to occupationally-directed programmes	**Total employed artisans certified**	This shall be the list of unemployed apprentices who are recognised by merSETA as having successfully completed a registered apprenticeship in accordance with merSETA's processes and procedures for the quarter being considered.	**834**	**1 200**	**2 824.** This target was exceeded by 135%.The timeframe for trade tests differs from learner to learner, which is dependent on the completion rate of training, and therefore the success rate will differ from time to time.
	Total unemployed artisans entered	This shall be the list of unemployed apprentices who are recognised by merSETA as having commenced a registered apprenticeship in accordance with merSETA's processes and procedures for the quarter being considered.	**3 549**	**3 600**	**3 789.** This target was exceeded by 5%. The achievement is a reasonable parameter.
	Unemployed artisans certified	This shall be the list of unemployed apprentices who are recognised by merSETA as having successfully completed a registered apprenticeship in accordance with merSETA's processes and procedures for the quarter being considered.	*** 2115**	**2 000**	**2 396.** This target was exceeded by 20%. The timeframe for trade tests differs from learner to learner, which is dependent on the completion rate of training and therefore the success rate will differ from time to time.

	Work experience	This shall be the list of learners recognised by merSETA as being supported in a qualifying way, in accordance with merSETA's processes and procedures for the quarter being considered, to acquire their P1 or P2 experience in order to obtain their qualification.	*** 1 108**	**662**	**874.** This target was exceeded by 32%. The partnerships with institutions for higher learning have contributed to this achievement.
	Workplace placement (FETC graduates)	This shall be the list of employed and unemployed FET College graduates who have been placed in any of merSETA's learning interventions.	**352**	**1 350**	**1 904.** This target was exceeded by 41%. The increased awareness of FETC graduates has contributed to the placeing of these learners within the Sector.
Programme 4: Promote the responsiveness of FETCs to Sector Skills Needs	**FET college partnerships**	This shall be the list of FET Colleges that have a formal agreement with merSETA in accordance with merSETA's processes and procedures for the quarter being considered.	**18**	**14**	**24.** This target was exceeded by 71%. FETC partnerships are one of merSETA's priority areas. All agreements with Colleges are multi-year agreements and we attempt to reach as many FETCs as possible.
Programme 5: Address the low level of youth and adult literacy and numeracy skills to enable additional training	**Employed skills programmes entered**	This shall be the list of employed learners who are recognised by merSETA as having commenced a registered skills programme in accordance with merSETA's processes and procedures for the quarter being considered.	*** 4 325**	**3 400**	**4 534.** This target was exceeded by 33%. The commitment from the Sector to uplift the skills of current employees has contributed to this achievement.

* Please note that some of the indicators reflect a high level of achievement in the previous year. This is a result of organisations using their own financial resources over and above those of merSETA. This is outside merSETA's control.

PROGRAMME GOAL	PERFORMANCE INDICATOR	INDICATOR DEFINITION / NOTES	2012/13 ACHIEVEMENT	2013/14 TARGETS	2013/14 ACHIEVEMENT AND VARIANCE NOTES
Programme 5: Address the low level of youth and adult literacy and numeracy skills to enable additional training	**Employed skills programmes certificated**	This shall be the list of employed learners who are recognised by merSETA as having successfully completed a registered skills programme in accordance with merSETA's processes and procedures for the quarter being considered.	**2 177**	**2 380**	**1 300.** This target was not achieved (only 55% achieved). The impact in the changes in the grant regulations resulted in the discretionary grant for the 2013/14 financial year being released near the end of the financial year. This resulted in a number of the skills programme learners being registered in the latter part of the period under review and will therefore result in some learners only completing the programme during 2014/15.
	ABET programmes entered	This shall be the list of employed and unemployed adults who have entered ABET, where applicable, FLC and non-NQF aligned short courses.		**1 500**	**1 931.** This target was exceeded by 29%. The achievement of this target is a direct result of company needs for short course learning.

	ABET programmes certificated	This shall be the list of employed and unemployed adults who have completed ABET, where applicable, FLC and non-NQF aligned short courses.		**1 050**	**1 086.** This target was exceeded by 3%. This achievement is within reasonable parameters.
Programme 6: Promote workplace skills development within the sector	**Employed learnerships certified**	This shall be the list of employed learners who are recognised by merSETA as having successfully completed a registered learnership in accordance with merSETA's processes and procedures for the quarter being considered.	**2 109**	**2 200**	**2 370.** This target was exceeded by 8%. This achievement is within reasonable parameters.
	Employed learnerships entered	This shall be the list of employed learners who are recognised by merSETA as having commenced a registered learnership in accordance with merSETA's processes and procedures for the quarter being considered.	**3 336**	**4 500**	**2 651.** This target was not achieved (only 59% achieved). The impact in the changes in the grant regulations resulted in the discretionary grant for the 2013/14 financial year being released near the end of the financial year. This resulted in a number of the employed learners that would have been linked to the grant not being registered by 31 March 2014.

* Please note that some of the indicators reflect a high level of achievement in the previous year. This is a result of organisations using their own financial resources over and above those of merSETA. This is outside merSETA's control.

PROGRAMME GOAL	PERFORMANCE INDICATOR	INDICATOR DEFINITION / NOTES	2012/13 ACHIEVEMENT	2013/14 TARGETS	2013/14 ACHIEVEMENT AND VARIANCE NOTES
Programme 6: Promote workplace skills development within the sector	**Mandatory grants paid to large companies**	This shall be the list of large companies that have been paid out mandatory grants in accordance with merSETA's processes and procedures for the quarter being considered.	**639**	**500**	**469**. This performance reflects a 94% achievement. There are a number of reasons for the decrease in applications being approved, which are outlined as follows: • No union sign-off; • Reduction from 50% to 20% of the grant,
	Mandatory grants paid to medium companies	This shall be the list of medium companies that have been paid out mandatory grants in accordance with merSETA's processes and procedures for the quarter being considered.	**1 122**	**833**	**668.** This performance reflects an 80% achievement. There are a number of reasons for the decrease in applications being approved, which are outlined as follows: • No union sign off; • Reduction from 50% to 20% of the grant.

	Mandatory grants paid to small companies	This shall be the list of small companies that have been paid out mandatory grants in accordance with merSETA's processes and procedures for the quarter being considered.	**2 286**	**1 812**	**2 156.** This target was exceeded by 19%. The extensive advocacy and assistance provided by merSETA regional offices impacted on the increase of small companies participating. In some cases, companies who were previously categorised as medium had a reduction of staff which has resulted in them being categorised as small companies in the year under review.
Programme 7: Cooperatives, small enterprises, NGOs and community-initiated training	**Cooperatives**	This shall be the list of cooperatives that have been supported by merSETA in any qualifying way according to merSETA's processes and procedures for the quarter being considered.	**8**	**16**	**19.** This target was exceeded by 19%. The over-achievement is a result of the merSETA and DTI collaboration, which provides for dedicated capacity building of identified cooperatives.
	Small Business support	This shall be the list of small companies that have been supported by merSETA in any qualifying way according to merSETA's processes and procedures for the quarter being considered.	**2 740**	**2 315**	**4 859.** This target was exceeded by 110%. merSETA's dedicated drive to support small businesses has contributed to the over-achievement.

PROGRAMME GOAL	PERFORMANCE INDICATOR	INDICATOR DEFINITION / NOTES	2012/13 ACHIEVEMENT	2013/14 TARGETS	2013/14 ACHIEVEMENT AND VARIANCE NOTES
Programme 7: Cooperatives, small enterprises, NGOs and community-initiated training	**NGO**	This shall be the list of NGOs that have been supported by merSETA in any qualifying way according to merSETA's processes and procedures for the quarter being considered.	**17**	**10**	**10.** This target was achieved by 100%.
	CBO	This shall be the list of CBOs that have been supported by merSETA in any qualifying way according to merSETA's processes and procedures for the quarter being considered.	**8**	**5**	**5.** This target was achieved by 100%.
	NLPE	This shall be the list of NLPEs that have been supported by merSETA in any qualifying way according to merSETA's processes and procedures for the quarter being considered.	Applicable From 2013/14	**200**	**330.** This target was exceeded by 65%. There is a great need to expand workplace-based opportunities, hence the increased effort to support NLPEs which contributed to the over-achievement.
Programme 8: Career Development	**Career awareness**	This shall be the list of recipients who have received qualifying career awareness support in accordance to merSETA's processes and procedures for the quarter being considered.	**2 570**	**1 720**	**3 980.** This target was exceeded by 131%. A focused approach to career awareness and invitations to participate in events have resulted in an over-achievement of this target.

Figure 1: Performance Against Numerical Targets (Part I)

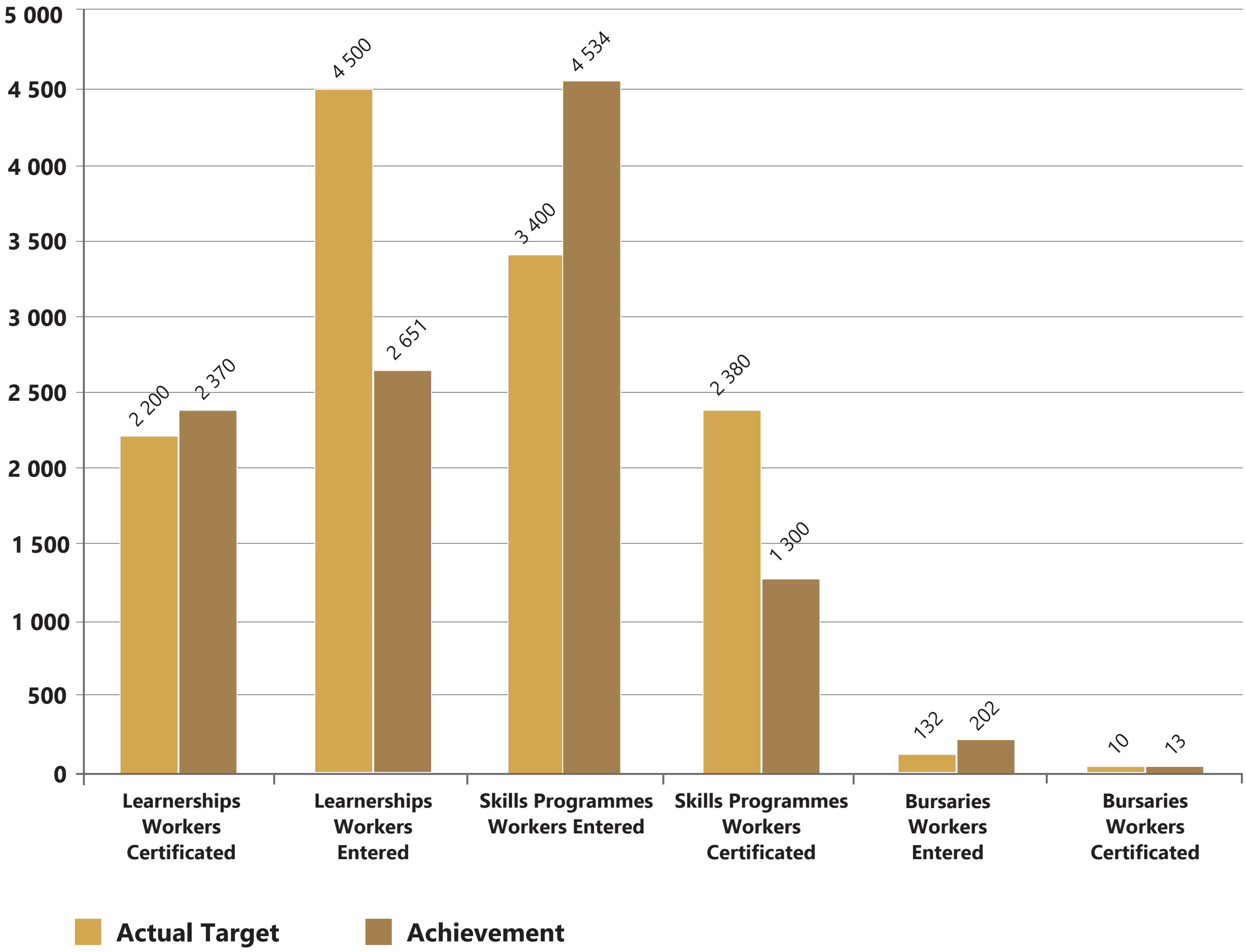


Figure 2: Performance Against Numerical Targets (Part II)

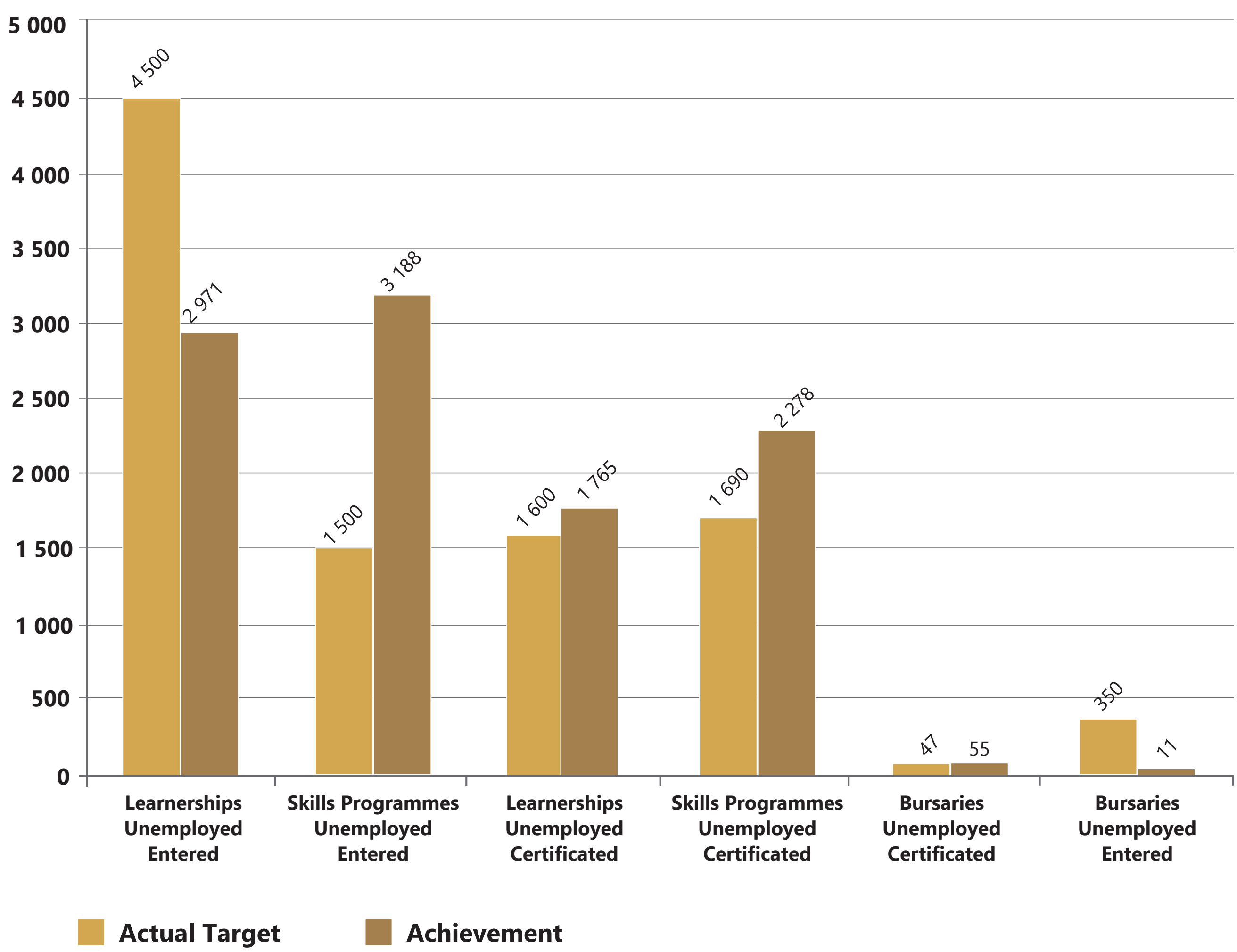
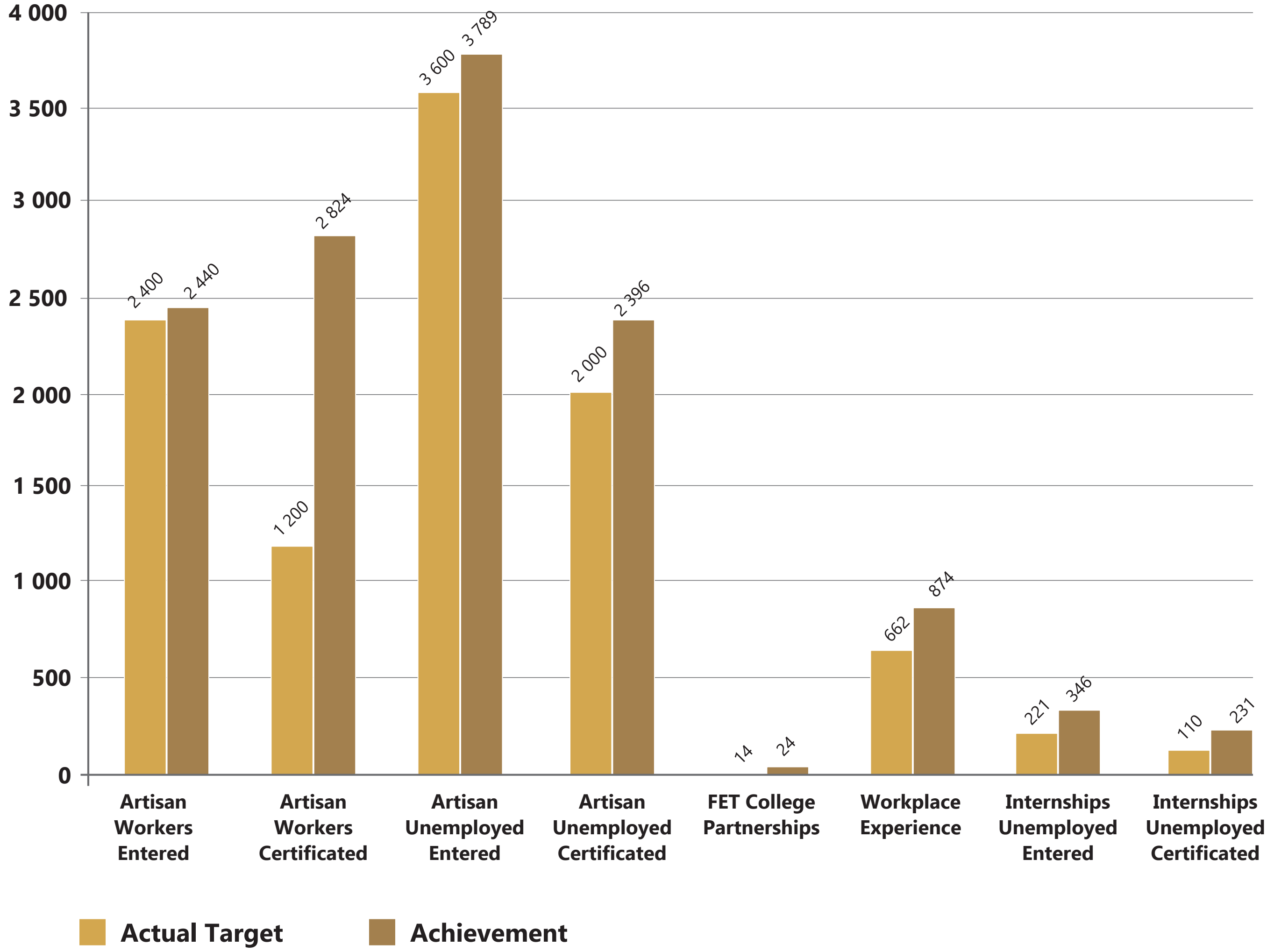


Figure 3: Performance Against Numerical Targets (Part III)



PART C: GOVERNANCE

GOVERNANCE

INTRODUCTION

merSETA is a Schedule 3a public entity and reports to the DHET. The Minister of Higher Education and Training is the main stakeholder on behalf of government and is defined as the Executive Authority. The Accounting Authority is responsible for providing a strategic direction to merSETA and ensuring that merSETA achieves its objectives and implements the goals of the NSDS III.

merSETA is stakeholder-driven and, in terms of the Skills Development Act, structures within merSETA must be equally represented by organised labour and organised employers.

EXECUTIVE AUTHORITY

The Ministry of Higher Education and Training is merSETA's Executive Authority. In that regard, merSETA reports to the DHET. The Minister of Higher Education and Training in turn reports to Parliament. merSETA has made all the required submissions to the Executive Authority, which include Quarterly Reports and the Annual Performance Plan as well as the SLA during the period under review.

THE ACCOUNTING AUTHORITY

1. Introduction

In line with the Standard Constitution, the Accounting Authority comprises 15 independent non-executive members and the Chief Executive Officer (CEO) serves as an Executive Member. The Accounting Authority members are appointed by the Minister of Higher Education and Training in terms of the Standard Constitution and represent organised labour and organised employers from the sector, as well as three members who are independent.

One organised employer position has been vacant since October 2013. An appointment process to fill the vacancy is under way.

Members of the Accounting Authority are appointed for a five-year term of office.

2. The role of the Accounting Authority

The Accounting Authority is generally responsible for governance and ensuring that merSETA achieves its mandate by reviewing corporate strategy, monitoring compliance with applicable legislation as detailed in Part A, monitoring performance information and policy development, among others.

The Accounting Authority also endorses the principles and guidelines espoused by the King III Report on corporate governance. In so doing, the Accounting Authority recognises the need to conduct the affairs of the SETA with integrity and in accordance with the accepted norms. The requirement for openness and accountability is an inclusive process that recognises the importance of all stakeholders in ensuring the viability and sustainability of the SETAs operations.

3. Accounting Authority Charter

The Accounting Authority functions are guided by a charter that is constantly reviewed to ensure alignment with the Standard SETA Constitution, the King III Code of Governance and other relevant legislation and statutes. The Accounting Authority Terms of Reference provides an overview of the role, powers, functions, duties and responsibilities of the members, collectively and individually.

4. Composition of the Accounting Authority

Ms Phindile Baleni was the Chairperson of the Accounting Authority during the year under review while Mr Xolani Tshayana and Ms Jeanne Esterhuizen served as Deputy Chairpersons. The following members served as Independent Non-Executive Members: Mr Alex Mashilo, Mr Anton Hanekom, Professor Fiona Tregenna, Mr Jacobus (Jakkie) Olivier, Mr Blackie Swarts, Mr Johan van Niekerk, Mr John Wilson (retired October 2013), Ms Malebo Mogopodi, Ms Nazrene Mannie and Mr Herman Kostens.

5. Attendance at meetings of the Accounting Authority and its Committees

NAME	ACCOUNTING AUTHORITY	AUDIT AND RISK COMMITTEE	EXECUTIVE COMMITTEE	HUMAN RESOURCES & REMUNERATION COMMITTEE	FINANCE AND GRANTS COMMITTEE
Phindile Baleni	6/7		2/2	3/4	
Jeanne Esterhuizen	6/7		2/2		2/4
Xolani Tshayana	7/7		2/2	4/4	
Alex Mashilo	7/7			1/4	
Andries Chirwa	3/7				
Anton Hanekom	5/7				2/4
Fiona Tregenna	7/7				4/4
Jacobus Olivier	5/7	3/5			
Jonathan Swarts	5/7	4/5			2/4
Johan van Niekerk	7/7				1/4
*John Wilson	4/7				1/4
Malebo Mogopodi	7/7		1/2		4/4
Thapelo Molapo	5/7			4/4	
Nazrene Mannie	5/7		1/2		2/4
Herman Kostens	6/7				
Martin Kuscus					4/4
Romano Daniels				4/4	
Sizeka Rensburg					2/4
Mantunka Maisela				4/4	
Andrew Mashifane		5/5			
Fay Mukkadam		4/5			
Thulisile Mashanda		4/5			

** Mr John Wilson retired on the 3rd of October 2013.*

6. Remuneration of the Accounting Authority and Committee Members

NAME	REMUNERATION R'000	OTHER ALLOWANCES	OTHER RE-IMBURSEMENTS R'000	TOTAL R'000
*Alex Mashilo				
Andrew Mashifane	83			83
Andries Chirwa	55			55
**Anton Hanekom	77			77
Jonathan Swarts	122		6	128
Fay Mukaddam	44			44
Fiona Tregenna	132			132
**Herman Kostens	75			75
**Jacobus Olivier	96			96
Jeanne Esterhuizen	119			119
Johan Van Niekerk	96		3	99
John Wilson	83		2	85
Malebo Mogopodi	122			122
Mantunka Maisela	70			70
Martin Kuscus	68			68
Nazrene Mannie	96			96
*Phindile Baleni				
Romano Daniels	56			56
Sizeka Rensburg	55			55
Thapelo Molapo	82			82
Thulisile Mashanda	44			44
Xolani Tshayana	159		9	168

**Mr Alex Mashilo and Ms Phindile Baleni are non-paid members of the Accounting Authority.*

*** The Following Accounting Authority members' remuneration is paid to the organisations they represent:*

- *Mr Anton Hanekom (Plastics SA)*
- *Mr Herman Kostens (Motor Industry South Africa)*
- *Mr Jacobus Olivier (Retail Motor Industry)*

COMMITTEES OF THE ACCOUNTING AUTHORITY

The following committees have been established in terms of Annexure 5 (1) and (2) and Annexure 6 of the Standard Constitution:

- Executive Committee
- Audit and Risk Committee
- Human Resources and Remuneration Committee
- Finance and Grants Committee
- Innovation, Research and Development Committee
- Education, Training and Quality Assurance Committee
- Chamber Committees
- Regional Committees

The Accounting Authority is establishing a Governance and Strategy Committee in line with the requirements of the Standard Constitution. All committees operate within written Terms of Reference, which are regularly reviewed and approved by the Accounting Authority.

1. The Executive Committee

The Executive Committee is responsible for overseeing the management of the financial affairs of merSETA, including determination of budgets and business plans. The committee is also responsible for monitoring national issues and developments and ensuring that the policies of the Accounting Authority are implemented.

The Executive Committee comprises five members, all of whom are members of the Accounting Authority.

The Executive Committee is chaired by Ms Phindile Baleni while Ms Jeanne Esterhuizen, Ms Malebo Mogopodi and Mr Xolani Tshayana serve as members.

The committee met on two occasions during the period under review.

2. The Audit and Risk Committee

Purpose

The Audit Committee fulfils a supervisory and monitoring role on behalf of the Accounting Authority, overseeing the company's financial affairs and its relationship with its auditors. The committee monitors the quality, integrity and reliability of the company's compliance with the relevant legislation and ensures that an appropriate system of internal control is maintained to protect the assets of the company. The Audit and Risk Committee is also responsible for evaluating the independence, objectivity and effectiveness of the external and internal auditors, considering the accounting and auditing policies and addressing concerns identified by the auditors.

The Audit and Risk Committee is also responsible for:

- promoting the accuracy, reliability and credibility of financial reporting
- reviewing the annual financial statements and annual report of the SETA for recommendation for approval by the Accounting Authority
- risk management and the implementation and monitoring of risk management programmes
- and internal control systems on behalf of the Accounting Authority.

Composition

The Audit and Risk Committee comprises of three independent members: Mr Andrew Mashifane (Chairperson), Ms Thulisile Mashanda and Advocate Fay Mukaddam, as well as two Accounting Authority members: Mr Jacobus Olivier and Mr Blackie Swart.

The chairperson attends Accounting Authority meetings by invitation.

Meetings

The committee met on five occasions during the period under review.

3. Human Resources and Remuneration Committee

Purpose

The object of the committee is to play an oversight role in the management of all matters relating to the human resources of merSETA. The committee provides guidance to the CEO pertaining to the management and the effective and efficient utilisation of the human resources of the SETA, in compliance with the approved policies and long-term strategy requirements of the SETA.

The committee is also responsible for evaluating the CEO's performance against set goals and objectives.

Composition

The Human Resources and Remuneration Committee consists of two independent members: Mr Romano Daniels and Ms Mantunka Maisela, as well as the following three members representing the Accounting Authority: Mr Thapelo Molapo (Chairperson), Mr Alex Mashilo and Mr Xolani Tshayana.

Meetings

The committee met on four occasions during the period under review.

4. Finance and Grants Committee

Purpose

The Finance and Grants Committee plays an oversight role in terms of the management of grant disbursements and monitors the financial implications of policies, decisions and changes to the budget and strategy of merSETA.

Composition

The Finance and Grants Committee comprises of two independent members: Mr Martin Kuscus and Ms Sizeka Rensburg. As well as five Accounting Authority Members: Mr Anton Hanekom (Chairperson), Ms Fiona Tregenna, Ms Nazrene Mannie and Mr Malebo Mogopodi. Mr John Wilson was the Chairperson of the Committee until his retirement on the 3rd of October 2013. Ms J. Esterhuizen attends meetings of the Committee by invitation.

Meetings

The committee met on four occasions during the period under review.

5. Social and Ethics Committee

The Standard SETA Constitution does not require merSETA to establish a Social and Ethics Committee. However, the scope of the Audit and Risk Committee, Human Resources and Remuneration Committee, and Governance and Strategy Committee include some of the expected functions of the Social and Ethics Committee.

CHAMBER COMMITTEES

Composition

merSETA has five Chamber Committees:

- Automobile manufacturing
- Metal and Engineering
- Retail motor and components manufacturing
- New tyre manufacturing
- Plastics manufacturing

The 2013/14 financial year for merSETA chamber committees coincided with the review of the current chamber committees' terms of reference. All chamber committees demonstrated a need for improved skills-development service delivery by ensuring that majority key sub-sectors within the committees gain representation and actively participate in chamber committee processes. At its November 2013 meeting the Auto Chamber Committee endorsed the inclusion of the bus and trucks sub-sector.

The year under review has also been a ground-breaking year for the chamber committees, which realised the need to begin aligning their activities by developing annual chamber committee work plans to support merSETA's strategic objectives. The chamber committees continue to fulfil a strategic role within merSETA by assisting the organisation to carry out its functions as prescribed in the Skills Development Act, 1998 (Act 97/1998) and related Grant Regulations (as amended).

Purpose

The chamber committees' responsibilities related to merSETA have moved beyond developing and contributing to the subsector skills plan underpinning the merSETA national SSP. In the year under review, in their inaugural inter-chamber office-bearers meeting, merSETA chamber committees resolved to develop annual chamber committees' work plans aligned to merSETA's strategic objectives consistent with the eight strategic goals of the NSDS III, which include building strong administrative institutional arrangements; developing SSPs; increasing access to occupation-directed programmes; promoting the responsiveness of public
technical and vocational education and training (TVET) colleges to the intermediate skills needs of the sector; addressing the low level of youth and adult literacy

and numeracy skills to enable additional training; promoting workplace skills development within the sector; encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO and community training initiatives; and creating more awareness about careers in the sub-sectors within merSETA's scope.

In summary, the following strategic intervention areas were identified by each chamber committee of merSETA.

1. Auto Chamber Committee

Despite the auto-manufacturing sub-sector being made up predominately of large auto-manufacturing and assembling companies, the Auto Chamber Committee recognises the need for growth and development of small and micro-enterprises (SMEs) and cooperatives and NGOs as key to growing and developing the auto-manufacturing sub-sector and the economy in general.

In its 2013/14 annual work plan the chamber committee identified a need to explore effective strategies for supporting SMEs, including effective and efficient strategies for addressing youth and adult literacy and numeracy, and fostering cohesion between the chamber and bargaining structures for effective skill planning and implementation.

During the year under review the Auto Chamber Committee was Chaired by Mr Xolani Tshayana while the following 18 officials served as members:

Mr Rudy Swarts, Mr Joseph Lekgoro, Mr Mawonga Madolo, Mr Lord Mampane, Ms Malebo Mogopodi, Mr Thabo Mogoroe, Ms Christina Berichon, Mr Stephen Goold, Mr Charles Kemp, Dr Lesley Lee, Ms Madeleine McMicken, Mr Thapelo Molapo, Mr Wayne Osborne, Mr Johannes van Rensburg, Mr Motlatsi Maphela, Mr Ramogale Makgopela, Ms Telishia Middleton and Mr Vusumzi Mkhungo.

Meetings

The committee met on four occasions during the period under review.

2. Metal Chamber Committee

The metal sub-sector is known for artisan development for both its own sub-sector and for other sub-sectors. In its annual work plan for artisan development, the chamber identified the need to investigate the uptake of artisans and increase the quality of the current candidates being developed.

The chamber further acknowledged the need for youth and adult numeracy and literacy skills. In pursuing this need, the committee called for in-depth understanding of the existing adult education and training (AET) and the new FLC initiatives.

During the year under review, the Metal Chamber Committee was Chaired by Ms Nazrene Mannie, while the following 18 officials served as members: Mr Abduraghmaan Adams, Mr Vusumzi Mabho, Mr Edward Matube, Mr Jonathan Swarts, Mr Edward Thobejane, Mr Simon Masilela, Mr Francois van Heerden, Ms Malebo Mogopodi, Mr Bernard Ashlin, Mr Cobus Cato, Mr John Davies, Mr Terence Harrison, Ms Carole Hills, Mr Edward Kirsten, Mr Willie Matthiae, Ms Azia Nxumalo, Ms Azia Nxumalo, Mr Bheki Simon Gumbi and Ms Sharon Mashego.

Meetings

The committee met on four occasions during the period under review.

3. Motor Chamber Committee

Focus areas identified in the Motor Chamber Committee annual plan include rural development, by investigating motor sector skills opportunities for cooperatives and partnerships in rural and semi-urban areas.

In pursuit of the rural and semi-urban development objective, the chamber views RPL training as one of the key strategies to be considered. The chamber suggested the starting point for RPL training should be to determine the demand for RPL, where it is taking place, the skills required and RPL policies and procedures.

During the year under review, the Motor Chamber was chaired by Mr Jeanne Esterhuizen and the following 18 official served as members:

Mr Moegamat Abrahams, Mr Herman Kostens, Mr Elias Kubeka, Mr Eric Linda, Ms Malebo Mogopodi, Mr Reginald Ntozini, Mr Motsamai Sefume, Mr Piet Verryne, Ms Ilze Botha, Mr Marwaan Davids, Mr Abraham Dunn, Ms Anel Pool, Mr Francois Rossouw, Mr Hugh Chaplin, Mr Sello Mangoejane, Mr Johan de Bruyne, Mr Lesley McMaster and Mr Isaac Boshomane.

Meetings

The committee met on three occasions during the period under review.

4. New Tyre Chamber Committee

To address the training needs of rural and semi-rural communities and stimulate economic growth and development, the chamber committee called for partnerships.

It aims to explore possible partnerships between the industry and SMEs and NGOs by, among other things, strengthening existing recycling initiatives in the industry, not only those geared to promoting the green economy but also job creation opportunities in the formal and non-formal markets.

In its annual work plan the chamber committee further called for investigation of stakeholders' capacity-building needs for effective participation at company, training committee and chamber level.

During the year under review the New Tyre Chamber Committee was chaired by Mr John Wilson until October 2013. Ms Helen van Maltitzhas been chairperson from November 2013 while the following 18 officials served as memebers:

Mr Jean Delport, Mr Jafta Mathole, Mr Mthobeliu Maya, Mr Alfred Mchunu, Ms Malebo Mogopodi, Mr Bandla Mtshiselwa, Mr Neil Abrahams, Mr Samuel Berkatt, Ms Eileen Gardner, Mr Kogilan Govender, Ms Susan Muller, Ms Carla McIntosh, Mr John Wilson, Mr Thabo Majola, Mr Neil Rademan, Mr Vusumzi Mkhungo, Mr Zwelandile Mgen and Mr Omphile Mmope.

Meetings

The committee met on four occasions during the period under review

5. Plastics Chamber Committee

The chamber identified a need for industry leadership development programmes to enhance efficiency and industry sustainability under current economic pressures.

Some of the key focus areas identified by the Plastics Chamber Committee in support of merSETA, strategic objectives include the development of an industry career map based on the types of SME evolving from other types of business in the plastics value chains and jobs and qualifications available in the sub-sector.

During the year under review, the Plastics Chamber Committee was chaired by Mr Anton Hanekom while the following 16 officials served as members:

Ms Johanna Mothupi, Ms Ntombi Blou, Mr Peter Madigoe, Ms Anne Pienaar, Mr Sidwell Tseledi, Mr Francois van Heerden, Mr Henry van Rooyen, Ms Magdelene von Willen, Ms Kirtida Bhana, Mr Robert Bond, Mr Bernard Sauls, Ms Vanessa Davidson, Mr Dave Duncan, Ms Valencia Ellse, Mr Errol John and Ms Wendy Seloi.

Meetings

The committee met on four occasions during the period under review.

OTHER STRATEGIC COMMITTEES

The following committees also played a crucial role in ensuring that the mandate of the organisation was achieved:

1. Innovation, Research and Development Committee

Purpose

The merSETA Innovation, Research and Development Committee oversees the development and review of the sector innovation, research and development strategy. The committee is responsible for oversight in respect of ensuring programme alignment with merSETA strategy, industry needs and relevant national development priorities. No members of the committee are remunerated.

Composition

The Innovation, Research and Development Committee consists of seven members. There are three members from the Accounting Authority, four experts from industry and one member from the Department of Trade and Industry. The chairperson of the committee is an Accounting Authority Member.

Meetings

The committee convened four meetings during the period under review.

2. Education, Training, Quality Assurance Committee (ETQA)

Purpose

The ETQA Committee is responsible for the oversight of the execution of the quality assurance functions and obligations of merSETA on behalf of the Accounting Authority.

Composition

The ETQA Committee comprises nine members of the Accounting Authority.

Meetings

The committee convened three meetings during the year under review.

REGIONAL COMMITTEES

Purpose

The main function of these committees, in terms of the resolution of the Accounting Authority, is to act in an advisory capacity. The regional committees' main objective is to encourage a smooth flow of information between merSETA regional committees and chambers.

Composition

merSETA has seven regional committees with a maximum of eight members each. Regional committees comprise an equal number of member representatives from organised labour and organised employers.

RISK MANAGEMENT

The Accounting Authority is responsible for the merSETA risk management process. The Audit and Risk Committee assists the Accounting Authority in carrying out its risk management responsibilities. The Accounting Authority has delegated to management the responsibility for designing, implementing and monitoring risk management within merSETA.

merSETA continuously strives to improve its risk management processes. Regular risk assessments are carried out determine the effectiveness of the strategy and identify new and emerging risks. The SETA reviewed its risk management framework and policy in March 2014. A risk management workshop was held on the 31st of July 2014.

INTERNAL AUDIT

merSETA's internal audit function is outsourced to an independent audit firm that carries out its function on an approved three-year internal audit plan. Sizwe NtsalubaGobodo Inc (SNG) were merSETA's internal auditors during the year under review. The Risk and Audit Committee reviews the internal audit charter as well as the performance of the internal auditors on an annual basis.

In the year under review, SNG independently appraised the adequacy and effectiveness of the SETAs systems, financial internal controls and accounting records, and reported their findings to the Audit and Risk Committee.

The internal control environment of merSETA was found to be in good standing.

COMPLIANCE WITH LAWS AND REGULATIONS

To ensure compliance with relevant legislation, merSETA's Legislative Compliance Register is reviewed on a quarterly basis. Systems are in place to detect changes in legislation as and when they arise. Cases of non-compliance are diligently addressed to prevent reoccurrence. The attached Auditor General's report for the period 2013/14 gives full details of merSETA's status in terms of compliance with laws and regulations.

FRAUD AND CORRUPTION

merSETA has a fully implemented Fraud Prevention Plan which is constantly reviewed to ensure for effectiveness. The SETA has a fraud and corruption hotline which is fully operational. A register of all reported cases is maintained and periodically reported through the governance structures. All cases are investigated and appropriate action is taken in cases where allegations are found to be true.

MINIMISING CONFLICT OF INTEREST

Members of the Accounting Authority and senior management are required to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. There are procedures for the Accounting Authority members disclose such conflicts, and these procedures have been operating effectively.

CODE OF CONDUCT

The merSETA Code of Conduct acts as a guideline to employees on what is expected of them from an ethical point of view, in their individual conduct and their relationships with merSETA stakeholders. It also assists employees to conduct themselves in accordance with the highest standards of integrity and ethics and in compliance with the Skills Development Act and other legislation related to objectivity, independence and conflicts of interest. The primary purpose of the code is to promote exemplary conduct. If an employee contravenes or fails to comply with any provision of this Code of Conduct, the employee will be dealt with accordingly if found guilty of misconduct.

Violation of the Code is dealt with in terms of merSETA's Grievance and Disciplinary Code and Procedures.

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

merSETA has developed policies and procedures to address the requirements of the Occupational Health and Safety Act No. 85 of 1993 and the National Environmental Management Act No. 107 of 1998, as required by the ISO 9001:2008 Quality Management Standards. During the period under review merSETA trained first-aid officials and firefighters in order to ensure the implementation of the above Acts. Staff are engaged in health and safety issues on a continuous basis in order to minimise safety, health and environmental risks.

COMPANY SECRETARY

The Company Secretariat function resides within the Corporate Services Department. Its main function is to assist the Accounting Authority with corporate governance procedures and monitor merSETA's compliance with the PFMA and other relevant legislation. Members of the Accounting Authority and its committees have unrestricted access to the advice and services of the Corporate Governance Division. During the period under review, Ms Nthabiseng Mongali served as Manager: Secretariat Services until her resignation in September 2013. Ms Florence Nkomo was subsequently appointed as Company Secretary on the 2nd of December 2013.

SOCIAL RESPONSIBILITY

merSETA contributed to social upliftment through implementing, managing, monitoring and evaluating initiatives designed to address key social imperatives. These initiatives focused on HIV, rural outreach, in- and out-of-school career guidance, bursaries, new venture creation, people with disabilities, ABET and AET/FLC programmes. merSETA's innovative and proactive approach continues to add value to sustainable social development.

ENVIRONMENTAL RESPONSIBILITY

merSETA's approach to sustainable green skills development is based on the notion of social innovation, in collaboration with business, organised labour and the community, working towards the implementation of holistic and strategically driven projects. The main purpose of merSETA's contractual relationship with the German Gesellschaft für Internationale Zusammenarbeit was to gain an understanding of the status of "green" activities, innovations and technologies. The groundwork in this regard was done through a comprehensive survey of merSETA's member companies in 2013/14. The recommendation in the survey report is in the process of being explored for specific actions in the 2014/15 financial year; these include advocacy and piloting alternative energy qualifications for solar and wind turbine technicians. The NDP and the Green Accord are key national directives in the implementation of sustainable green skills.

merSETA has also embarked on a waste recycling project called "Greening merSETA" in collaboration with the City of Johannesburg and an NGO. The statistics below indicate the amount of waste that was recycled between November 2013 and March 2014.

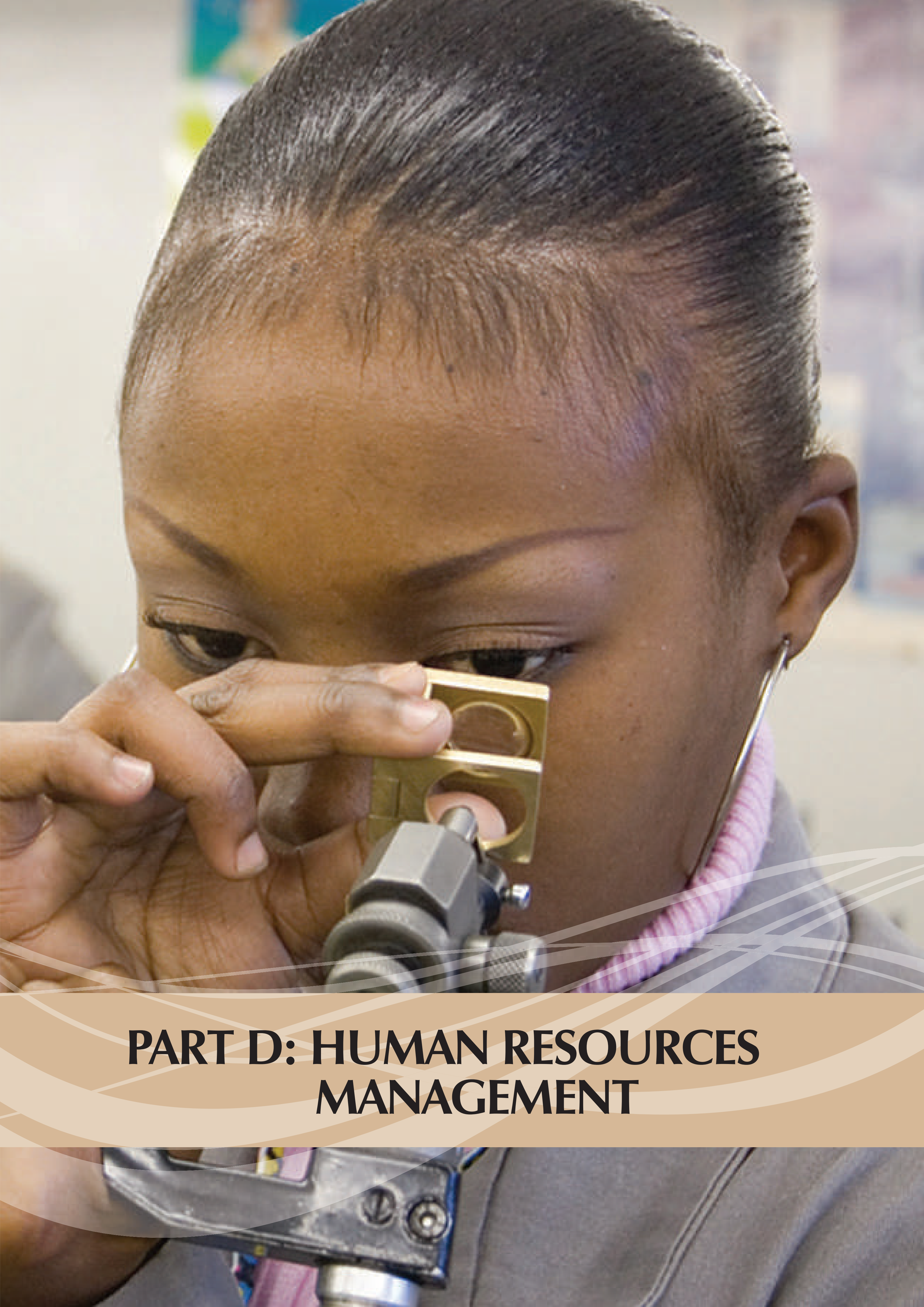
Paper	Plastic	Cans	Cardboard
1 302 kg	112 kg	75 kg	23 kg

The project has helped merSETA to contribute to empowerment and the creation of jobs and opportunities.

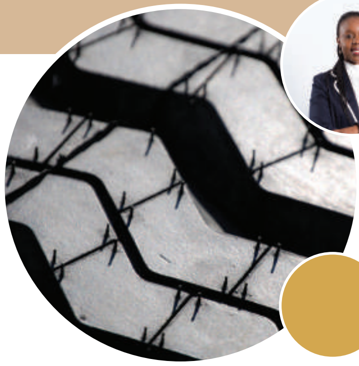
INFORMATION TECHNOLOGY (IT) GOVERNANCE

merSETA relies heavily on IT systems in conducting its business. Matters relating to IT governance are taken very seriously and are closely monitored. The company has an IT policy in place and systems and procedures pertaining to IT governance are continually improved.

"South Africa is a nation born from struggle, and born from a dream. In two decades of democracy, we have overcome many obstacles, and conquered many challenges. Many remain to be overcome. But the dream of a Better Life drives us on. Through toil, partnership, and dedication, we build, we achieve, and we grow."



PART D: HUMAN RESOURCES MANAGEMENT



HUMAN RESOURCES MANAGEMENT

INTRODUCTION

1. Overview of Human Resources matters

Overall, 2013/14 was a successful year for merSETA, with staff at all levels collaborating to implement a new organisational structure that will enable merSETA to deliver against its strategy and mandate. In addition, the review was used to standardise job titles and internal equity and to position the organisation for a leaner, more delivery-focused future structure.

As part of efforts to support the broader national strategy, merSETA adopted the Batho Pele principles as its values in the financial year, and a corporate video was recorded at the annual staff recognition function to capture staff perspectives on the new values.

2. Staff complement

During the 2013/14 financial year, the merSETA staff complement grew from 221 at the beginning of the financial year to 246 in March 2014. By the end of the year, the gender ratio amongst merSETA staff was 51:49 females:males, which is identical to the current national gender ratio according to the Statistical Release Mid-year Population Estimates 2013. The current equity ratio amongst staff is 65% African, 18% Coloured, 13% White and 4% Indian. This is compared to the national equity ratios in the table below.

	% African	% Coloured	% White	% Indian
merSETA	65	18	13	4
National	79.8	9	8.7	2.5

3. Stakeholder relationships

While 2013/14 was a relatively challenging year for staff in general, the engagement between management and the National Education Health and Allied Workers' Union continued to be characterised by topical and robust debate in the interests of maintaining and improving equitable and developmental working conditions for all staff. It is hoped that 2014/15 will bring a smoother and more collaborative relationship between management and staff at all levels, and that the relationships between individual employees and line managers in particular will be enhanced.

The Training Committee and the Employment Equity Committee were established in the middle of the financial year, to address issues of staff development and equitable human resource planning within the organisation.

4. Set HR priorities for the year under review and the impact of these priorities

As documented in the merSETA Annual Performance Plan 2013/14, the goals for human resources for the year are a key component of Programme 1 of the organisational strategy, "to instil a culture of effective and efficient governance within merSETA".

These goals include the following:

- Ensuring that all human resources policies and practices are fully compliant with the Skills Development Act;
- Developing human capacity through actively driving skills development and cultivating a learning culture throughout the organisation. This goal was set as a means of contributing to the national mandate to "increase public sector capacity for improved service delivery and supporting and building of a developmental state."

The achievements of merSETA against the set goals within the 2013/14 financial year were as follows:

- HR Policies – to have legally sound and compliant HR policies in line with the relevant legislation.
- Development and learning culture – to grow and develop employees: this was achieved through providing training and development opportunities to staff by allocating a specific budget per annum per employee and increasing the budget with the monies received from ETDP Seta for the submission of merSETA's Workplace Skills Plan (WSP).
- Retain talented and high-performing staff members by providing opportunities for growth and development: this was achieved by promoting employees to higher levels within the organisation and recruiting at the lowest levels possible.

5. Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

The HR unit ensures the availability of skills and resources whenever vacancies arise. All vacancies were approved by the CEO and filled in the shortest possible time. The recruitment philosophy is to develop and promote our current staff members to higher levels within the organisation and recruit at the lowest level possible. In instances where there was a lack of skills internally, external candidates were placed in line with the Employment Equity (EE) numerical goals and targets.

merSETA's key strategy to attract and recruit a skilled and capable workforce lies in its competitive reward structure. It offers market-related salaries that are benchmarked against the private sector and supported by a good benefit structure. In addition, work/life balance practices such as employee assistance programmes that are available to employees and their family members, flexible working hours and proactive wellness strategies are offered to assist employees to achieve success within and outside the workplace.

The strategy provides a fair and transparent performance management system that rewards achievement of organisational, team and individual goals and targets by paying performance bonuses at the end of each financial year.

The reward system values and acknowledges the desired actions, efforts and behaviour of employees through recognition programmes such as service awards presented at the annual recognition function, team or individual recognition lunches with the CEO and/or an article in the employee magazine.

merSETA also provides development and career opportunities as a retention strategy. These opportunities are presented in the form of providing exposure to different strategic areas; allocating a training budget per employee per annum; and providing paid time off to attend training, conferences and seminars.

6. Employee performance management framework

Performance contracts are established in line with merSETA's targets. The performance reviews are carried out on a bi-annual basis and all performance contracts are aligned to organisational goals and objectives.

merSETA utilises a standardised electronic performance management system (CBARS) that enables consistency and equitable treatment of employees throughout the organisation. The system allows for consultation between manager and subordinate in that it requires both parties to sign the performance contract before the performance rating process takes place. Before generating a final performance score, the system also requires sign-off by both parties. merSETA awards performance bonuses annually to each employee based on both organisational and individual performance. To be eligible for a performance bonus, employees need to score a rating of 3 and above. If an employee scores below a 3 rating, they are placed in a performance improvement process. A maximum of 10% of cost to company is paid out to employees as a once-off bonus, which is payable the end of April in each year. The 10% bonus is structured as follows:

- 2% of the bonus is based on merSETA achieving its NSDS III targets.
- 8% is based on the individual's performance according to the agreed performance scorecard.The performance bonus payable is thus structured to motivate employees to perform at optimum levels at all times. In the financial year under review, one performance improvement process was successfully concluded.

7. Employee wellness programmes

merSETA provides access to a 24-hour telephonic support service to its staff members and their immediate family members. Some of the services include trauma, financial, legal, relationship, stress, child and family care counselling. This service is offered in all 11 official languages and the service provider has a national footprint, enabling it to assist employees or their family members in any region.

Wellness days at merSETA include voluntary counselling and testing, glucose, cholesterol, blood pressure, eye and BMI testing.

There are also proactive wellness initiatives such as financial wellness workshops, emotional intelligence workshops, and stress and life management poster campaigns.

8. Policy development

Management identified the need to review all organisational policies to ensure consistency across the organisation. A task team of process owners was established for this project, which will be completed in the next financial year.

9. Highlights of achievements

merSETA has achieved its EE targets for the financial year. Two site visits were conducted by the EE Inspector from the Department of Labour in August 2013 and again in November 2013 and no gaps were identified in the legislative requirements of EE implementation.

Various promotional opportunities were created for employees from designated groups by recruiting at the lowest levels possible.

merSETA submitted its WSP on 30 June 2013 and received mandatory grants from ETDP SETA, which were utilised to increase the training budget to create more training and development opportunities for staff members.

10. Challenges faced by the public entity

Senior management has had to review the existing vacancies and take decisions on whether to freeze vacancies or enlarge existing jobs in order to contain costs. Senior management has exercised the necessary precautions to avoid compromising on operational effectiveness and service delivery.

Turnover has increased slightly. However, there seems to be a higher termination rate for females over the period as opposed to for males, with "growth opportunities" being cited as the main reason for termination. It is hoped that the availability of increased internal growth and development opportunities will curb the trend and result in increased retention of talented staff.

The appointment of people with disabilities has been a challenge due to the nature of the available jobs that the organisation offers.

11. Future HR plans/goals

- **Organisational development:** To continually improve the organisation's efficiency and effectiveness in achieving organisational objectives.
- **Employee learning and development:** To cultivate a culture of lifelong learning and knowledge sharing that leads to an interdependent, innovative and engaged workforce in which staff are generous with their time and talents and continually collaborate to better position merSETA for dealing with complexity within the external environment.
- **Performance management:** To translate and cascade broad organisational performance drivers into divisional, unit and individual performance targets, whilst simultaneously recognising and rewarding behaviour that is in line with merSETA's values.
- **Talent management and succession planning:** To ensure that suitable talent is acquired, nurtured, developed and up-skilled to achieve the organisational goals in line with the EE plan.
- **Employee wellness:** To provide employee and organisational wellness programmes that lead to well-rounded, mature employees who are equipped to contribute positively within and outside the workplace.
- **Employee relations:** To attain a harmonious and productive working environment by providing a legislative framework for conflict resolution, in which management and the trade unions collaborate towards achieving organisational objectives.

HUMAN RESOURCES
OVERSIGHT STATISTICS

1. Personnel costs

Total expenditure for the entity R'000	Personnel expenditure R'000	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee R'000
1 032 893	*96 265	9.32	246	392

* Includes staff that are designated to specific projects and remunerated from the project.

2. Personnel cost by salary band

LEVELS	MALES				FEMALES				
	African R'000	Coloured R'000	White R'000	Indian R'000	African R'000	Coloured R'000	White R'000	Indian R'000	Total R'000
Top Management	–	1 695	–	–	–	–	–	–	1 695
Senior Management	–	1 430	2 246	–	2 504	–	–	–	6 180
Professional Qualified	10 375	1 871	2 500	1 560	3 903	2 132	5 764	–	28 105
Skilled	13 154	5 234	3 521	2 935	8 696	2 899	3 037	794	40 270
Semi-skilled	5 356	1 005	–	–	8 944	1 914	1 043	230	18 492
Unskilled	413	–	–	–	1 210	–	–	–	1 623
Total	**29 298**	**11 235**	**8 267**	**4 495**	**25 257**	**6 945**	**9 844**	**1 024**	**96 365**

3. Performance rewards

LEVELS	MALE				FEMALE				
	African R'000	Coloured R'000	White R'000	Indian R'000	African R'000	Coloured R'000	White R'000	Indian R'000	Total R'000
Top Management	–	509	–	–	–	–	–	–	509
Senior Management	–	194	203	–	278	–	–	–	675
Professional Qualified	584	135	171	64	100	135	388	–	577
Skilled	750	372	207	205	567	194	183	55	533
Semi-skilled	306	71	–	–	519	114	69	–	1 079
Unskilled	7	–	–	–	66	–	–	–	73
TOTAL	**1 647**	**1 281**	**581**	**269**	**1 530**	**443**	**640**	**55**	**6 446**

4. Training costs

Programme/activity/ objective	Personnel expenditure R'000	Training expenditure R'000	Training expenditure as % of personnel cost	No. of employees	Average training cost per employee R'000
	96 365	1 553	2.3	142	10 936

5. Employment and vacancies

Programme/activity/ objective	2012/2013 No. of employees	2012/2013 Approved posts	2013/2014 No. of employees	2013/2014 Vacancies	Percentage of vacancies
	*221	8	**246	5	1.03

* Permanent staff members

** Average number of employees including interns

6. Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	–	–	1
Senior Management	4	1	–	5
Professional qualified	36	4	4	36
Skilled	94	5	3	96
Semi-skilled	72	15	10	77
Unskilled	14	18	1	31
TOTAL	**221**	**43**	**18**	**246**

7. Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	–	–
Resignation	22	42.3
Dismissal	–	–
Retirement	–	–
Ill-health	–	–
Expiry of contract	29	55.8
Other	1	1.9
TOTAL	**52**	**100**

8. Labour relations: misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	17
Written warning	13
Final written warning	2
Dismissal	0
CCMA	1

9. Equity Target and Employment Equity status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	–	–	2	–	–	–	2	–
Senior Management	3	–	2	–	–	–	1	–
Professional qualified	10	–	2	–	1	1	2	–
Skilled	30	1	11	–	6	–	8	2
Semi-skilled	23	–	4	–	–	–	–	1
Unskilled	1	–	–	–	–	–	–	–
TOTAL	**67**	**1**	**21**	**0**	**7**	**1**	**13**	**3**

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	–	–	–	–	–	–	–
Senior Management	–	–	1	–	–	–	4	–
Professional qualified	6	1	2	–	–	–	3	–
Skilled	23	–	8	–	2	–	6	–
Semi-skilled	37	1	8	–	1	–	4	–
Unskilled	10	1	–	–	–	–	–	–
TOTAL	**78**	**3**	**19**	**0**	**3**	**0**	**17**	**0**

Levels	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top Management	–	–	–	–
Senior Management	–	–	–	–
Professional qualified	–	–	–	–
Skilled	2	–	–	–
Semi-skilled	–	–	–	–
Unskilled	–	–	2	–
TOTAL	**2**	**0**	**2**	**0**

PART E: FINANCIAL INFORMATION

FOR THE YEAR END 31 MARCH 2014

FINANCIAL INFORMATION

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

Introduction

I have audited the financial statements of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) set out on pages 72 to 127, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

The 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 the South African Standards of Generally Recognised Accounting Practises (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA), and the Skills Development Act, 1998 (Act No. 97 of 1998) (SDA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PM), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that 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 Sector Education and Training Authority as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the PFMA and SDA.

Report on other legal and regulatory requirements

In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters.

Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of merSETA for the year ended 31 March 2014:

- Programme 3: Increased access to occupationally-directed programmes on pages 31 to 35
- Programme 6: To promote workplace skills development within the sector on pages 37 to 39

I evaluated the reported performance information against the overall criteria of usefulness and reliability.

I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

I did not raise any material findings on the usefulness and reliability of the reported information for the selected programmes.

Additional matter

Although I did not raise material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matter:

Achievement of planned targets

Refer to the annual performance report on pages 30 to 43 and for information on the achievement of the planned targets for the year.

Compliance with legislation

I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PM, are as follows:

Procurement and contract management

Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

Expenditure management

The accounting authority did not adequately take effective steps to prevent irregular expenditure, as required by section 51 (1)(b)(ii) of the PFMA.

Internal control

I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report:

Leadership

Management and staff did not fulfil their duties and responsibilities with regard to the overall process of assessing compliance with laws and regulations when procuring goods and services. These regulatory requirements are stated in the entity's supply chain management policy, but not adhered to.

Financial and performance management

The public entity did not implement sufficient monitoring controls to ensure the proper implementation of the overall process of procurement and contract management with regard to invitation and evaluation of quotations, in accordance with laws and regulations governing the processes.

Auditor-General.

Auditor-General
Pretoria
30 July 2014

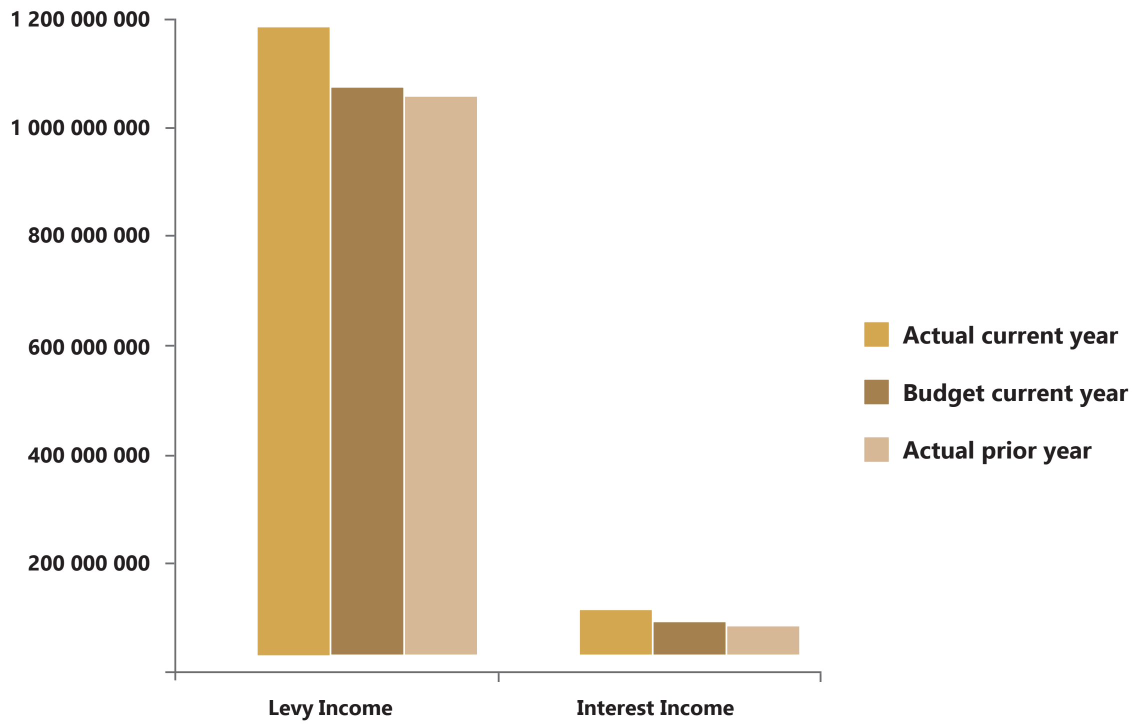
AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

SUMMARY OF **FINANCIAL INFORMATION**

1. Revenue collection

	2013/2014			2012/2013		
Sources of Revenue	**Budget**	**Actual Amount Collected**	**(Over)/Under Collection Budget**	**Budget**	**Actual Amount Collected**	**(Over)/Under Collection Budget**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Skills development levy income	1 046 670	1 155 325	(108 655)	969 139	1 021 254	(52 115)
Skills development penalties and interest	10 000	13 142	(3 142)	9 200	10 947	(1 747)
National Skills Fund income	49 360	11 516	37 844	22 962	39 288	(16 326)
Net gains from financial instruments	60 500	85 715	(25 215)	60 385	57 271	3 114
Other income	50	104	(54)	49	53	(4)
Total	**1 166 580**	**1 265 802**	**(99 222)**	**1 061 735**	**1 128 813**	**(67 078)**



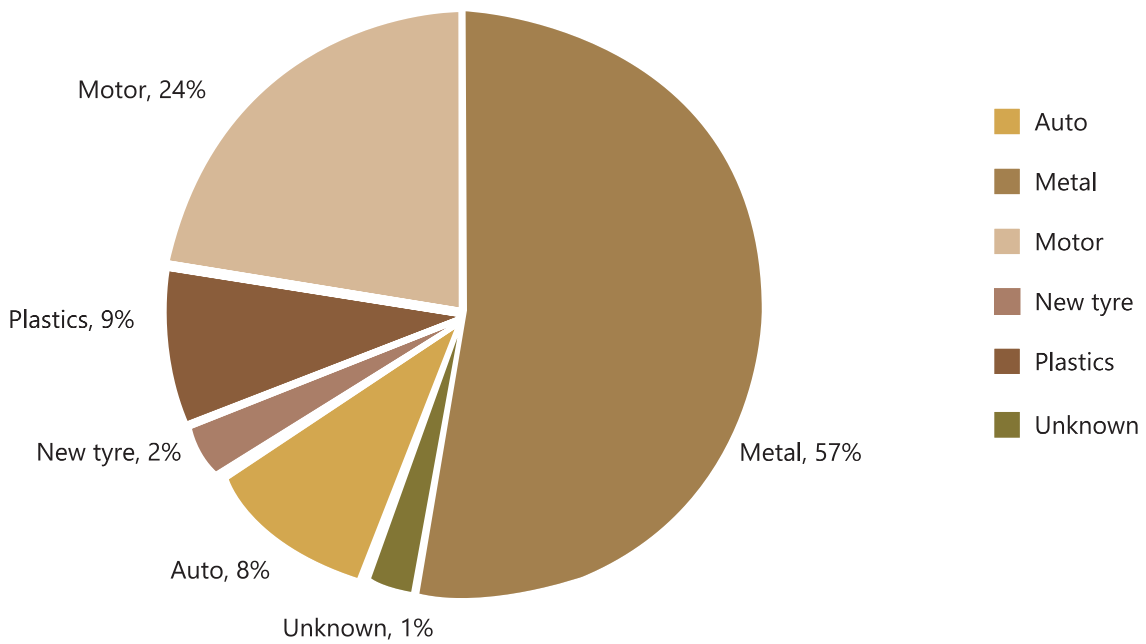
Levies

The merSETA levy income grew by 13% in the 2013/14 financial year over the prior year to reach R1 155 billion. This exceeded the budgeted levy income by 10.4%. The number of contributing employers increased slightly to 12 849 from 12 670.

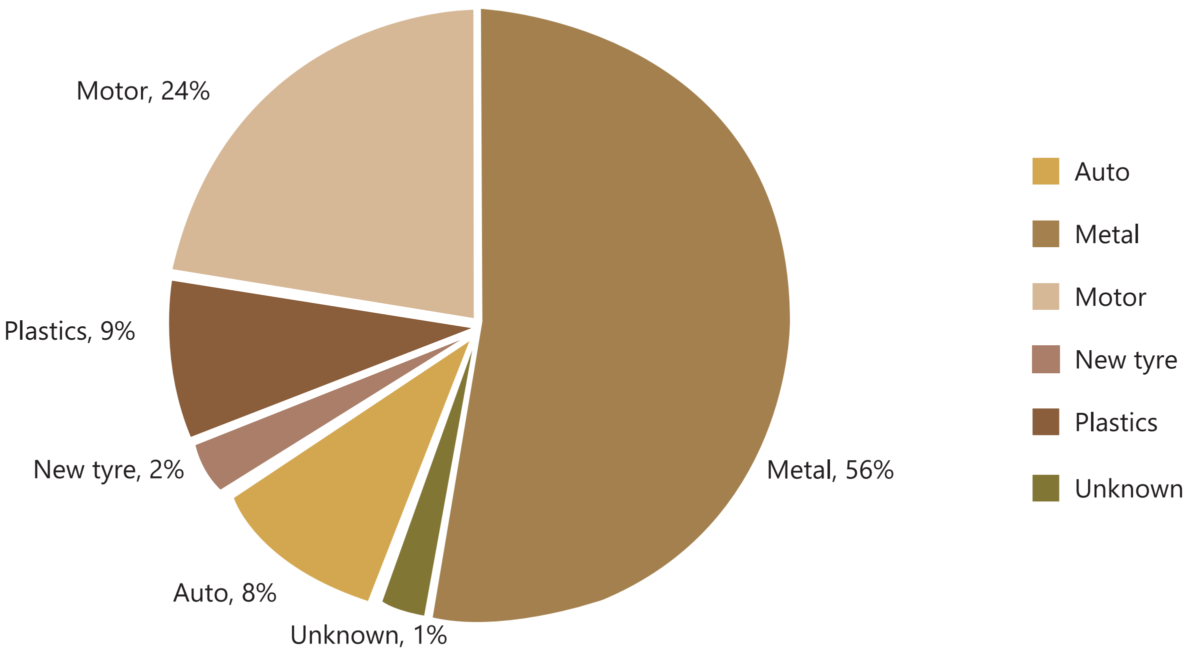
The increase in levy income from the prior year is mainly attributable to payroll increases within the contributing companies, as the number of contributing companies has decreased, and also because a number of companies exceeded the skills development levy threshold.

The breakdown of levies received per chamber as shown in Graph 1, shows a similar pattern to the prior year, with the Metal Chamber contributing the largest share of levies at 57%. Most companies that were registered, active and contributing were based in Gauteng and the North-West, as shown in Graph 2.

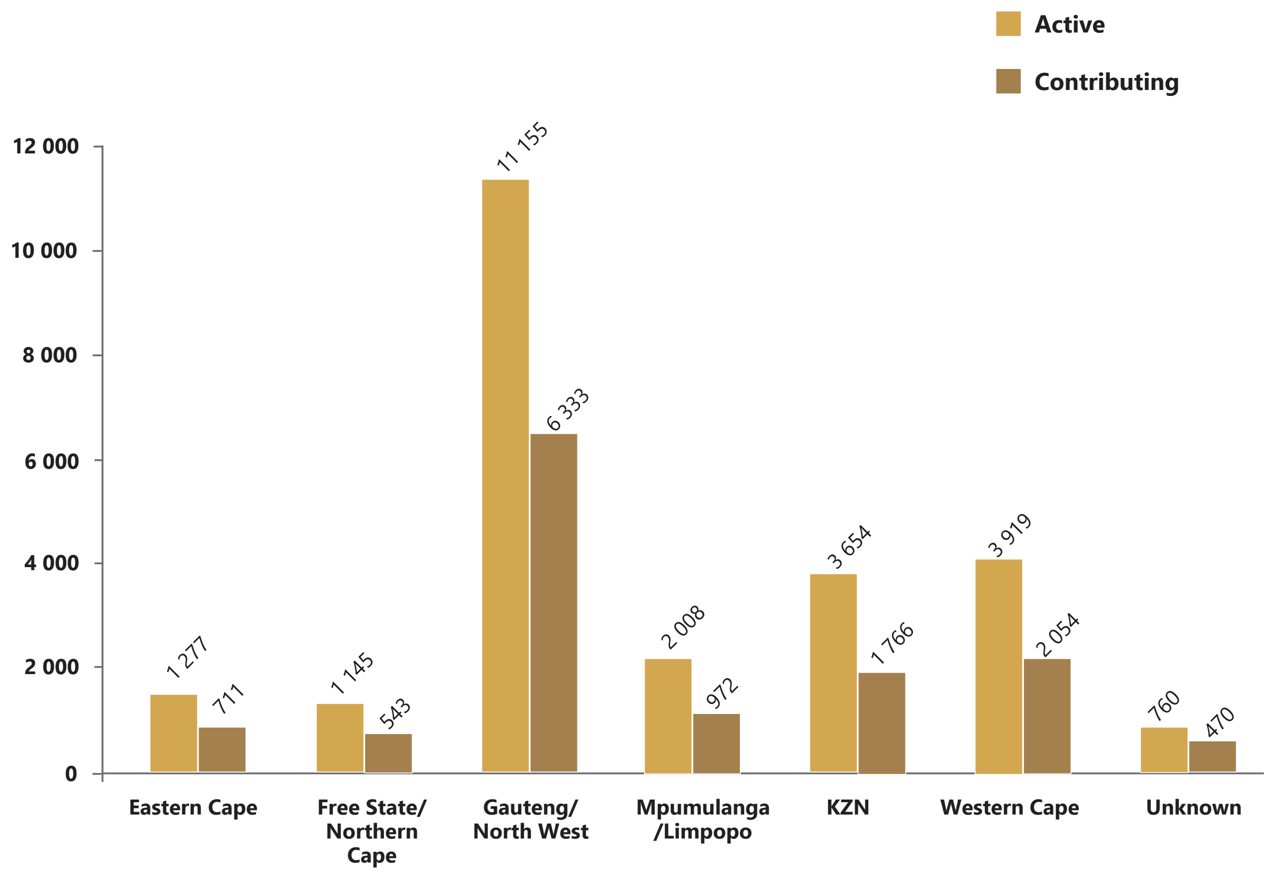
Graph 1 Percentage of Total Levies Paid by Chamber Year to Date – March 31, 2014 (Year 14)



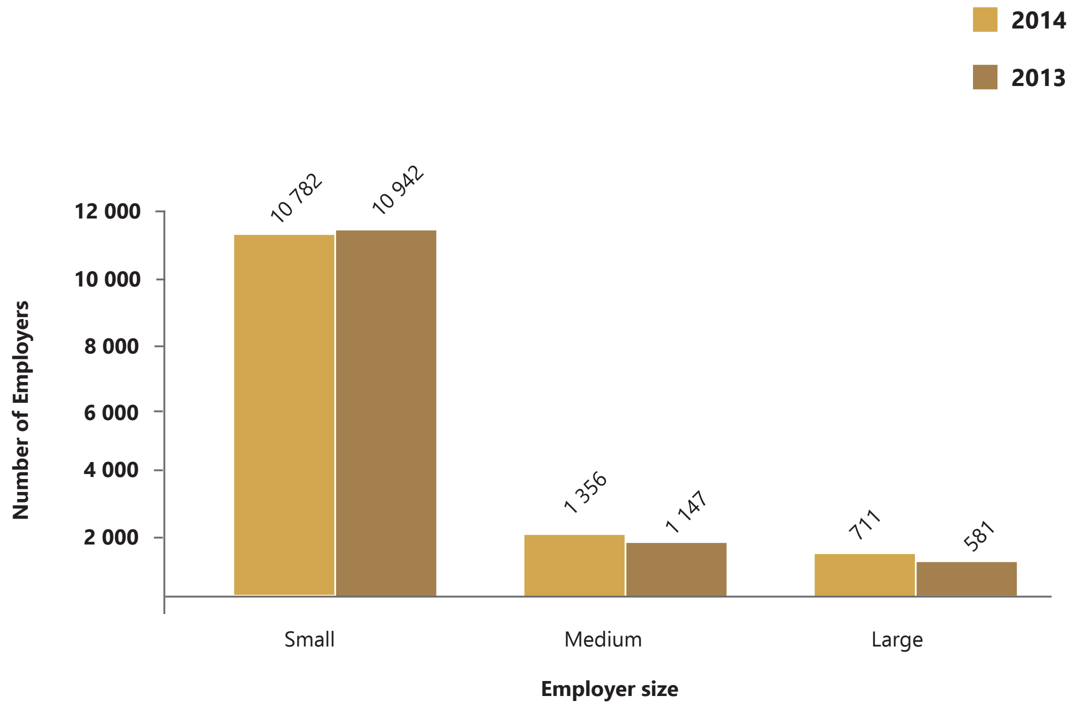
Percentage of Total Levies Paid by Chamber Year to Date – March 31, 2013 (Year 13)



Graph 2 **Total Levy Analysis by Province Year to Date March 2014**



Graph 3 **Number of Contributing Employers by size 2013/14 vs 2012/13**



2. Programme expenditure

	2013/2014			2012/2013		
Programme Name	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Administration	159 824	143 099	16 725	150 370	136 110	14 260
Skills Planning	11 167	8 639	2 528	23 873	7 884	15 989
Increase access to occupationally directed Programmes	468 063	416 704	51 359	753 039	369 063	383 976
Promoting the responsiveness of FETCs to the intermediate skills needs of the sector	35 146	122 513	(87 367)	19 857	4 174	15 683
Addressing the low level of youth and adult language and numeracy skills to enable additional training	19 466	7 934	11 532	34 266	11 168	23 098
Promoting workplace skills development within the sector	317 832	312 686	5 146	535 658	542 659	(7 001)
Encouraging & supporting co-operatives, small enterprises, worker-initiated and community training initiatives	26 044	12 751	13 293	49 481	11 453	38 028
Career development	11 244	8 567	2 677	14 813	7 200	7 613
Total	**1 048 786**	**1 032 893**	**15 893**	**1 581 357**	**1 089 711**	**491 646**

Mandatory Grants

merSETA has experienced a decline in mandatory grant participation, as the claims ratio decreased from 82% in the prior year to 70% in the current year. The decline is mainly attributed to issues of companies not obtaining labour sign-off on their WSP submissions as per the requirement of the new Grants Regulations.

The mandatory grant expense in the current year decreased by 49.2% to R261 million from R514 million in the prior year. The decrease is mainly due to the changes in Grants Regulations from an allocation of 50% of the total levy receipts to 20%, effective from the 1st April 2013. Disbursements of mandatory grants are slightly lower than budgeted, by 0.15%; the pattern of the mandatory grants actual against budget differs from that of the levy income due to the drop in the claims ratio.

Discretionary Grants and Projects expenditure

Discretionary grants expense, including project expense, in 2013/14 amounted to R650 million, an increase of 51.8% from the prior year's expense of R428 million. The increase was due to close out on DG 1 and the disbursement of a discretionary grant for the TVET infrastructure development project by DHET.

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2014.

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 38 (1) (a) of the Public Finance Management Act and Treasury Regulation 3.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference, as its charter was reviewed during the year under review. The committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control and risk management

The merSETA system of controls is designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. merSETA has a risk management framework and policy in place and these were reviewed during the year under review. A risk register is maintained in order to continually assess the organisation's risks throughout the year.

The Audit and Risk Committee has considered all significant control matters and associated action plans and it has been established that the organisation's internal control system and risk management are effective and form a sound basis for the preparation of reliable annual financial statements.

In-Year Management and Monthly/Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority.

Evaluation of financial statements

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

Auditor's report

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

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

Mr Andrew Mashifane
Chairperson of the Audit Committee
merSETA
31 July 2014

MANUFACTURING, ENGINEERING AND RELATED SERVICES EDUCATION AND TRAINING AUTHORITY

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

The audited Annual Financial Statement for the year ended 31 March 2014, set out on pages 74 to 127, have been approved by the Accounting Authority in terms of section 51(1)(f) of the Public Finance Management Act (PFMA), No. 1 of 1999 (as amended) on 31 July 2014, and are signed on their behalf by:

Chairperson of the Accounting Authority
Ms Phindile Baleni (née Nzimande)

Chief Executive Officer
Dr Raymond Patel

CONTENTS

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

GENERAL REVIEW OF THE STATE OF AFFAIRS OF THE merSETA

The financial year 2013/14 was the first year of implementation of the new *Sector Education and Training Authorities (SETAs) Grant Regulations regarding the monies received by a SETA and related matters.* The Government Gazette No. 35940 was issued on the 3rd December 2012 for implementation from the 1st April 2013.

The intention of these new regulations as stated in the Gazette is to:

- Regulate the proportion of funds available for skills development that is spent on administration.
- Provide for Sector Education and Training Authorities (SETAs) to contribute to the cost of the work of the Quality Council for Trade and Occupations (QCTO).
- Discourage the accumulation of surpluses and the carry-over of unspent funds at the end of each financial year.
- Improve the quantity and quality of labour market information received by SETAs in the form of workspace skills plans, annual training reports and PIVOTAL training reports, to inform planning.
- Promote National Qualifications Framework (NQF)-registered and quality-assured PIVOTAL programmes that address priority scarce and critical skills needs identified in sector skills plans.
- Create a framework within which expanded use is made of public education and training providers for the provision of skills development programmes.

merSETA successfully implemented the changes as stipulated in the new Grant Regulations within the required timeframe.

The financial and operational affairs of merSETA are well managed and the financial position remains sound. merSETA has achieved all but four of its performance targets as set out in the Annual Performance Plan. The four targets that were not met are: employed learnerships entered; unemployed bursaries entered; employed skills programmes certified; and unemployed learnerships entered.

The levy base has shown a healthy growth from the prior year, in line with the consistent upward trend of previous reporting periods. Mandatory grant payments have been made on an ongoing basis during the year but the total expenditure decreased significantly from last year. This is mainly due to the reduction in the mandatory grant allocation of levies from 50% to 20% in the current year. A drop in the mandatory grant claims ratio was also experienced.

There has again been a significant increase in the disbursements of discretionary grants and projects from the prior year, reflecting the commitment of merSETA to meeting its objectives. merSETA maintains substantial reserves of which 96% is committed to learnerships, apprenticeships and projects stretching over the next four years to the value of R1.1 billion.

Member Companies and Levies

merSETA levy income grew by 13.1% in the 2013/14 financial year over the prior year to reach R1 155 billion, exceeding the budgeted levy income by 10.3%. The number of contributing employers increased slightly to 12 849 from 12 670 in 2012/13, mostly in the metal sector. The exemption threshold to paying levies remained at the annual payroll level of R500 000.

Grants and Projects

The participation by employers, measured by the number of WSPs submitted in the current year, has dropped to 70%, compared to 82% in the prior year. The new Grant Regulations have had a detrimental impact on the number of WSPs that have been approved (mainly due to incomplete submissions or incorrect interpretation of the new requirements). merSETA continues to enforce strict deadlines for the submission of mandatory grant applications, in line with regulations. merSETA has made mandatory grants disbursements on a regular basis.

Disbursement of mandatory grants was in line with budget but the current year expenditure has dropped to R261 million from R514 million in the prior year for the reasons stated above.

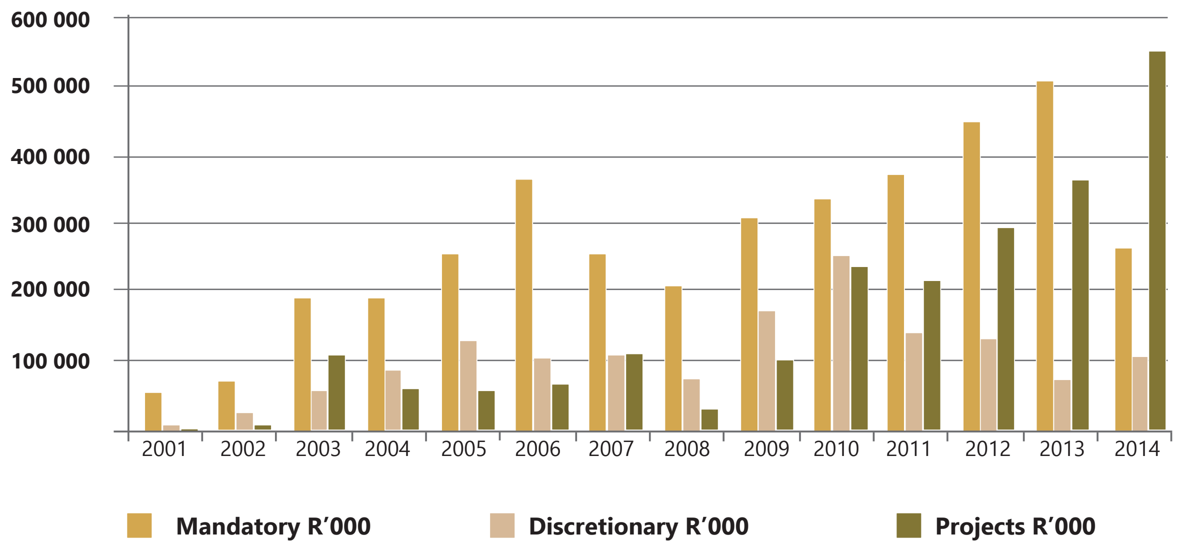
This year, discretionary grants expenses, including project expenses, have increased by 51.8% to R650 million from R428 million in the prior year. This is 3.7% above budget due to the close-out of several projects and the introduction of new post-school education priorities, such as public TVET infrastructure development and refurbishment. The Skills Development Circular No. 08/2013, issued to all SETAs with regards to their role in the refurbishment of public TVET colleges, links to Goal 4.3 of the National Skills Development Strategy (NSDS III) which addresses the growth of the TVET college system. The total grant amount that merSETA disbursed for the TVET Infrastructure development and refurbishment was R114 million.

merSETA continued to effect all first tranche payments at 10% of the MOA value after the company had submitted the signed MOA. The implementation report had to be submitted within 60 days of the signed MOA and approved by merSETA.

merSETA continues to monitor all the companies that were given discretionary grants as prepayments in the prior years to ensure that training is being implemented. The companies that are not implementing training as per the signed MOA are requested to either effect remedial action or refund the portion of discretionary grant funds paid to them.

Grants paid to date per grant type since inception:
R 000's

Year	Mandatory	Discretionary	Projects	Total
	R'000	R'000	R'000	R'000
2001	49 714	–	350	50 064
2002	66 640	22 144	4 984	93 768
2003	188 778	51 530	104 803	345 111
2004	143 170	83 794	53 143	280 107
2005	256 227	125 061	53 830	435 118
2006	362 128	102 719	63 263	528 110
2007	250 228	107 811	108 801	466 840
2008	204 274	69 114	28 280	301 668
2009	303 908	171 534	97 451	572 893
2010	334 254	248 928	234 176	817 358
2011	368 759	136 870	215 174	720 803
2012	445 459	130 680	290 029	866 168
2013	514 279	68 794	359 252	942 325
2014	261 222	102 372	547 637	911 231
TOTAL	**3 749 040**	**1 421 351**	**2 161 173**	**7 331 564**



The growth in grants paid over the period is largely influenced by the growth in the levies received.

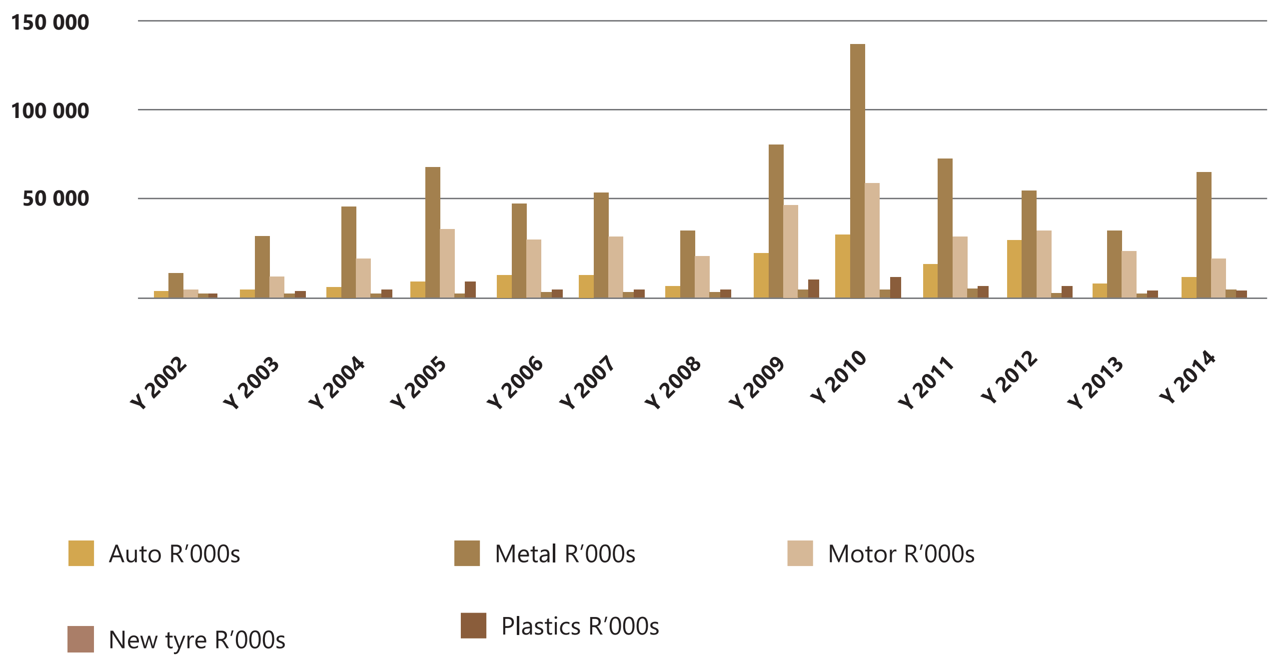
Discretionary grant expenditure increased significantly over the period, which reflects the drive to meet targets as well as making a significant contribution to other national skills development initiatives.

The drop in mandatory grants in the year 2014 is due to the changes in Grants Regulations, whereby the percentage allocation to mandatory grants from levies received was reduced from 50% to 20%.

The Accelerated Artisans Training programme (AATP), as well as the introduction of several co-funding and partnership arrangements to roll out further artisan development projects, have had a profound impact on project expenditure in the last five years.

Discretionary Grants paid to date by chamber
R'000

Year	Auto R'000	Metal R'000	Motor R'000	New Tyre R'000	Plastic R'000	Total R'000
2002	3 016	12 637	4 674	819	998	22 144
2003	4 828	32 781	10 663	941	2 317	51 530
2004	7 113	50 477	21 257	1 351	3 596	83 794
2005	8 650	70 412	37 077	661	8 261	125 061
2006	12 516	51 227	31 959	1 187	5 830	102 719
2007	12 496	58 152	31 363	851	4 949	107 811
2008	7 438	35 829	19 844	1 021	4 982	69 114
2009	24 606	84 552	50 676	2 169	9 531	171 534
2010	33 139	139 088	62 494	3 342	10 865	248 928
2011	17 729	77 123	32 205	3 169	6 644	136 870
2012	30 388	57 790	35 136	661	6 705	130 680
2013	5 952	36 071	24 410	346	2 015	68 794
2014	9 992	67 921	20 197	2 008	2 254	102 372
TOTAL	**177 863**	**774 060**	**381 955**	**18 526**	**68 947**	**1 421 351**

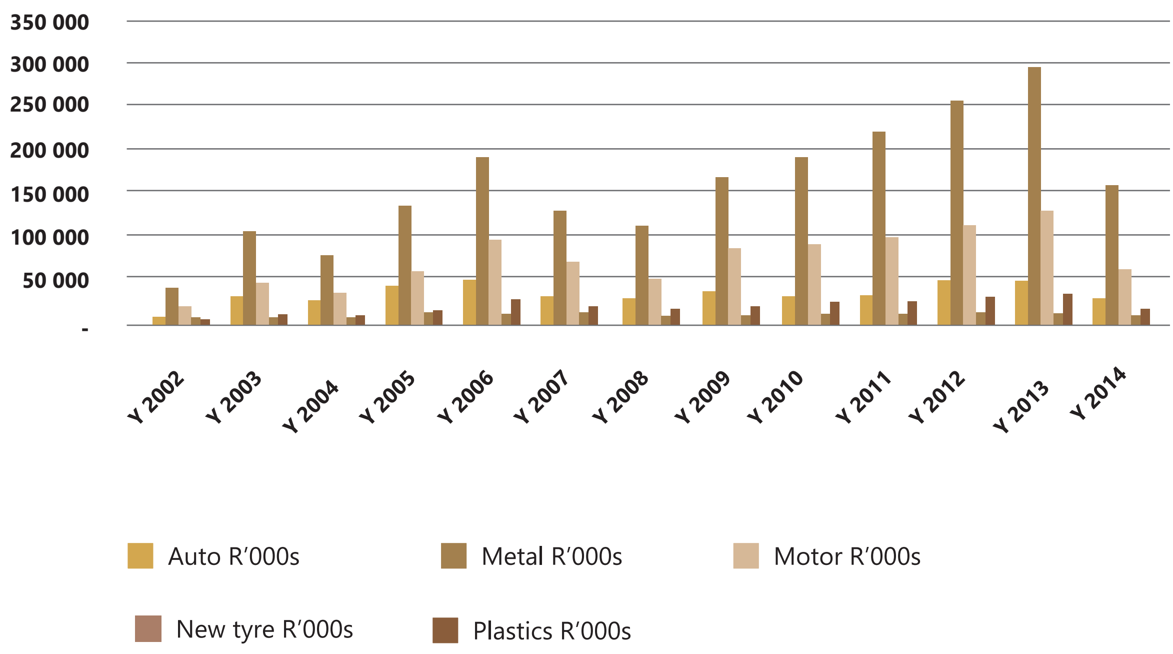


The allocation of discretionary grants by chamber is consistent with the contribution of each chamber in levies, with metal being the largest levy-contributing chamber.

The spike in 2010 is due to the strategic decision to reduce the large surpluses that were carried down from previous years.

Mandatory Grants paid to date by chamber
R'000

Year	Auto R'000	Metal R'000	Motor R'000	New Tyre R'000	Plastic R'000	Total R'000
2001	5 537	27 686	12 429	1 134	2 928	49 714
2002	7 990	37 628	15 725	1 986	3 311	66 640
2003	28 412	104 438	42 469	5 060	8 399	188 778
2004	22 962	77 101	32 670	3 171	7 266	143 170
2005	38 581	135 903	60 275	8 744	12 724	256 227
2006	47 140	191 523	92 510	6 116	24 839	362 128
2007	28 585	129 838	68 159	7 039	16 607	250 228
2008	23 316	111 250	52 610	4 210	12 888	204 274
2009	32 330	166 167	82 165	4 591	18 655	303 908
2010	26 921	190 632	88 582	6 674	21 445	334 254
2011	27 865	217 415	96 164	5 703	21 612	368 759
2012	43 484	255 222	113 552	8 040	25 161	445 459
2013	45 728	300 227	129 835	8 272	30 217	514 279
2014	23 246	157 650	60 933	4 657	14 736	261 222
TOTAL	**402 097**	**2 102 680**	**948 078**	**75 397**	**220 788**	**3 749 040**



The growth in mandatory grants paid over the years is consistent with the levy growth and the increase in participating employers, with the largest levy-contributing chamber being paid the most grants. Until 2012/13 there was a consistent increase in the claims ratio year on year. During the current year, mandatory grants decreased significantly due to the change in the legislated percentage and concomitant drop in the claims ratio.

Planned Utilisation of Surpluses

merSETA has discretionary reserves of R1.2 billion, of which R1.1 billion is committed to signed contracts approved by the Accounting Authority. These apply to learnerships, apprenticeships, and projects that continue implementation in ensuing years. Cash and other financial instruments at year end amount to R1.4 billion. merSETA had received approval from National Treasury to carry forward surpluses for the 2012/13 financial year, and has applied for similar carry forward surpluses for the 2013/14 financial year in May 2014.

merSETA carries a R12.8 million administration reserve in its statement of financial position as at 31 March 2014. The administration reserves are equal to the net book value of the noncurrent assets.

SERVICES RENDERED BY merSETA

merSETA renders three broad areas of services to its sector:

Grant disbursements:

- Disbursement of mandatory grants accounts for 20% of levies paid. This is subject to the companies submitting a valid workplace skills plan received by 30 June 2013. The purpose of the mandatory grant is to partially reimburse companies that undertake training.
- Disbursements of discretionary grant funds account for a minimum of 49.5%. The discretionary grant is intended to support learners and apprentices and also to undertake special projects that address critical sector needs.

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.
- Auditing and monitoring of training providers for the purpose of assessing the quality of training provision.

Skills implementation functions:

- Development of unit standards and registration of these with SAQA.
- Development of curriculum and courseware from unit standards registered in merSETA's scope of coverage.
- Conceptualisation and implementation of skills initiatives which promote the NSDS objectives and address training needs in merSETA's five sub-sectors.
- Research into sector training needs in terms of scarce and critical skills and future economic growth-related skills.
- Development and maintenance of a database for skills development research and administration.
- Skills development advice and assistance to companies and training providers.
- Administration and maintenance of the apprenticeship and learnership systems.

HUMAN RESOURCES

During the current financial period, merSETA reviewed the newly implemented organisational structure in order to ensure effective delivery of NSDS III. The revised organisation structure has been approved by the Accounting Authority. The number of employees as at March 2014 is 246, an increase from the prior year number of 242. merSETA remained focused on customer service ensuring that the head office and regional offices are sufficiently resourced by competent staff to support stakeholders and deliver on performance targets.

Key Personnel	Cost to Company 2013/14	Performance Bonus 2013/14	Total 2013/14	Total 2012/13	Notes
Chief Executive Officer	1 695	509	2 204	1 953	Performance bonus is based on a provision for the current year
Chief Financial Officer	1 186	178	1 364	1 122	
Chief Operating Officer: Implementation	1 293	193	1 486	1 304	
Chief Operating Officer: HR, Strategy and Compliance	268	100	368	503	Position vacant from October 2012 to December 2013
General Manager: Innovation, Research and Development	1 146	137	1 283	1 099	
TOTAL	**5 588**	**1 117**	**6 705**	**5 981**	

UTILISATION OF **DONOR FUNDS**

merSETA entered into an agreement for co-financing the Accelerated Artisan Training Programme with the National Skills Fund in March 2009 worth R136 million. R1.8 million was spent during the year, in the closing phase of the project. At the end of March 2014, R1.3 million of the remaining funds was on hand, and will be returned to the NSF.

merSETA also entered into an arrangement with the DHET for the Training Layoff Scheme in 2009/10; R9.7 million was spent during the year. At the end of March 2014, R17.7 million of these funds was on hand.

BUSINESS **ADDRESS**

The physical and postal addresses of merSETA are as follows:

merSETA
The Atrium
95, 7th Avenue
Melville
Johannesburg

merSETA
P O Box 61826
Marshalltown
2107

ACTIVITIES TO BE **DISCONTINUED**

merSETA did not discontinue any major activity during the year under review and has no plans to discontinue any activities in the next financial year.

NEW/PROPOSED **ACTIVITIES**

merSETA continues to align itself with the government directive to focus on unemployed youth and capacity-building of the public TVET colleges.

EVENTS AFTER THE REPORTING DATE

The merSETA Accounting Authority has established an additional sub-committee, the Strategy and Governance Committee. This committee was established in May 2014.

PERFORMANCE INFORMATION

merSETA's performance is monitored continually and reported to the DHET on a quarterly basis. Performance is measured against merSETA's strategic programmes, which are based on the objectives of the NSDS III.

The Service Level Agreement between merSETA and DHET contains numerical targets for the financial year, which must be reported in the Annual Report at the end of the financial year.

merSETA is in the process of improving its management information system, in an effort to improve the quality of information available for skills planning and monitoring and evaluation, as well as for accuracy of record keeping and reporting.

During the 2013/14 financial year, merSETA has achieved all but four targets, namely: employed learnerships entered; unemployed bursaries entered; employed skills programmes certified; and unemployed learnerships entered. The details of merSETA's performance achievements are provided in the Annual Report under the section on Performance Information.

CORPORATE GOVERNANCE

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

a. Accounting Authority (previously: Governing Board)

The Accounting Authority which comprises 15 members, including the chairperson, was appointed by the Minister of Higher Education and Training on 1 April 2011 for a five-year term. There are three ministerial appointees, one of whom is the Chairperson, while the other 12 members represent organised labour and organised employers (six members per category). The Minister of Higher Education and Training introduced restrictions to Accounting Authority members' term in office in terms of the reappointment.

b. Internal Audit

The merSETA internal audit function is outsourced to an independent audit firm that carries out its functions based on an approved three-year internal audit plan. The independent internal auditors perform and report in terms of the approved Audit and Risk Committee Charter.

c. Financial Management

Fraud

Three years ago merSETA suffered a loss of R6.3 million through diversion of mandatory grants earmarked for employers. The investigation was completed in the prior year and the perpetrators who were charged with fraud were found guilty in the current year. Sentencing is expected in September 2014. merSETA has since reviewed the controls and processes within this area.

During the financial year 2013/14, merSETA suffered a financial loss of R96 000 due to improper and negligent management of a service provider. The total amount that was paid to the service provider for repairs and maintenance of the head office building over a three-year period totalled R2.7 million. Although difficult to prove retrospectively, there is a possibility that the entity was over-charged for hours worked over the period. An investigation was completed during the year and the responsible incumbent has been formally charged and a disciplinary process has been initiated.

The Accounting Authority approved a fraud prevention plan that was successfully implemented during the year resulting in increased fraud awareness and activity on the anonymous fraud hotline.

Internal Controls

The system of accounting and internal controls is constantly monitored and improved, particularly with regard to financial management, supply chain management and other core business functions. The internal auditors also conduct continuous reviews of the controls and processes in place and advise management of any improvements necessary.

Internal control deficiencies have been identified in the supply chain unit, particularly around compliance with regulations and fraud prevention. An electronic supply chain module has been developed and is to be implemented in the 2014/15 financial period. This system will reduce the opportunity for human interference with awards, through embedded compliance rules that cannot be compromised.

Other than the internal control deficiencies detailed above, merSETA's financial management remains sound and compliant with the PFMA and National Treasury regulations. The merSETA Executive Committee was presented with a full financial management report from the Chief Financial Officer. An all-inclusive budgeting process formed part of the Annual Performance Plan (APP) development process and is used as a benchmark for levy income, grant administration and capital expenditure. A quarterly report showing financial performance results against budget was presented to the merSETA Accounting Authority and the Department of Higher Education and Training.

In terms of the Skills Development Act, total administration expenditure may not exceed 10.5% (this being inclusive of monies payable to the QCTO) of total levy income. merSETA has kept within the limit.

d. Audit and Risk Committee

The Audit and Risk Committee comprises three independent members and two members of the Accounting Authority. The Audit and Risk Committee has an oversight role and reports to the Accounting Authority. The Committee's charter is aligned to the duties prescribed by the PFMA and Treasury Regulations and has been approved by the Accounting Authority. The Audit and Risk Committee's responsibilities also include oversight of risk management processes.

e. Other Committees

The other Committees of the Accounting Authority are:

- Executive Committee
- Finance and Grants Committee
- Human Resource and Remuneration Committee
- ETQA Committee
- Innovation, Research and Development Committee
- Chamber Committees
- Regional Committees

The Committees function within the terms of reference approved by the Accounting Authority and are functioning satisfactorily. More details on the Committees' functions are presented under the Corporate Governance section of the Annual Report.

f. Policies

The financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board. merSETA's policies and procedures are aligned with GRAP.

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

g. Supply Chain Management Unit

In response to previous audit reports detailing non-compliance within the supply chain management processes, merSETA has reviewed all processes and has amended the manual controls and procedures to address weaknesses. It will also implement an electronic supply chain management system in the new financial period.

h. IT Systems

In the current financial year, merSETA continued to use the Datanet system only for processing mandatory grants payments. A parallel run between Datanet SETA Management System (SMS) for the management of learner registrations, assessments and certifications was conducted between March 2013 and July 2013 in order to avoid downtime.

Data migration from Datanet to SMS began in July 2013 and was due for completion in July 2014, once the data cleanup has been completed.

The following modules were in operation on the SMS system during the financial year 2013/14: Skills Module, Projects Module, Discretionary Grants Module and ETQA Module.

Great Plains was used throughout the year for the capturing, recording, maintenance and reporting of financial information.

The system used for capturing, maintenance and processing of employee remuneration and benefits is VIP.

i. Conflict of Interest

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

Chief Executive Officer
Dr Raymond Patel

Chairperson of the Accounting Authority
Ms Phindile Baleni

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014			2013		
		Actual	Budget	Variance	Actual	Budget	Variance
		R'000	R'000	R'000	R'000	R'000	R'000
REVENUE							
Skills development levy income	2	1 155 325	1 046 670	108 655	1 021 254	969 139	52 115
Skills development penalties and interest	3	13 142	10 000	3 142	10 947	9 200	1 747
National Skills Fund income	4	11 516	49 360	(37 844)	39 288	22 962	16 326
Total non-exchange revenue		**1 179 983**	**1 106 030**	**73 953**	**1 071 489**	**1 001 301**	**70 188**
Net gains from financial instruments	5	85 715	60 500	25 215	57 271	60 385	(3 114)
Other income	6	104	50	54	53	49	4
Total exchange revenue		**85 819**	**60 550**	**25 269**	**57 324**	**60 434**	**(3 110)**
Total revenue		**1 265 802**	**1 166 580**	**99 222**	**1 128 813**	**1 061 735**	**67 078**
EXPENSES							
Employer grant and project expenses	7	(911 231)	(875 387)	(35 844)	(942 325)	(1 442 343)	500 018
Administration expenses	8	(110 146)	(124 039)	13 893	(108 098)	(116 052)	7 954
National Skills Fund expenses	4	(11 516)	(49 360)	37 844	(39 288)	(22 962)	(16 326)
Total expenses		**(1 032 893)**	**(1 048 786)**	**15 893**	**(1 089 711)**	**(1 581 357)**	**491 646**
Net surplus/(deficit) for the year	1	**232 909**	**117 794**	**115 115**	**39 102**	**(519 622)**	**558 724**

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Note	31 March 2014 R'000	31 March 2013 R'000
ASSETS			
Current assets	9	89	75
Prepayments	10	9 590	10 483
Receivables from non-exchange transfers		225	169
Consumables	11	1 320 000	1 020 000
Financial instruments at fair value	12	126 598	137 106
Financial instruments at amortised cost		**1 456 502**	**1 167 833**
Non-current assets held for sale	13	-	30
		1 456 502	**1 167 863**
Non-current assets			
Property and equipment	14	11 926	9 158
Intangible assets	15	831	402
		12 757	**9 560**
Total Assets		**1 469 259**	**1 177 423**
LIABILITIES			
Current liabilities			
Grants and transfers payable	16	222 088	179 693
Financial liabilities at amortised cost	17	38 907	23 906
Provisions	18	488	257
		261 483	203 856
Non-current liabilities			
Payables from exchange transactions	19	1 300	-
Total Liabilities		**262 783**	**203 856**
Net Assets		**1 206 476**	**973 567**
Net assets represented by:			
Administration reserve		12 757	9 560
Employer grant reserve		2 386	1 388
Discretionary reserve		1 191 333	962 619
Total Net Assets		**1 206 476**	**973 567**

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2014

	Note	Administration reserve R'000	Employer grant reserve R'000	Discretionary grant reserve R'000	Unappropriated surplus R'000	Total R'000
Balance at 1 April 2012		9 272	1 609	923 584	-	934 465
Net surplus for the year per statement of financial performance		-	-	-	39 102	39 102
Allocation of unappropriated surplus for the year	1	24 014	118 251	(103 163)	(39 102)	-
Excess reserves transferred to discretionary reserve		(23 726)	(118 472)	142 198	-	-
Balance at 31 March 2013		**9 560**	**1 388**	**962 619**	**-**	**973 567**
Net surplus for the year per statement of financial performance		-	-	-	232 909	232 909
Allocation of unappropriated surplus for the year	1	35 782	110 982	86 145	(232 909)	-
Excess reserves transferred to discretionary reserve		**(32 585)**	**(109 984)**	**142 569**	**-**	**-**
Balance at 31 March 2014		**12 757**	**2 386**	**1 191 333**	**-**	**1 206 476**

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

The amount retained in the employer grant reserve is a mandatory grant provision for newly registered companies participating after the legislative cut-off date. This is noted under contingencies in note 21.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

		2014			2013		
		Actual	Budget	Variance	Actual	Budget	Variance
	Note	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		1 173 791	1 105 307	68 484	1 094 490	979 709	114 781
Levies, interest and penalties received		1 157 656	1 055 417	102 239	1 043 318	975 703	67 615
Income from National Skills Fund		16 081	49 840	(33 759)	51 119	3 956	47 163
Other income		54	50	4	53	50	3
Cash paid to stakeholders, suppliers and employees		(963 820)	(1 128 087)	164 267	(1 103 771)	(1 616 192)	512 421
Grants and project payments		(859 053)	(1 009 967)	150 914	(998 232)	(1 503 861)	505 629
Employment costs		(84 859)	(93 362)	8 503	(79 386)	(81 836)	2 450
Payments to suppliers		(19 908)	(24 758)	4 850	(26 153)	(30 495)	4 342
Cash *(utilised in)/generated from operations*	20	209 971	(22 780)	232 751	(9 281)	(636 483)	627 202
Interest received		47 923	46 089	1 834	42 325	58 709	(16 384)
Net cash inflow/(outflow) from operating activities		**257 894**	**23 309**	**234 585**	**33 044**	**(577 774)**	**610 818**
CASH FLOW FROM INVESTING ACTIVITIES							
Purchase of property and equipment	14	(6 433)	(4 378)	(2 055)	(3 713)	(3 133)	(580)
Purchase of intangible assets	15	(1 290)	(1 792)	502	(1 058)	(886)	(172)
Proceeds from disposal of property and equipment		107	30	77	608	-	608
Net (purchase)/disposal of financial instruments at fair value		(300 000)	(15 000)	(285 000)	(85 000)	451 538	(536 538)
Net cash (outflow)/inflow from investing activities		**(307 616)**	**(21 140)**	**(286 476)**	**(89 163)**	**447 519**	**(536 682)**
CASH FLOW FROM FINANCING ACTIVITIES							
Proceeds from borrowings		1 300	-	1 300	-	-	-
Net (decrease)/increase in cash and cash equivalents		(48 422)	2 169	(50 591)	(56 119)	(130 255)	74 136
Cash and cash equivalents at beginning of year		115 206	115 206	-	171 325	171 325	-
Cash and cash equivalents at end of year	12.2	**66 784**	**117 375**	**(50 591)**	**115 206**	**41 070**	**74 136**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

	Approved original budget	Revisions	Approved final budget	Actual	Variance
	R'000	R'000	R'000	R'000	R'000
REVENUE					
Skills development levy income	1 046 670	-	1 046 670	1 155 325	(108 655)
Skills development penalties and interest	10 000	-	10 000	13 142	(3 142)
National Skills Fund income	49 360	-	49 360	11 516	37 844
Total non-exchange revenue	**1 106 030**	**-**	**1 106 030**	**1 179 983**	**(73 953)**
Net gains from financial instruments	60 500	-	60 500	85 715	(25 215)
Other income	50	-	50	104	(54)
Total exchange revenue	**60 550**	**-**	**60 550**	**85 819**	**(25 269)**
Total revenue	**1 166 580**	**-**	**1 166 580**	**1 265 802**	**(99 222)**
EXPENSES					
Employer grant and project expenses	(1357 494)	482 107	(875 387)	(911 231)	35 844
Administration expenses	(128 760)	4721	(124 039)	(110 146)	(13 893)
National Skills Fund expenses	(49 360)	-	(49 360)	(11 516)	(37 844)
Total expenses	**(1 535 614)**	**486 828**	**(1 048 786)**	**(1 032 893)**	**(15 893)**
Net (deficit)/surplus for the year	**(369 034)**	**486 828**	**117 794**	**232 909**	**(115 115)**

Revisions to the original budget

A revision of the budget was done in October 2013. This revision was due to a Cabinet approval of an expenditure ceiling imposed on all public entities for the 2013 Medium Term Expenditure Framework (MTEF). All expenditure had to be capped within the ceiling amount of R1 billion.

The 2013 MTEF Expenditure Ceiling was later lifted in February 2014.

The budget for the QCTO admin charge was also reduced as the amount transferred was less than the 0,5% legislated by Regulation 2(4) of the SETA Grant Regulations. The Minister of Higher Education and Training had determined an amount equivalent to 0.18% of the levy funds to be transferred to the QCTO for the 2013/14 financial year.

Comparison budget vs actual

Actual levy income increased by 13.1 % from the prior year, which is consistent with the increase in the previous year. This is mainly attributable to payroll increases as there was only a marginal increase in contributing companies over the prior year (12 670 contributing companies in 2013 to 12 849 in 2014). merSETA budgeted for a conservative 8% increase in levies in anticipation of a slowdown in the economy and manufacturing industry.

There was a drop in income and expenditure from the National Skills Fund (NSF) due to communication that funding will not be extended to new entrants on the Accelerated Artisan Training Project (AATP).

Financial instruments proved to perform well in excess of what was anticipated. The weighted average return on investments was 7.41% compared to 5.58% in the previous year.

Employer grant and project expenses are in excess of budget. This is a significant change from the previous year. Reasons for this increase include a far more stringent budgeting process and pursuance of targets and milestones. Included in the expenditure was an amount of R114 million paid to the NSF towards TVET infrastructure development which was an imperative that came from National Government. The full amount of the obligation was paid in the current financial year.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

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

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.

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.

Levy income

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

Eighty per cent (80%) of skills development levies are paid over to merSETA (net of a two per cent (2%) collection cost to SARS and eighteen per cent (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 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 merSETA.

Revenue is adjusted for interSETA transfers due to employers changing SETAs. Such adjustments are separately disclosed as interSETA transfers. SDL transfers are made in terms of section 8 of the Skills Development Levies Act, 1999 (Act No 9 of 1999). The amount of the interSETA adjustment is calculated according to the latest Standard Operating Procedure issued by DHET.

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 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.

Interest and penalties

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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 merSETA as a deferred income until the related eligible special project expenses are incurred, when the deferred income is extinguished and revenue recognised.

Government grants and other donor income

Conditional government grants and other conditional donor funding received are recorded as deferred income when they are received 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 government grants and other unconditional donor income is recognised as income at the time the amounts are received.

Net gains from financial instruments

Gains and losses on financial instruments are due to changes in the fair market value and interest income.

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

GRANT AND PROJECT EXPENDITURE

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 20% (2013: 50%) of the total levies paid by the employer and represents a workplace skills planning grant.

A provision is recognised for mandatory grants once the specific criteria set out in the regulations to the Skills Development Act, No. 97 of 1998 have been complied with by member companies, it is probable that merSETA will approve the payment, and the amounts can be estimated with reasonable accuracy.

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 are 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
- such other costs as are specifically chargeable to merSETA under the terms of the contract.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS ACCOUNTING POLICIES (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 Accounting Authority, has been entered into, but has not been accrued or provided for, it is disclosed as a commitment in the notes to the financial statements.

Government grant expenditure

Conditional government grants costs are recognised as expenses in the period in which they are incurred. The deferred government grant income is 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. Where government grants costs on the project exceed government grant income, a receivable will be raised to the extent that such costs exceed government funding.

Unconditional government grants costs are recognised as expenses in the period in which they are incurred.

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 Public Finance Management Act (PFMA), No. 1 of 1999 (as amended)
- The Skills Development Act, No. 97 of 1998 (as amended)

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All material 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.

ASSETS HELD FOR SALE

Assets are classified as non-current assets held for sale when their carrying amount will be recovered primarily through a sale transaction rather than through continuing use.

All of the following criteria must be in place before an asset can be classified as held for sale:

- The asset must be available for immediate sale.
- The asset must be available for sale in its present condition, subject only to terms that are usual and customary for sale of the asset.
- The sale must be highly probable.

Assets that are held for sale comprise property and equipment that are intended to be disposed of within one year. This will be either through a sale or donation and management has a committed plan to dispose of these assets.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment comprise tangible assets that are 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 – 10 years
Motor vehicles	4 – 8 years
Other assets	2 – 5 years

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.

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 follows:

Asset class	Amortisation period
Computer software	1 - 3 years

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

CONSUMABLES

Consumables are charged to surplus or deficit on acquisition on cost price. At the end of the financial period an adjustment is made for consumable stock on hand, using the latest available prices.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS ACCOUNTING POLICIES (CONTINUED)

LEASING

Finance lease

A lease is an agreement between two parties whereby the one party (the lessor) allows the other party (the lessee) to use its assets for an agreed period of time in return for a payment, or series of payments.

A finance lease is a lease arrangement that transfers substantially all the risks and rewards incidental to ownership to the lessee.

At recognition, an asset and liability is recognised at the lower of: fair value of asset; or present value of minimum lease payment at rate implicit in lease (or incremental borrowing rate if the preceding cannot be determined).

The leased asset is subsequently measured as per GRAP 17: Property, Plant and Equipment.

Lease payments are discounted at the rate that causes the present value of the minimum lease payments and unguaranteed residual value to be equal to the sum of the fair value of the leased asset plus any direct cost of lessor.

Operating lease

An operating lease is a lease other than a finance lease.

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.

RETIREMENT BENEFIT COSTS

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

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

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

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

PROVISIONS

Provisions are recognised when 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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS ACCOUNTING POLICIES (CONTINUED)

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.

Provision for employee-related entitlements

The cost of other employee benefits (not recognised as retirement benefits – see note 11 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.

FINANCIAL INSTRUMENTS

Recognition

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

Financial assets and financial liabilities are recognised on merSETA's statement of financial position when 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, financial assets at fair value, financial assets at amortised cost, 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.

Financial assets

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

merSETA's principal financial assets are other receivables from exchange transactions, financial assets at fair value and financial assets at amortised cost.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial instruments, with fixed and determinable payments, excluding those that are held for trading or designated at fair value at initial recognition.

merSETA classifies the cash and cash equivalents and receivables from exchange transactions as financial assets at amortised cost.

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.

The initial measurement of other receivables from exchange transactions is at fair value including any transaction costs. The subsequent measurement is 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.

Cash and cash equivalents are initially measured at fair value. The subsequent measurement is at amortised costs with interest calculated by using the effective interest rate method.

Financial assets at fair value

Financial assets at fair value are either derivatives, combined instruments that are designated at fair value, instruments held for trading, non-derivatives designated at fair value in initial recognition or financial instruments that do not meet the definition of amortised cost or cost.

merSETA has classified its investments in fixed notice deposits, money market instruments and capital guaranteed equities as financial assets at fair value as these non-derivatives were designated at fair value in initial recognition and are held for trading as the intention is to earn short-term gains.

The initial measurement of financial assets at fair value is at fair value. The subsequent measurement is at fair value based on quoted price where an active market exists, or by using a valuation technique if no active market exists.

The net gains and losses for all financial assets at fair value are determined by the changes in the market value between the reporting periods. These net gains and losses include the interest income on fixed notice deposits which is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period of maturity.

Financial liabilities

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

merSETA' s principal financial liabilities are trade and other payables from exchange transactions.

Financial liabilities at amortised cost

Trade and other payables from exchange transactions are classified as financial liabilities at amortised cost. Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

A financial asset or a portion thereof is derecognised when merSETA realises the contractual rights to the benefits specified in the contract, the rights expire, merSETA waives those rights or otherwise loses control of the contractual rights that comprise the financial asset and transfers to another party substantially all the risks and rewards of ownership of the financial asset.

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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS ACCOUNTING POLICIES (CONTINUED)

Fair value measurement considerations

The fair value at which financial instruments are carried at reporting date have been determined using the available market values. The market values are readily and regularly available from an active market where transactions are on an arm's-length basis. Where market values are not available, the fair value is determined using a valuation technique such as:

- Recent arm's-length market transaction;
- If available, reference to the current fair value of another instrument that is substantially the same; and
- Discounted cash flow analysis, discounting the future receipts/payments of a financial instrument over the period of the contract, by using a market-related interest rate (adjusted for credit risk), to its present value.

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.

RESERVES

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:

	2014 %	2013 %
Administration costs of merSETA	10	10
QCTO Administration costs	0.5	-
Mandatory Workplace Skills Planning Grant	20	50
Discretionary grants and projects	49.5	20
Received by merSETA	80	80
Contribution to NSF	20	20
	100	100

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS ACCOUNTING POLICIES (CONTINUED)

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

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

CONTINGENCIES

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

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control (or jointly control) the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

All departments and public entities in the national sphere of government are related parties as they are ultimately under common control.

An individual or entity may be given oversight responsibility over merSETA , which gives them significant influence, but not control, over the financial and operating decisions of the entity.

Representation of individuals to the Accounting Authority Body, sub-committees of the Accounting Authority or other equivalent body is considered as significant influence.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that member of management in their dealings with the entity.

A related party transaction is a transfer of resources or obligations between related parties, regardless of whether or not a price is charged.

Only transactions with related parties where the transactions are not concluded within the normal operating procedures or on terms that are no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS ACCOUNTING POLICIES (CONTINUED)

COMPARATIVE FIGURES

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

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 estimating 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

All classes of property and equipment are depreciated on a straight-line basis over the asset's useful life. merSETA reviews the estimated useful lives and residual values of property and equipment at the end of each annual reporting period. Refer to note 14 for the carrying values of property and equipment.

Provision for below-threshold levies received

Companies with annual payrolls below R500 000 are exempted from paying skills development levies. Each year, 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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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

	Total per Statement of Financial Performance	Administration reserve	Employer grants reserve	Discretionary grants	National Skills Fund grants	Total discretionary
	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 31 March 2014						
Total revenue	**1 265 802**	**145 928**	**372 204**	**736 154**	**11 516**	**747 670**
Skills development levy income						
Admin levy income (10%)	145 878	145 878	-	-	-	-
Grant levy income (70%)	1 009 447	-	372 204	637 243	-	637 243
Skills development levy: penalties and interest	13 142	-	-	13 142	-	13 142
National Skills Fund income	11 516	-	-	-	11 516	11 516
Investment income	85 715	-	-	85 715	-	85 715
Other income	104	50	-	54	-	54
Total expenses	**1 032 893**	**110 146**	**261 222**	**650 009**	**11 516**	**661 525**
Employer grants and project expenses	911 231	-	261 222	650 009	-	650 009
Administration expenses	110 146	110 146	-	-	-	-
National Skills Fund expenses	11 516	-	-	-	11 516	11 516
Net surplus per the statement of financial performance allocated	**232 909**	**35 782**	**110 982**	**86 145**	**-**	**86 145**
Year ended 31 March 2013						
Total revenue	**1 128 813**	**132 112**	**632 530**	**324 883**	**39 288**	**364 171**
Skills development levy income						
Admin levy income (10%)	132 112	132 112	-	-	-	-
Grant levy income (70%)	889 142	-	632 530	256 612	-	256 612
Skills development levy penalties and interest	10 947	-	-	10 947	-	10 947
National Skills Fund income	39 288	-	-	-	39 288	39 288
Investment income	57 271	-	-	57 271	-	57 271
Other income	53	-	-	53	-	53
Total expenses	**1 089 711**	**108 098**	**514 279**	**428 046**	**39 288**	**467 334**
Employer grants and project expenses	942 325	-	514 279	428 046	-	428 046
Administration expenses	108 098	108 098	-	-	-	-
National Skills Fund expenses	39 288	-	-	-	39 288	39 288
Net surplus per the statement of financial performance allocated	**39 102**	**24 014**	**118 251**	**(103 163)**	**-**	**(103 163)**

The deficit incurred in the discretionary grants reserve in 2012/13 was funded from cash reserves arising from prior years' surpluses that were committed to discretionary grant contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

2. SKILLS DEVELOPMENT LEVY INCOME

	Note	2014 R'000	2013 R'000
THE TOTAL LEVY INCOME PER THE STATEMENT OF FINANCIAL PERFORMANCE IS AS FOLLOWS:			
Levy income: Administration		**145 878**	**132 112**
Levies received from SARS		146 758	131 368
InterSETA transfers in		94	61
InterSETA transfers out		(114)	(133)
Provision for refund from SARS		(860)	816
Levy income: Employer Grants		**372 204**	**632 530**
Levies received from SARS		375 477	629 041
InterSETA transfers in		102	156
InterSETA transfers out		(463)	(749)
Provision for refund from SARS		(2 912)	4 082
Levy income: Discretionary Grants		**637 243**	**256 612**
Levies received from SARS		640 356	255 036
InterSETA transfers in		317	122
InterSETA transfers out		(321)	(179)
Provision for refund from SARS		(3 109)	1 633
		1 155 325	**1 021 254**

3. SKILLS DEVELOPMENT LEVY PENALTIES AND INTEREST

	2014	2013
Penalties	7 238	5 711
Interest	5 903	5 234
InterSETA transfers	1	2
	13 142	**10 947**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

4. NATIONAL SKILLS FUND GRANTS

	Note	2014 R'000	2013 R'000
AATP Programme			
Opening balance		2 608	(28 317)
Funds received during the year		510	47 434
Investment income		50	70
Utilised and recognised as revenue – conditions met		(1 790)	(16 579)
Closing balance		**1 378**	**2 608**
TLS Programme			
Opening balance		11 912	31 006
Funds received during the year		14 970	2 621
Investment income		551	994
Utilised and recognised as revenue – conditions met		(9 726)	(22 709)
Closing balance		**17 707**	**11 912**
TOTAL			
Opening balance		14 520	2 689
Funds received during the year		15 480	50 055
Investment income		601	1 064
Utilised and recognised as revenue – conditions met		(11 516)	(39 288)
Balance of National Skills Fund		**19 085**	**14 520**

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

5. NET GAINS FROM FINANCIAL INSTRUMENTS

Net gains from financial assets at fair value	83 013	51 395
Interest income from financial assets at amortised cost	2 702	5 751
Fair value adjustments	-	125
	85 715	**57 271**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

6. OTHER INCOME

	Note	2014 R'000	2013 R'000
Surplus on disposal of property and equipment		50	-
Income from re-certification		54	53
		104	**53**

7. EMPLOYER GRANT AND PROJECT EXPENSES

	Note	2014	2013
Mandatory grants		261 222	514 279
Discretionary grants and projects	22.1	650 009	428 046
Discretionary grants		102 372	68 794
Project expenditure	7.1	547 637	359 252
Included in project expenditure is an unconditional grant of R114 million paid for TVET infrastructure development.			
		911 231	**942 325**

7.1 PROJECT EXPENDITURE CONSISTS OF:

	Note	2014	2013
Direct project costs		515 415	333 315
Indirect project administration costs	8	32 222	25 937
	7	**547 637**	**359 252**

8. ADMINISTRATION EXPENSES

	Note	2014 R'000	2013 R'000
Advertising, marketing and promotions, communication		3 573	3 716
Amortisation – intangible assets	15	848	1 340
Audit costs – internal audit		1 242	769
Audit costs – external audit		1 500	1 823
Bad debts		109	56
Bank charges		232	304
Accounting Authority and sub-committee costs		2 345	2 129
Accounting Authority and sub-committee assessment cost		-	177
Accounting Authority and sub-committee members' fees		1 975	1 382
Remuneration to members of the audit committee		256	331
Secretarial services		114	239
Cleaning and groceries		372	335
Depreciation		2 280	1 922
Employment costs		88 414	81 275
Recruitment costs		304	397
Salaries, wages and benefits	8.1	86 228	78 664
Staff training, development and welfare		1 882	2 214
Entertainment expenses		42	31
Gifts, donations and sponsorships paid		424	146
Impairment of property and equipment		150	274
Insurance and licence fees		1 176	1 309
Investigations and forensic costs		165	-
Legal fees		1 289	1 653
Loss on disposal of property and equipment		-	309
Operating lease rentals		10 698	10 545
Buildings		9 208	9 040
Parking		1 490	1 505
Printing, stationery and postages		2 405	2 819
QCTO administration cost		1 779	-
Rates, water and electricity		3 060	2 928
Repairs, maintenance and running costs		2 879	3 220
Buildings		1 624	1 941
Property and equipment		1 255	1 279
Service provider administration fees		2 766	2 069
Special functions		950	967
Storage		317	338
Telecommunication expenses		4 500	4 520
Travel, subsistence and meeting expenses		8 853	9 238
		142 368	134 035
Less: amounts allocated to project expenditure	7.1	(32 222)	(25 937)
Net administration cost		**110 146**	**108 098**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

8. ADMINISTRATION EXPENSES (continued)

	Note	2014 R'000	2013 R'000
8.1 SALARIES AND WAGES		**75 472**	**68 959**
Basic salaries		64 513	57 836
Performance awards		6 653	5 342
Other non-pensionable allowance		3 580	3 741
Temporary staff		478	786
Leave payments		248	1 254
Social contributions		10 756	9 705
Medical aid contributions		2 882	2 507
Pension contributions: defined contribution fund		6 605	6 048
UIF		351	316
Insurance		218	161
Other salary – related costs		700	673
		86 228	**78 664**
Average number of employees		246	242

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.

The defined contribution fund is administered by Momentum Funds at Work. It is a sub-fund under the Funds at Work umbrella fund. The expense recognised in the statement of financial performance equates to the contributions due for the year.

9. PREPAYMENTS

	Note	31 March 2014 R'000	31 March 2013 R'000
Prepayments – Insurance		**89**	**75**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

10. RECEIVABLES FROM NON-EXCHANGE TRANSFERS

	Note	2014 R'000	2013 R'000
Employer receivable	10.1	-	4 172
Receivable – investigations	10.2	-	-
Receivable – UIF		9 461	6 272
InterSETA receivable	23.1	129	39
		9 590	**10 483**

10.1 EMPLOYER RECEIVABLE

	2014 R'000	2013 R'000
Overpayment to employers	7 370	13 496
Allowance for doubtful debts	(7 370)	(9 324)
Net effect of SARS retrospective adjustments on affected employers	**-**	**4 172**

The employer receivable of R7,4 million (March 2013: R13,4 million) is recognised due to SARS effecting retrospective adjustments on levies on which mandatory grants have already been paid. An amount of R7,4 million (March 2013: R9,3 million) was provided against such employer receivables.

10.2 RECEIVABLE - INVESTIGATIONS

	2014 R'000	2013 R'000
Receivable arising from investigations	6 329	6 329
Allowance for doubtful debt	(6 329)	(6 329)
Net receivable from investigations	**-**	**-**

11. FINANCIAL INSTRUMENTS AT FAIR VALUE

	2014	2013
Fixed notice deposits	360 000	280 000
Money market instruments	960 000	560 000
Capital guaranteed equity	-	180 000
	1 320 000	**1 020 000**

All the financial assets at fair value are measured at quoted prices as per the market determinable fair value from an active market at reporting date.

The fair value measurements recognised are at a Level 1 hierarchy as they are based on quoted prices (unadjusted) in an active market.

No significant transfers between the fair value measurements hierarchy levels have occurred during the reporting period.

merSETA obtained National Treasury approval of the banking institutions where these funds are held as required in terms of Treasury Regulation 31.2. The weighted average interest rate on financial instruments at fair value was 7.41% (2013: 5.58%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

12. FINANCIAL INSTRUMENTS AT AMORTISED COST

	Note	2014 R'000	2013 R'000
Other receivables from exchange transactions		59 814	21 900
Cash and cash equivalents	12.2	66 784	115 206
		126 598	**137 106**

12.1 OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2014	2013
Deposits	1 427	1 257
Receivables due by employees	6	54
	1 433	1 311
Less: Allowance for doubtful debts	(109)	-
	1 324	1 311
Interest receivable	58 490	20 589
	59 814	**21 900**

12.2 CASH AND CASH EQUIVALENTS

	2014	2013
Cash at bank	812	1 478
Cash on hand	37	37
Call accounts	65 935	113 691
	66 784	**115 206**

merSETA obtained National Treasury approval of the banking institutions where these funds are held as required in terms of Treasury Regulation 31.2. The weighted average interest rate for cash and cash equivalents was 4.63% (2013: 4.61%).

As merSETA was exempted by the National Treasury from the requirements of Treasury regulation 31.3 to invest surplus funds with the Corporation for Public Deposits, surplus funds were invested in line with an investment policy as required by Treasury regulation 31.3.5.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

13. NON-CURRENT ASSETS HELD FOR SALE

	Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
Year ended 31 March 2014			
Computer equipment	-	-	-
Office furniture and fittings	-	-	-
Office equipment	-	-	-
Motor vehicles	-	-	-
	-	**-**	**-**

	Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
Year ended 31 March 2013			
Computer equipment	758	(758)	-
Office furniture and fittings	470	(470)	-
Office equipment	562	(562)	-
Motor vehicles	157	(127)	30
	1 947	**(1 917)**	**30**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

14. PROPERTY AND EQUIPMENT

Year ended 31 March 2014	Cost R'000	Accumulated depreciation/ impairments R'000	Closing carrying amount R'000
Owned assets			
Computer equipment	9 452	(6 465)	2 987
Office furniture and fittings	7 584	(4 294)	3 290
Office equipment	4 108	(2 733)	1 375
Motor vehicles	576	(64)	512
Other assets	1 230	(408)	822
Total owned assets	**22 950**	**(13 964)**	**8 986**
Leased assets			
Motor vehicles	4 162	(1 222)	2 940
Total asset balance at end of year	**27 112**	**(15 186)**	**11 926**

Year ended 31 March 2013	Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
Owned assets			
Computer equipment	7 805	(4 630)	3 175
Office furniture and fittings	7 145	(3 511)	3 634
Office equipment	3 421	(2 396)	1 025
Motor vehicles	576	(19)	557
Other assets	842	(75)	767
Balance at end of year	**19 789**	**(10 631)**	**9 158**

14. PROPERTY AND EQUIPMENT (continued)

	Opening carrying amount R'000	Impairment cost R'000	Fair value adjustment/ re-classification R'000	Additions R'000	Disposals cost R'000	Depreciation charge R'000	Accumulated depreciation on disposals R'000	Closing carrying amount R'000
Movement summary 2014								
Owned assets								
Computer equipment	3 175	(130)	-	958	(69)	(985)	38	2 987
Office furniture and fittings	3 634	(10)	-	235	(267)	(560)	258	3 290
Office equipment	1 025	(10)	-	690	(564)	(326)	560	1 375
Motor vehicles	557	-	30	-	(157)	(75)	157	512
Other assets	767	-	-	388	-	(333)	-	822
Total owned assets	**9 158**	**(150)**	**30**	**2271**	**(1 057)**	**(2 279)**	**1 013**	**8 986**
Leased assets								
Motor vehicles	-	-	-	4 162	-	(1 222)	-	2 940
Balance at end of year	**9 158**	**(150)**	**30**	**6 433**	**(1 057)**	**(3 501)**	**1 013**	**11 926**
Movement summary 2013								
Owned assets								
Computer equipment	2 245	(125)	(20)	1 866	(391)	(715)	315	3 175
Office furniture and fittings	3 938	(79)	32	448	(294)	(629)	218	3 634
Office equipment	1 241	(47)	(12)	282	(87)	(423)	71	1 025
Motor vehicles	857	(23)	(30)	576	(2 057)	(84)	1 318	557
Other assets	297	-	-	541	-	(71)	-	767
Balance at end of year	**8 578**	**(274)**	**(30)**	**3 713**	**(2 829)**	**(1 922)**	**1 922**	**9 158**

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

merSETA reviewed the useful lives, residual values and depreciation method of assets in the current financial year. Assets were also tested for impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

15. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Cost	Accumulated depreciation	Closing carrying amount
Year ended 31 March 2014	R'000	R'000	R'000
Intangible assets	1 876	(1 045)	831
Year ended 31 March 2013			
Intangible assets	1 107	(705)	402

	Opening carrying amount	Impairment cost	Fair value adjustment	Additions	Disposals cost	Deprecia-tion charge	Accumulated depreciation on disposals	Closing carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 31 March 2014								
Intangible assets	402	-	-	1 290	(520)	(848)	507	831
Year ended 31 March 2013								
Intangible assets	694	-	-	1 058	(3 191)	(1 340)	3 181	402

16. GRANTS AND TRANSFERS PAYABLE

Grants payable		184 032	135 481
Refund owing to DHET due to levy overpayment		-	18 019
InterSETA payables	23.1	1 590	1 386
National Skills Fund income received in advance	4	19 085	14 520
Provision for SARS refund	16.1	17 381	10 287
		222 088	**179 693**

16.1 PROVISION FOR SARS REFUND

Opening carrying amount		10 287	22 928
Amount utilised		(1 014)	(1 054)
Additional provision during the period		8 108	(11 587)
Closing carrying amount	16	**17 381**	**10 287**

Companies with annual payrolls below R500 000 are exempted from paying skills development levies. This provision is to refund SARS where levies have been paid when the company should not have paid the levies as its annual payroll falls below the threshold.

17. FINANCIAL LIABILITIES AT AMORTISED COST

Trade payables	26 610	13 683
Accruals salaries and wages	11 064	10 223
Short-term portion of finance lease	1 233	-
	38 907	**23 906**

18. PROVISIONS

Workman's Compensation provision		
Opening carrying amount	257	290
Amounts utilised	(22)	(223)
Additional provision during the period	253	190
Closing carrying amount	**488**	**257**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

19. PAYABLES FROM EXCHANGE TRANSACTIONS

	Note	31 March 2014 R'000	31 March 2013 R'000
Finance lease liability		2 533	-
Short-term portion		(1 233)	-
		1 300	**-**

20. RECONCILIATION OF NET SURPLUS TO CASH UTILISED IN OPERATIONS

	Note	2014 Actual R'000	2014 Budget R'000	2013 Actual R'000	2013 Budget R'000
Net surplus/(deficit) as per the statement of financial performance		232 909	117 794	39 102	(519 622)
Adjusted for non-cash items:					
Depreciation of property and equipment	14	3 501	4 523	1 922	2 666
Amortisation of intangible assets	15	848	836	1 340	1 180
Impairment of property and equipment	8, 14	150	-	274	-
Loss on disposal of property and equipment	8	-	-	309	-
Surplus on disposal of property and equipment	8	(50)	-	-	-
Movements in provisions		231	23	(33)	(290)
Adjusted for items separately disclosed					
Net gains from financial instruments		(47 923)	(46 089)	(42 325)	(58 709)
Adjusted for working capital changes:					
Decrease/(increase) in prepayments		(14)	(8)	1 136	1 211
Decrease/(increase)/in receivables from non-exchange transfers		893	(1 217)	18 052	(2 965)
(Increase)/decrease in other receivables from exchange transactions		(37 914)	(14 362)	(14 799)	(417)
(Increase)/decrease in consumables		(56)	(31)	(59)	5
Increase/(decrease) in grants and transfers payable		42 395	(86 193)	(12 397)	(54 273)
Increase/(decrease) in financial liabilities at amortised cost		15 001	1 944	(1 803)	(5 269)
Cash utilised in operations		**209 971**	**(22 780)**	**(9 281)**	**(636 483)**

21. CONTINGENCIES

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury should an application for retention of surplus funds be denied. A request for the accumulation of funds has been submitted to National Treasury. At the time of compiling the financial statements, no reply had been received.

Contingent liabilities comprise an Employer Grant Reserve of R2,4 million (2013: R1,6 million) for newly registered member companies participating after the legislative cut-off date.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

22. COMMITMENTS

22.1 DISCRETIONARY RESERVE COMMITMENTS

Of the balance of R1 191 billion available in the discretionary reserve on 31 March 2014 an amount of R1 144 billion has been approved for future project expenses and discretionary grants as set out below. Amounts for expenses that have already been incurred, and therefore included in project and discretionary grant expense in the statement of financial performance, are also indicated.

Project/discretionary grant programmes	Opening balance 2013	Administration expenditure/ other adjustments 2013	Approved contractual expenditure 2013	Charged to statement of financial performance 2013	Opening balance 2014	Administration expenditure/ other adjustments 2014	Approved contractual expenditure 2014	Charged to statement of financial performance 2014	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROG 1: ADMINISTRATION									
Discretionary Grant Administration Expenditure	-	19 169	-	(19 169)	-	21 572	-	(21 572)	-
Project Administration Expenditure	-	6 767	-	(6 767)	-	10 650	-	(10 650)	
Monitoring & Evaluation	680	8	-	(688)	-		768	(576)	192
Organisational Development	-	687	-	(687)	-	162	-	(162)	-
	680	**26 631**	**-**	**(27 311)**	**-**	**32 384**	**768**	**(32 960)**	**192**
PROG 2: SKILLS PLANNING-									
SSP Review	2 052	2 244	5 286	(6 224)	3 358	2 988	2 244	(8 305)	285
Occupational Trainer Qualification	392	51	-	(443)	-	-	-	-	-
Labour & Stakeholder Capacity Building	-	832	-	(832)	-	97	-	(97)	-
Stakeholder Information Dissemination	-	386	-	(386)	-	228	-	(228)	-
	2 444	**3 513**	**5 286**	**(7 885)**	**3 358**	**3 313**	**2 244**	**(8 630)**	**285**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

22.1 DISCRETIONARY RESERVE COMMITMENTS (CONTINUED)

Project/discretionary grant programmes	Opening balance 2013	Administration expenditure/ other adjustments 2013	Approved contractual expenditure 2013	Charged to statement of financial performance 2013	Opening balance 2014	Administration expenditure/ other adjustments 2014	Approved contractual expenditure 2014	Charged to statement of financial performance 2014	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROG 3: INCREASE ACCESS TO OCCUPATIONALLY DIRECTED PROGRAMMES									
Bursaries	17 297	883	28 305	(45 283)	1 202	398	14 212	(12 877)	2 935
UIF/MerSETA Artisan Development	-	-	40 275	(6 272)	34 003	27	18 056	(9 501)	42 585
Western Cape DOE FET Artisan Training	-	-	3 713	-	3 713	-	-	(372)	3 341
Denel Artisan Training Programme	-	-	3 708	-	3 708	-	-	(890)	2 818
Courseware & Curriculum Development	61	898	(61)	(898)	-	60	2 500	(2 560)	-
Accelerated Artisan Training Programme	68 827	2 218	77 645	(55 146)	93 544	123	50 428	(52 985)	91 110
RPL Pilot Project	733	-	(427)	-	306	-	-	(306)	-
Northern Cape Household Project	92	-	90	(182)	-	-	-	-	-
Western Cape Household Programme	360	-	-	-	360	-	(360)	-	-
KZN – Office of Premier Project	-	-	29 592	(2 959)	26 633	-	-	(7 200)	19 433
Skills Programme – Unemployed Youth	1 904	-	12 425	(2 735)	11 594	-	(4 754)	(5 615)	1 225
Eastern Cape – Office of Premier	20 108	-	-	(2 357)	17 751	-	-	(4 775)	12 976
Jaguar Land Rover Enrichment Project	4 050	-	-	-	4 050		-	(2 835)	1 215
General Motors SA	4 142	-	-	(4 142)	-	-	-	-	-
QCTO CEP Pilot Project	384	1 798	1 476	(2 848)	810	1 387	695	(2 776)	116
MOA Project DG1 & 2	328 915	-	(85 088)	(68 794)	175 033	47	(56 210)	(102 372)	16 498
MOA Project DG3 (Year 2011)	185 767	-	(10 260)	(57 141)	118 366	7	(3 144)	(36 274)	78 955
MOA Project DG4 (Year 2012)	231 228	-	195 250	(81 017)	345 461	254	(11 860)	(96 790)	237 065
MOA Project DG5 (Year 2013)	-	-	-	-	-	124	62 664	(14 217)	48 571
MOA Project DG6 (Year 2014)	-	-	-	-	-	9	414 919	(41 493)	373 435
Management Accelerated Project	-	-	-	-	-	-	1 838	(183)	1 655
Accelerated Artisan	-	-	-	-		2 882	11 340	(5 944)	8 278
School Support	-	-	-	-	-	-	4 500	(1 800)	2 700
DPWRT-Mpumalanga Provincial	-	-	-	-	-	-	2 813	(281)	2 532
Limpopo Department of Public Works	-	-	-	-	-	-	1 300	-	1 300
Western Cape – DEDAT	-	-	-	-	-	-	11 600	-	11 600
EW Seta	-	-	-	-	-	-	10 000	-	10 000
Gauteng Dept of Ed – (GDE)	-	-	-	-	-	-	16 875	-	16 875
Matriculation – 2013	-	-	-	-	-	-	30 983	(3 098)	27 885
	863 868	**5 797**	**296 643**	**(329 774)**	**836 534**	**5 318**	**578 395**	**(405 144)**	**1 015 103**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

Project/discretionary grant programmes	Opening balance 2013	Administration expenditure/ other adjustments 2013	Approved contractual expenditure 2013	Charged to statement of financial performance 2013	Opening balance 2014	Administration expenditure/ other adjustments 2014	Approved contractual expenditure 2014	Charged to statement of financial performance 2014	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PROG 4: PROMOT THE RESPONSE OF FETCs TO SKILLS SECTOR NEEDS									
False Bay Public FET College	-	-	-	-	-	-	21 287	-	21 287
ISOEs	6 405	(2 294)	10 969	(4 174)	10 906	174	4 927	(7 492)	8 515
National Skills Fund	-	-	-		-	-	114 530	(114 530)	-
The British Council	-	-	-	-	-	-	242	(242)	-
Central University of Technology	-	-	-	-	-	-	1 672	(250)	1 422
	6 405	**(2 294)**	**10 969**	**(4 174)**	**10 906**	**174**	**142 658**	**(122 514)**	**31 224**
PROG 5: ADDRESS LOW LEVELS OF LITERACY									
Maths and Science Student Project	786	925	12 822	(7 248)	7 285	(600)	(51)	(3 399)	3 235
ABET Project Phase 3 & 4	8 991	26	(1 989)	(3 388)	3 640	4	(880)	(1 192)	1 572
NEET Access Programme	-	24	8 241	(533)	7 732	1 418	1 052	(2 909)	7 293
FLC Rural Outreach Project	-	-	-	-	-	-	1 293	(434)	859
TUT-Institute for Advanced Tooling	-	-	-	-	-	-	1 426	(178)	1 248
UJ Project	-	-	-	-	-	50	100	(50)	100
	9 777	**975**	**19 074**	**(11 169)**	**18 657**	**872**	**2 940**	**(8 162)**	**14 307**
PROG 6: PROMOTE WORK PLACE SKILLS DEVELOPMENT									
Internships	-	1 731	-	(1 731)	-	1 549	-	(1 549)	-
New Venture Creation	2 953	11	(1 072)	(629)	1 263	-	(463)	-	800
Retrenchment Assistance Programme	21 684	24	19 375	(18 252)	22 831	582	56 747	(25 760)	54 400
People with Disabilities	2 049	114	12 334	(5 108)	9 389	326	-	(3 239)	6 476
Accounting Technicians Project	2 698	-	(1 038)	(1 660)	-	-	-	-	-
Annual Conference	-	1 698	-	(1 698)	-	733	-	(733)	-
	29 384	**3 578**	**29 599**	**(29 078)**	**33 483**	**3 190**	**56 284**	**(31 281)**	**61 676**
PROG 7: SUPPORT CO-OPERATIVES, SMMEs AND NGOs									
HIV AIDS Project	-	11	286	(214)	83	-	4 040	(849)	3 274
Non Levy Paying NGOs and CBOs	2 273	577	11 058	(7 318)	6 590	8	1 458	(4 580)	3 476
SME Voucher Project	3 622	3 246	-	(3 922)	2 946	4 193	10 485	(7 250)	10 374
Green Skills	-	-	-	-	-	72	-	(72)	-
	5 895	**3 834**	**11 344**	**(11 454)**	**9 619**	**4 273**	**15 983**	**(12 751)**	**17 124**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

Project/discretionary grant programmes	Opening balance 2013 R'000	Administration expenditure/ other adjustments 2013 R'000	Approved contractual expenditure 2013 R'000	Charged to statement of financial performance 2013 R'000	Opening balance 2014 R'000	Administration expenditure/ other adjustments 2014 R'000	Approved contractual expenditure 2014 R'000	Charged to statement of financial performance 2014 R'000	Closing Balance R'000
PROG 8: CAREER DEVELOPMENT									
World Skills	-	520	-	(520)	-	1 954	-	(1 954)	-
Career Path & Development	4 946	3 337	-	(6 653)	1 630	2 051	550	(4 231)	-
International Conferences	-	28	-	(28)	-	121	-	(121)	-
Mobile Skills Development	-	-	-	-	-	(294)	6 943	(2 261)	4 388
NSFAS	-	-	-	-	-	-	20 000	(20 000)	-
	4 946	**3 885**	**-**	**(7 201)**	**1 630**	**3 832**	**27 493**	**(28 567)**	**4 388**
TOTAL COMMITMENTS	**923 399**	**45 919**	**372 915**	**(428 046)**	**914 187**	**53 356**	**826 765**	**(650 009)**	**1 144 299**

22.2 OPERATING LEASES

This represents the total of future minimum lease payments under non-cancellable operating leases.

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

	2014 R'000	2013 R'000
Not later than one year	11 673	10 290
Later than one year and not later than five years	12 644	23 179
	24 317	**33 469**

22.3 FINANCE LEASES

During the current financial year merSETA acquired a mobile bus for career guidance purposes under a finance lease agreement. The total of future minimum lease payments can be broken down as follows:

	2014 R'000	2013 R'000
Not later than one year	1 336	-
Later than one year and not later than five years	1 336	-
	2 672	**-**

The present value of minimum lease payments can be broken down as follows:

	2014 R'000	2013 R'000
Not later than one year	1 233	-
Later than one year and not later than five years	1 300	-
	2 533	**-**

23. FINANCIAL INSTRUMENTS

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

MARKET

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

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

INTEREST RATE RISK

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

merSETA manages its interest rate risk by diversifying its portfolio to include fixed notice deposits that earn short-term gains at fixed rates.

The money market instruments are designed to mitigate the interest rate risk to an acceptable level as the interest is linked to JIBAR rates and the instrument weighted over different maturity periods.

merSETA limits further exposure to interest rate risk by dealing with well-established institutions. These institutions must be approved by National Treasury and rated "good" to be included in merSETA's investment policy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

	Floating rate		Fixed rate			Non-interest bearing		Total
	Amount R'000	Effective interest rate	Amount R'000	Weighted average effective interest rate %	Weighted average period for which the rate is fixed	Amount R'000	Weighted average period until maturity in years	R'000
Year ended 31 March 2014								
Cash and cash equivalents	849	4.63%	65 935	4.63%	6 months	-	-	66 784
Financial instruments at fair value	1 320 000	7.41%	-	-	-	-	-	1 320 000
Other receivables from exchange transactions	-	-	-	-	-	59 814	3 months	59 814
Total	**1 320 849**		**65 935**			**59 814**		**1 446 598**
Liabilities								
Trade Payables	-	-	-	-	-	26 610	30 days	26 610
Payroll-related accruals	-	-	-	-	-	11 064	30 days	11 064
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**37 674**	**-**	**37 674**
Net financial assets	**1 320 849**		**65 935**			**22 140**		**1 408 924**
Year ended 31 March 2013								
Assets								
Cash and cash equivalents	1 515	4.61%	113 691	4.61%	6 months	-	-	115 206
Financial instruments at fair value	1 020 000	5.58%	-	-	-	-	-	1 020 000
Other receivables from exchange transactions	-	-	-	-	-	21 900	3 months	21 900
Total financial assets	**1 021 515**	**-**	**113 691**	**-**	**-**	**21 900**	**-**	**1 157 106**
Liabilities								
Trade payables	-	-	-	-	-	13 683	30 days	13 683
Payroll-related accruals	-	-	-	-	-	10 223	30 days	10 223
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**23 906**	**-**	**23 906**
Net financial assets	**1 021 515**	**-**	**113 691**	**-**	**-**	**(2 006)**	**-**	**1 133 200**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

EQUITY MARKET RISK

merSETA is exposed to a pricing risk due to fluctuations in the equity market as it has an investment that is linked to equity instruments.

The equity market risk is managed by ensuring that the capital amount invested is guaranteed by the financial institution. The capital guarantees arising from contractual arrangements with the financial institutions, are thus enforceable by law.

The investment policy that has been approved by the accounting authority states the requirements for the capital preservation on equity-linked instruments and a limited percentage of total investments can be invested in equity-linked instruments.

SENSITIVITY ANALYSIS

At 31 March 2014, if the interest rate was 100 basis point higher with all other variables held constant, then the surplus would have been R8,6 million higher to R241,5 million, arising from the increase in net gains on financial instruments. If the interest rate was 100 basis points lower with all other variables held constant, then the surplus would have been R8,6 million lower to R224,3 million arising from the decreased net gains in financial instruments than what was budgeted for.

At 31 March 2014, if skills development levy income grew only by 6% from the previous financial year, instead of the 13,1% growth and all other variables held constant, then a surplus of R171,6 million would have been earned. If the skills development levy income grew by 20% and all other variables held constant, then a surplus of R437 million would have been earned.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The financial assets which potentially subject merSETA to the risk of non-performance to counter-parties and thereby subject to credit risk are the receivables from exchange transactions.

The ageing of receivables from non-exchange transfers:

	2014		2013	
	Gross	Impairments	Gross	Impairments
Current	667	(667)	4 773	(601)
30 Days	336	(336)	2 244	(2 244)
60 Days	288	(288)	900	(900)
90 Days	124	(124)	470	(470)
91 Days to 6 Months	720	(720)	589	(589)
6 Months to 1 Year	265	(265)	1 031	(1 031)
1 Year Plus	4 970	(4 970)	3 489	(3 489)
Total	**7 370**	**(7 370)**	**13 496**	**(9 324)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

merSETA is exposed to credit risk in regard to payments made in advance on discretionary grants whereby not all deliverables as agreed on in the Memorandum of Agreement have been met.

merSETA has entered into agreements with the qualifying employers in regard to these grants whereby some payments are recoverable until training has been implemented.

merSETA does not have any material exposure to any individual or counter-party. merSETA's concentration of credit risk is limited to the manufacturing, engineering and related services industry in which merSETA operates. No events occurred in the manufacturing, engineering and related services industry during the financial year that may have an impact on the receivables that ha–ve not been adequately provided for. Receivables are presented net of an allowance for doubtful debts.

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

	2014 R'000	2013 R'000
Employer receivable	-	4 172
Receivables due by employees	6	54
InterSETA receivable	129	39
	135	**4 265**

merSETA manages the risk of staff advances by systematic deductions of amounts owing from the monthly salaries paid or from leave payouts due upon termination of services.

LIQUIDITY RISK

Liquidity risk is the risk that the entity could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment.

merSETA is exposed to liquidity risks as it has outstanding obligations to make payments to levy-paying employers and training providers for training that has been completed and also payments to trade creditors for goods delivered and services rendered.

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

Maturity analysis on the entity's contractual cash flows for its non-derivative financial liabilities :

Trade and other payables from exchange transactions

2014	Carrying Amount	Contractual Cash Flow	6 months or less	6-12 months	1-2 years	More than 2 years
Trade and other payables from exchange transactions	26 610	26 610	26 610	-	-	-
2013						
Trade and other payables from exchange transactions	13 683	13 683	13 683	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

FAIR VALUES

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

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

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

Other receivables from exchange transactions

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

24. RELATED PARTY TRANSACTIONS

24.1 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:

		2014 R'000		2013 R'000	
	Note	Net transfers in/(out) during the year	Amount receivable/ (payable)	Transfers in/(out) during the year	Amount receivable/ (payable)
Receivables	10	**(62)**	**129**	**(356)**	**39**
CETA		(179)	-	(345)	-
AGRISETA		-	3	-	2
EWSETA (Previously ESETA)		-	2	(20)	-
FASSET		19	-	35	1
FP&M SETA		9	-	41	5
CHIETA		-	-	(93)	-
MICT SETA (Previously ISETT)		(3)	32	26	31
SERVICES SETA		92	92	-	-
Payables	16	**(323)**	**(1 590)**	**(366)**	**(1 386)**
INSETA		(2)	-	-	(1)
W&R SETA		(321)	(1 590)	(366)	(1 385)
Total		**(385)**	**(1 461)**	**(722)**	**(1 347)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

24.2 ACCOUNTING AUTHORITY AND INDEPENDENT COMMITTEE MEMBER'S FEES

	2014		2013	
	R'000		R'000	
	Net transfers in/(out) during the year	Amount receivable/ (payable)	Transfers in/(out) during the year	Amount receivable/ (payable)
N Chirwa	(62)	(49)	-	-
D De Villiers *	-	-	(37)	-
J Esterhuizen	(149)	(78)	(124)	(59)
A Hanekom *	(125)	(78)	(103)	(55)
M Kuscus (Independent)	(78)	(49)	(56)	(37)
H Korstens *	(88)	(49)	-	-
J Lopes **	(28)	-	(67)	-
M Maisela (Independent)	(27)	(7)	(91)	(34)
N Mannie	(113)	(64)	(10)	-
M Mogopodi	(180)	(64)	(136)	(5)
T Molapo	(93)	(51)	(69)	(57)
J Olivier *	(97)	(70)	(117)	(71)
S Rensburg (Independent)	(62)	(49)	(63)	(30)
F Tregenna	(150)	(81)	(99)	(48)
X Tshayana	(186)	(97)	(136)	(67)
J Swarts	(109)	(65)	-	-
J Van Niekerk	(140)	(75)	(116)	(65)
J Wilson	(124)	(51)	(128)	(63)
R Daniels (Independent)	(57)	(49)	(66)	(48)
A Mashifane (Independent)	(66)	(17)	(99)	(12)
T Mashanda (Independent)	(22)	-	(110)	(11)
F Mukaddam (Indepedent)	(19)	(11)	(83)	(11)
B Matibane (Independent)	-	-	(3)	-
	(1 975)	**(1 054)**	**(1 713)**	**(673)**

These transactions and balances relate to Accounting Authority fees and independent committee members' fees.

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

** These members have resigned.

25. GOING CONCERN

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

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

CRIMINAL CONDUCT

A forensic investigation into supply chain management uncovered malpractice in the disposal of assets process and fraudulent activities regarding a specific service provider. There is no direct financial loss incurred by the entity with regards to the unethical and unfair process followed in the disposal of assets. The total loss quantified and incurred due to the irregular practice in supply chain management amounted to R96 000.

A disciplinary process is under way with the responsible incumbent for contravention of the merSETA Code of Conduct and the National Treasury Regulations 16A8.1 and 16A8.2 and 16A.8.3.

There were no losses suffered through criminal conduct in the prior year.

IRREGULAR EXPENDITURE

	2014 R'000	2013 R'000
Opening Balance	6 679	6 353
Add: Irregular Expenditure – Current year	608	326
Less: Expenditure where condonation declined	(6 353)	-
	934	**6 679**
Analysis of expenditure awaiting condonation per age classification		
Current year	**608**	**326**
Prior year	**326**	**6 353**
Total	**934**	**6 679**

The irregular expenditure of R6 353 000 shown as an opening balance resulted from certain regulations within the supply chain process not being followed in the 2011/12 financial year. The condonation of these was declined by National Treasury in the current year. Since 2011/12 management has made every endeavour to continually improve the control environment in the supply chain unit and the shortcomings that led to this irregular expenditure have been addressed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

Details of Irregular Expenditure – Current year

Incident	Nature of transaction	Disciplinary steps taken/ criminal proceedings	Remedial actions taken	Amount R'000s
Three quotes were not obtained from different suppliers and a deviation was not obtained prior to procuring the services.	Advertising	Not applicable	Condonation to be sought from approving authority as deviation was authorised after the transaction was concluded, due to the emergency.	26
Three quotes were not obtained from different suppliers and a deviation was not approved prior to procuring the services	Supply of consumables for coffee machine	Disciplinary process in progress.	A new automated supply chain interface is currently in the process of implementation and will enforce compliance management as all RFQs will be generated automatically by the system.	10
Transaction completed without a valid tax clearance certificate	Printer maintenance	Not applicable. Irregular expenditure incurred due to inherent limitations of the manual controls over the review of tax clearance certificates of existing suppliers. The organisation has not suffered any financial loss and valid tax clearance certificates have subsequently been obtained.	The new automated system has been designed to have a feature that alerts both the supply chain management and service provider of the expiry dates of the tax clearance certificates a few months prior to expiration.	19
Transaction completed without a valid tax clearance certificate	Security services	Not applicable. Irregular expenditure incurred due to inherent limitations of the manual controls over the review of tax clearance certificates of existing suppliers. The organisation has not suffered any financial loss and valid tax clearance certificates have subsequently been obtained.	The new automated system has been designed to have a feature that alerts both the supply chain management and service provider of the expiry dates of the tax clearance certificates a few months prior to expiration.	59
Evidence of cover quoting was identified. Three quotes, purporting to be from different suppliers, were received from the same supplier, although superficial details like addresses and phone numbers did differ.	Golf Day Co-ordination and venue rental	Disciplinary measures and/or criminal proceedings are still to be instituted.	A new automated supply chain interface is currently in the process of implementation and will enforce compliance management as all RFQs will be generated automatically by the system.	494
TOTAL				**608**

FRUITLESS AND WASTEFUL EXPENDITURE

No material fruitless and wasteful expenditure was incurred during the current or previous year.

27. TAXATION

No provision has been made for taxation as merSETA is exempt from tax in terms of section 10 of the Income Tax Act.

28. EVENTS AFTER THE REPORTING DATE

A Strategy and Governance Committee was established in May 2014.

29. 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:

	Statement	Effective
Segment Reporting	GRAP 18	No date determined
Related Parties Disclosures	GRAP 20	No date determined
Service Concession Arrangements: Grantor	GRAP 32	No date determined
Transfer of Function between Entities Under Common Control	GRAP 105	No date determined
Transfer of Function between Entities Not Under Common Control	GRAP 106	No date determined
Mergers	GRAP 107	No date determined
Statutory Receivables	GRAP 108	No date determined

An entity shall apply Standards of GRAP for Annual Financial Statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the PFMA.

GRAP 18: Segment Reporting

This Standard provides guidance on accounting for determination of reporting segments and will require additional disclosure.

GRAP 20 : Related Parties Disclosures

This Standard provides guidance on related-party disclosures to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

GRAP 32 : Service Concession Arrangements: Grantor

This Standard prescribes the accounting for service concession arrangements by the grantor, a public sector entity.

GRAP 105: Transfers of Functions between Entities under Common Control

This Standard provides guidance on how to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It will not impact the current accounting policies or disclosures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

GRAP 106: Transfers of Functions between Entities not under Common Control

This Standard provides guidance on how to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It will not impact the current accounting policies or disclosures.

GRAP 107: Mergers

This Standard provides guidance on how to establish accounting principles for the combined entity and combining entities in a merger. It will not impact the current accounting policies or disclosures.

GRAP 108: Statutory Receivables

This Standard prescribes accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

"Let us look back to 1994, and celebrate the journey we have travelled. And now, let us look forward to tomorrow, and build a nation worth celebrating."

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MANUFACTURING, ENGINEERING
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