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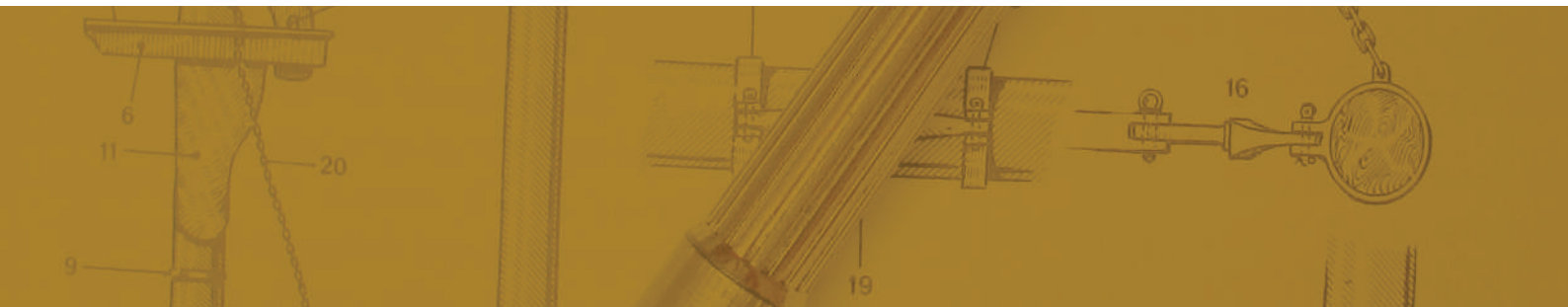
Department:
Labour
REPUBLIC OF SOUTH AFRICA



merSETA
MANUFACTURING, ENGINEERING
AND RELATED SERVICES SETA

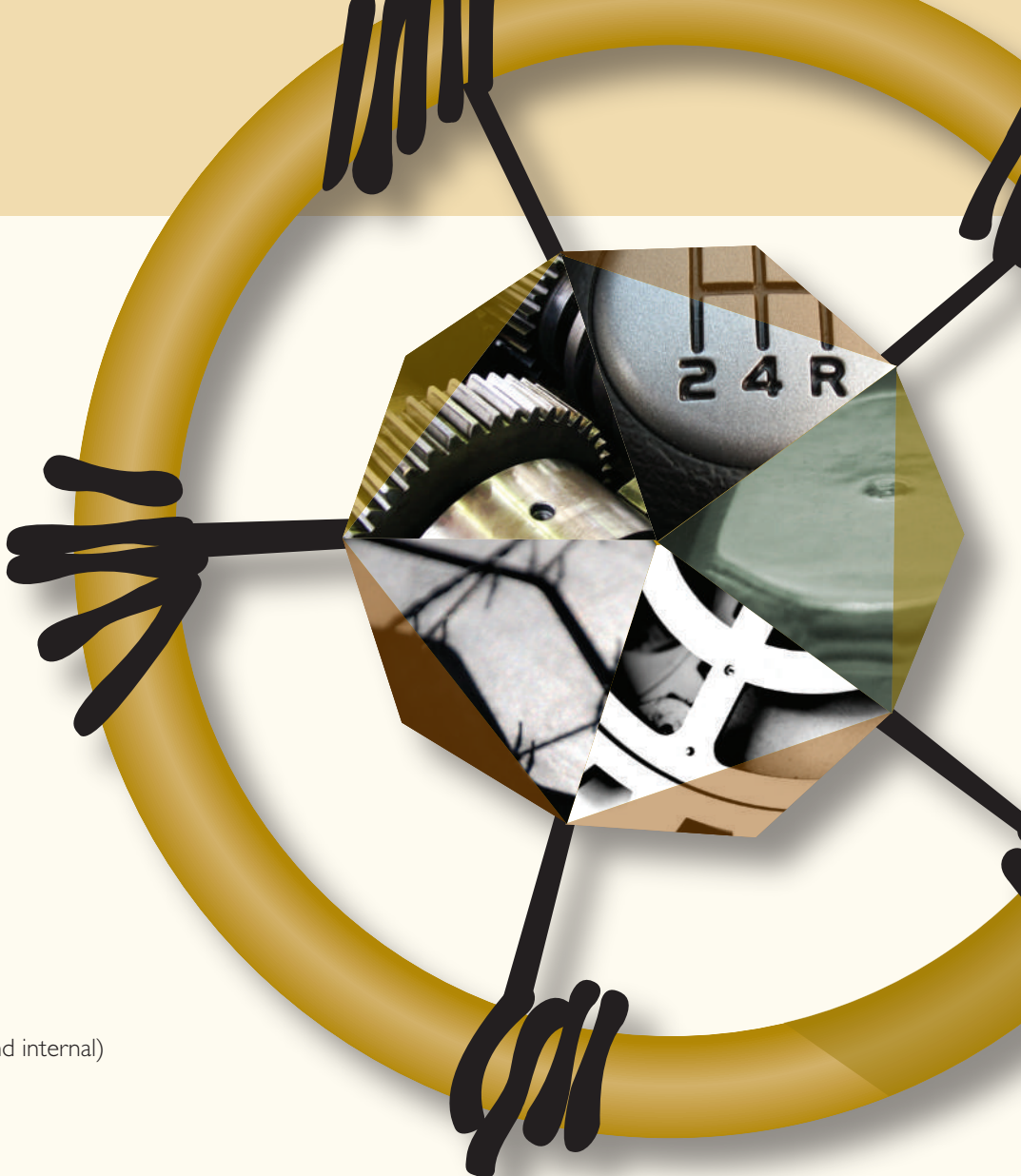
**ANNUAL
REPORT**

07/08



Registration Number: 18/MERSETA/01/04/08
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Vision

MERSETA, leaders in closing the skills gap.

Mission

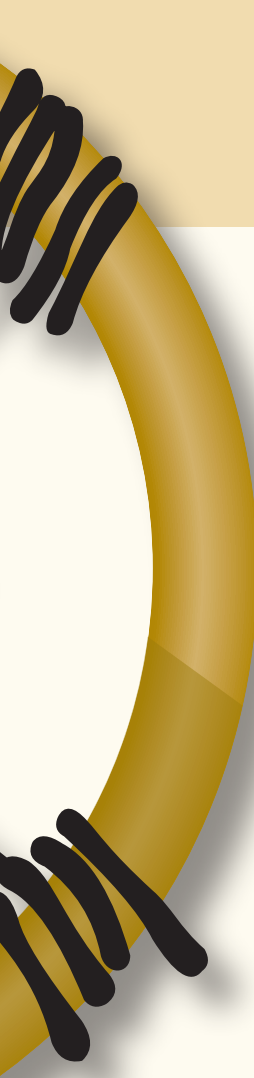
To facilitate the sustainable development of skills transformation and to accelerate growth in manufacturing, engineering and related services.

Values

- RESPECT
- SERVICE
- EXCELLENCE (external and internal)
- INNOVATION
- INTEGRITY
- HONESTY

Strategic Objectives

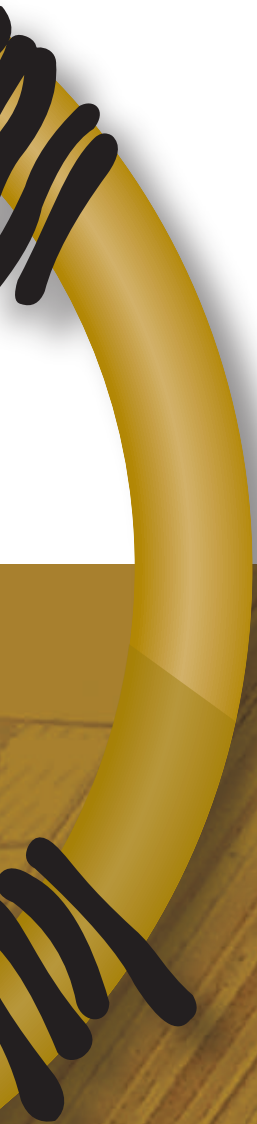
Increase skills available to the sector to meet its short-term needs by investing and encouraging investment and innovative thinking	(STOCK OF SKILLS)
Strengthen the skills pipeline in the medium to long-term supply of skills into the sector	(FLOW OF SKILLS)
Enhance the capacity of various types of employers in the sector to realise greater returns on training investment enable of employees to benefit from training	(WORKPLACE LEARNING)
Empower beneficiaries and employers to realise greater benefit from training by improving the base level of learning in the sector	(GROWING THE BASE)
Strengthen sector mechanisms for skills planning, implementation and partnerships	(SKILLS INFRASTRUCTURE)



1.	Chairperson’s Overview	1
2.	CEO’s Review	5
3.	Financial Overview	11
4.	Corporate Services Report	15
5.	LETQA Report	19
6.	Client Services Report	25
7.	Projects Report	31
8.	MERSETA Performance against NSDS Targets and Highlights	37
9.	Corporate Governance Report	45
10.	Audit Committee Report	53
11.	Auditor General’s Report	57
12.	Annual Financial Statements	63
	• Accounting Authority Report	66
	• Statement of Financial Performance	72
	• Statement of Financial Position	73
	• Statement of Changes in Net Assets	74
	• Cash Flow Statement	75
	• Notes to the Annual Financial Statements	76
13.	Glossary	109

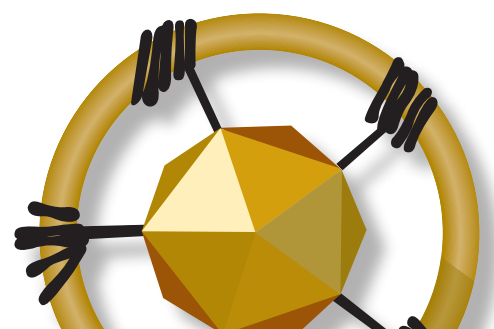


“UMUNTU NGUMUNTU NGABANTU”



1 Chairperson's Overview

Mr Xolani Tshayana



A review period is a time for reflection; when as an organisation we evaluate the particular points at which the tide of our affairs has turned; and where we also identify the specific nature and path of our low waters. We have worked extremely hard to achieve our recorded level of performance and that is something that I, as outgoing Chairperson of MERSETA, am privileged to report on during this year under review.

With regard to our financial position, I am delighted to report that MERSETA finances are stable and sound. We have used the surplus efficiently and productively to enhance the work of the Seta. In spite of the challenge of the absence of a CFO in the earlier part of the year, the management team, now reinforced by the presence of the new CFO, made certain that MERSETA complies in terms of Treasury Regulations and in terms of the mandate of the Department of Labour. I am confident that the structures, systems and processes that we have put in place will help the organisation to grow and prosper.

We began the year anxious to overcome the difficult social dichotomy of the "us and them" syndrome, the business versus labour thinking or, in more basic terms, "the oppressor and the oppressed" mentality that had previously characterised the Seta environment. These adversarial positions are counter-productive and do nothing to contribute to the growth of an organisation. It is in this respect that I wish to pay a special tribute to Mr Tom Mkhwanazi, the Board Secretary, for being instrumental in helping us to develop a common vision where we could, despite being from different stakeholder groupings, commit to the success of MERSETA.

We held a Joint Strategy and Planning Session at the beginning of the year, where we sought a better understanding of our various roles and expectations as stakeholders (Government, Business, Labour, Workers, and the Unemployed). One of the most important milestones we achieved was to place a high premium on artisan training. This resulted in the development of the Accelerated Artisan Development Programme. In Phase I of the project we had an enrolment of 828 learners. This is a source of great pride and inspiration to MERSETA because, due to this training initiative, our people will have the opportunity to qualify as artisans.

As a result of this innovative training programme, MERSETA has

received recognition as a premier training Seta - an accolade of which MERSETA and all its stakeholders is justifiably proud.

A second objective of the Joint Session was the decision to do away with the Notice of Intention to access discretionary grants and strike a partnership between MERSETA and the various levy paying companies. This agreement enables companies to enter into an Memorandum of Understanding (MOU) with MERSETA to access discretionary grants and ensure that their training needs are met.

The third objective was to re-emphasise the role that Adult Basic Education Training (ABET) training plays. As a result, companies recommitted themselves to upholding the priority status of ABET; especially in view of the rapid technological developments that characterise the workplace today.

The adoption of the Recognition of Prior Learning Policy was a high point of the Joint Strategic Planning Session as the system recognises the value of learning achieved outside the formal system of education. Learning throughout one's life is empowering, and enables one to attain improved employment outcomes.

The Bursary Scheme Policy, which was another significant development, was put in place in order to promote the acquisition of scarce and critical skills in the industry. The policy applies to levy paying employers and it is the express intention of the policy to give greater opportunities to Historically Disadvantaged Individuals (HDIs) and people with disabilities. We also welcome the fact that Institute of Sectoral, Occupational Excellence (ISOE) has, during the year under review, endorsed a programme also aimed at the training of people with disabilities.

I must express our unhappiness at having lost some of our key employees. We wish them well because change is necessary where growth must take place. However, we are encouraged that a succession plan is in place and that the gaps in our human capital resource will be properly managed. A milestone event that I report on with a sense of great achievement is the success of the salary adjustment negotiations between MERSETA and its employees. At the best of times such negotiations demand much from both parties, so that what we have achieved, so far, is indicative of our maturity of spirit and our commitment to the organisation.

What will emerge in the future is that the next MERSETA Annual General Meeting (AGM) will take place in the context of the Seta Performance Reviews where it is expected that the Seta landscape will change and this may lead to the reduction in the number of the Setas. My personal hope is to see MERSETA emerge as a standalone Seta because of the tremendous impact it has made in the closing of the skills gap. It is a source of great fulfillment that MERSETA is recognised in the sector as "the best performing Seta."

A word of encouragement, gratitude and appreciation to the people who operate in the various regional offices is definitely not out of place here. Regional offices deserve the honour, for it is extremely gratifying to see the high calibre of work that is being undertaken with people on the ground. After all, this is where the actual work must take place and this is where the impact of MERSETA must be the most felt.

I also take this opportunity to pay tribute to the past Chairperson, Mr Anton Hanekom, who has also been our Deputy Chairperson. For me, it has been a special experience to take over the baton from a capable hand such as his. I also thank Ms Corli Janse Van Rensburg for having been a beacon of light on the successful path that MERSETA has taken.

The present CEO, Dr Raymond Patel, and his staff at Head Office must be commended. They have been an extraordinary support to me personally as the Chairperson and also to the rest of the Board members. Dr Raymond Patel, a powerhouse of leadership, vigour and determination, took over the reigns and, under his expert guidance, we have seen major developments and improvements in the achievement of our service delivery levels.

As a Board, we have been successful, mainly as a result of the spirit of cooperation and mutual respect with which we have conducted the business of the Board. For this, I express my sincere appreciation and pay tribute to my fellow Board Members for having the confidence in my leadership and for having afforded me the opportunity to work with them and create the successful MERSETA of today - a truly winning organisation.

In the year ahead, I am confident that the new leadership will give further impetus to the exciting initiatives already begun and that they will raise the level of the waters and the waves of the MERSETA tide even higher:

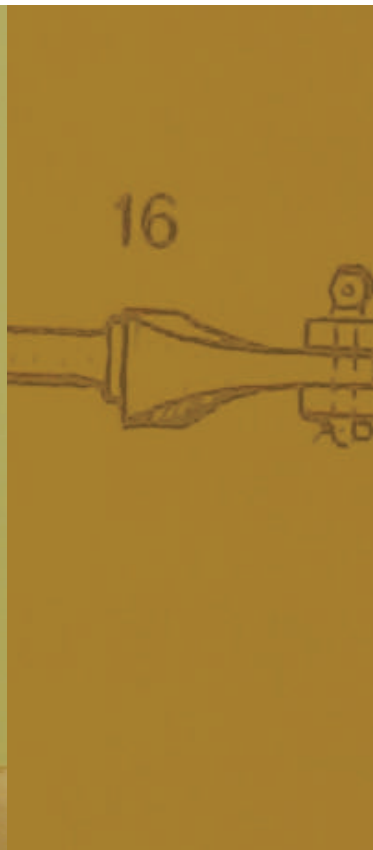


Mr Xolani Tshayana
Chairperson of the Governing Board



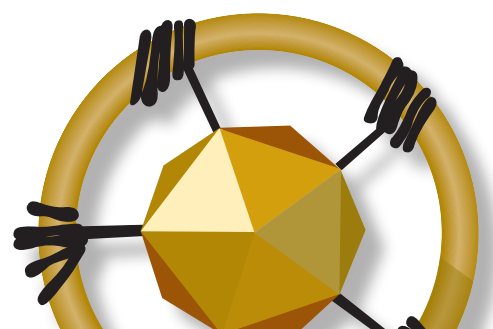


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2 CEO's Report

Dr Raymond Patel



Technical progress and the general increase in knowledge today have allowed populations to aspire to a better standard of living and to want the freedom to shape their own lives in ways that they wish. Similarly, the increase in the availability of educational opportunities has reinforced people's desire to exercise control over their own lives.

It was as a response to this imperative that the establishment of the Setas was one of democratic South Africa's answers to the question of how best to assist people realise these goals; how to fashion a new socio-economic fibre for the South African society and thereby contribute to the process of excellence in thought, creativity and community spirit. The central value was to have people, workers, leaders and managers who have the required skills suited to their various functions, who have the ability to learn new things and who can be responsive to change. This was the transformation paradigm that the country sought.

Reinhardt Monn, a past chairman of Bertelsmann, one of the largest media companies in the world, believed that "the learning process will happen more quickly in the private sector; since greater pressure is exerted here not only by the realities of competition and globalisation but more importantly by the need to balance the different interests within society and be a part of the movement to build the greater good."

It is this symbiosis, this co-existence between the sector and ourselves that is the success story reflected during this period under review. We have concentrated on establishing measures that would have a discernable impact on the range of our service offerings and improve the quality of our service delivery. As far back as the 18th century, partnerships, shared values and strategies for interdependence have been the motivating factor in the development of nations. Cooperation treaties and agreements have been entered into in order to progress life. Even in the present day, we see countries forging bilateral agreements to make progress that would benefit all parties in trade, technological exchange and the like.

We see the same in the animal kingdom. The hunting tactics of lions provide a singularly interesting and telling experience of the value of cooperation and partnership. It is the males who must bring down the prey, who must attack. While the males are doing this, the females close off all routes of escape so that when the prey finally succumbs, all can claim the victory. The outcome required by all has

been achieved, since it is the whole pride that has contributed to the well-deserved meal that they will share.

The role that we are carving for MERSETA is to be an organisation that provides opportunities for the benefit of itself and its stakeholders and indeed for the growth and development of the country. As Heraclitus, the Greek philosopher said, "It is not war that is the father of all things, but it is peaceful cooperation between different systems and different peoples, upon which we can fashion progress."

The Joint Strategy and Planning Session held with all stakeholders at the beginning of this period under review was a masterstroke in intervention and cooperation between MERSETA on the one hand and the employer/labour bodies on the other hand. The outputs that were finally agreed upon were important in bringing about the realisation that entrepreneurial development and the skills development performance orientation principle still represent the best available pathway to socio-economic reform and ultimately to the deepening of democracy. The workshop also made us more conscious of the fact that the "culture of conflict" constitutes a seriously disrupting factor within the economic sphere and negatively affects success-orientated objectives.

The Joint Strategy and Planning Session allowed for the articulation of roles and responsibilities in providing the necessary training options. It also brought to bear a clear understanding of the importance of not undermining the value of workforce motivation in the building of a culture of creativity, commitment, personal development and growth.

The Recognition of Prior Learning Policy was implemented. The country needs people who have been assisted to become capable in handling their tasks, and who become even more capable as their tasks become even more difficult as time goes on. "What we need are people who are willing and able to commit themselves to their own improvement and that of their organisations with all their creative talent and ability." – Membathisi Mdladlane, Minister of Labour.

The Joint Strategy and Planning Session achieved a commitment to maximise the training of workers and help them identify with the goals of their respective organisations. Our business entrepreneurs, Small Micro Enterprises (SMEs) included, are performance driven and therefore they require a workforce that is suitably trained and skilled

and that will cooperate and identify with the aims and objectives of their organisations.

In the 2007 Strategic Planning Workshop of the Governing Board, a need was identified for a greater emphasis on the research function in order to allow for more accurate and strategic research products. Emphasis was placed on investing in the development of a reliable model for identifying and monitoring scarce and critical skills in the manufacturing and engineering sectors.

As the CEO, I am pleased that MERSETA has displayed the courage that an organisation needs to implement reforms that will lead to the successful transformation of our society.

Organisationally, we placed great emphasis on the process to restructure MERSETA and to achieve a flat operational oriented organisation. This gave regional offices much more decision-making responsibility, and rendered them much more responsive to servicing clients' needs. The same applies in the economic sphere. The modes of work now prevalent in our economy require that the traditional, hierarchical mode of management be relinquished. Best performance in terms of quantity, quality, cost and flexibility can be achieved only where an organisation's employees are motivated and committed; where they are fully prepared to take absolute responsibility and make their own contribution to the success of the enterprise.

The Accelerated Artisan Training Programme, which was commenced in 2007 as part of the National Skills Development Strategy, has been a huge success. The focus has been to fast track or accelerate artisan training and increase the skills pool. Artisan Training is an important social goal given the social and economic disparities created by apartheid policies. An initial evaluation of the programme has confirmed something that is a matter of great importance. This goal is in accord with people's expectations and in its implementation, MERSETA has exploited all the skills training possibilities that modern training and development techniques present.

In the same vein, MERSETA has implemented a training voucher project where 144 SMEs in the Metal and Engineering Sector; 110 SMEs in the Motor Sector; and 28 SMEs in the Plastics Sector; were supported. A total of 2773 training vouchers were issued in the pilot phase. In monetary terms, a total of R4 175 376 was issued in training vouchers. It is through innovations like these that MERSETA stands out as a leading skills training provider. Our unshakable belief is that a democracy must concern itself with the welfare of its citizens

and take appropriate action to bring stated goals to fruition.

We wish to emphasise once more that MERSETA prides itself on the partnerships that it has developed and believes firmly in the saying "no man is an island." Therefore no organisation can stand alone because "umuntu ngumuntu ngabantu." We are who we are, and we are what we are because of our relationship with others and the impact of these relationships on our lives. It was therefore in recognition of the achievements of those large companies, those medium sized companies and those SMEs which have contributed to the success of our human capital development initiatives, that MERSETA has introduced a new classification system of five categories for discretionary grant purposes. Classified companies enter into MOUs with MERSETA in order to conclude contractual agreements where MERSETA will train people in order to meet the specific needs of the sector. The classifications are based on the levy paying and training standards of the participating companies who are incentivised through the allocation of a discretionary grant for training leading to national qualifications.

A bright and colourful feather in MERSETA's cap has been the training of 1552 Skills Development Facilitators (SDFs) and sector specialists. We exceeded our training target by 202%.

I thank the members of the Board for their active participation in formulating the various policy positions that have led us to be respected as a leader in the training sector. It is a fitting tribute to the Governing Board that, through its commitment, it has helped to build the organisation into one that stands as an indicator of excellence in the development agenda of our country.

My appreciation goes to my colleagues in the Executive for their encouragement and support. They have provided the platform for the implementation of our programmes and they have helped us to develop the organisation further. MERSETA has made tremendous progress. It has matured as an organisation and the future looks bright. This is due to a great extent to the sterling work being completed by the officials in the regions. MERSETA employees at all levels and all our stakeholders have served the organisation with pride and, in so doing, they mirror the values of our nation. I salute them.



Dr Raymond Patel
Chief Executive Officer



Manufacturing, Engineering and Related Services Education and Training Authority

MERSETA GOVERNING BOARD MEMBERS



MERSETA GOVERNING BOARD MEMBERS

Seated: Mr Gibson Lephallo, Mr Vukani Mthethwa, Ms Malebo Mogopodi, Mr Anton Hanekom (Deputy Chairperson), Mr Xolani Tshayana (Chairperson), Ms Janet Lopes, Mr Piet Verryne, Ms Monica Netshandama

First row standing: Mr Len Whiteley, Mr Leon de Klerk, Ms Jeanne Esterhuizen, Mr Ephraim Tshikwavyhva, Ms Mary Nxumalo, Mr William Nsele, Mr Johan Pieterse, Mr Pieter Welgemoed, Mr Thabang Tsiboli

Second row standing: Mr Zamo Xaba, Mr Urban Badenhorst, Mr Ben Khoza, Mr John Wilson, Mr David Carson, Mr Daniel Rayners, Mr Blackie Swarts, Mr Piet Veldtman

Not in photograph: Mr Alexander Dennis, Mr Brian Angus, Mr Brian Holmes, Mr Daluxolo Jekwa, Mr Dana de Villiers, Mr Dave Rule, Mr Eliah Kodisang, Mr Elias Kubeka, Mr Glen Zamisa, Mr Jakkie Olivier, Mr Marius Fourie, Mr Mike Bullock, Mr Pierre Bezuidenhout, Mr Phumzile Nodongwe, Mr Raymond Kgagudi, Mr Lodewikus Greyling

Manufacturing, Engineering and Related Services Education and Training Authority

MERSETA MANAGEMENT TEAM



MERSETA MANAGEMENT TEAM

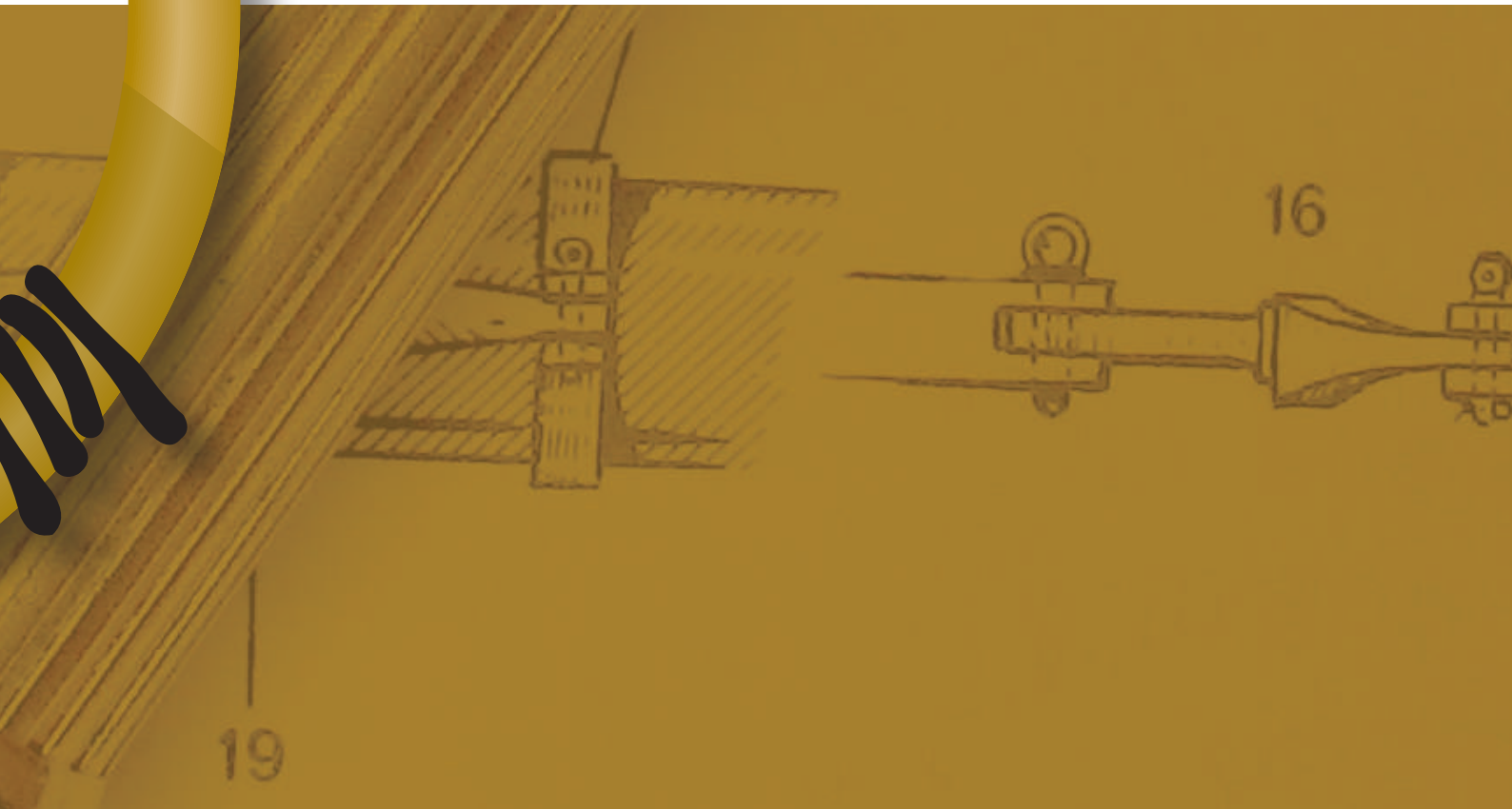
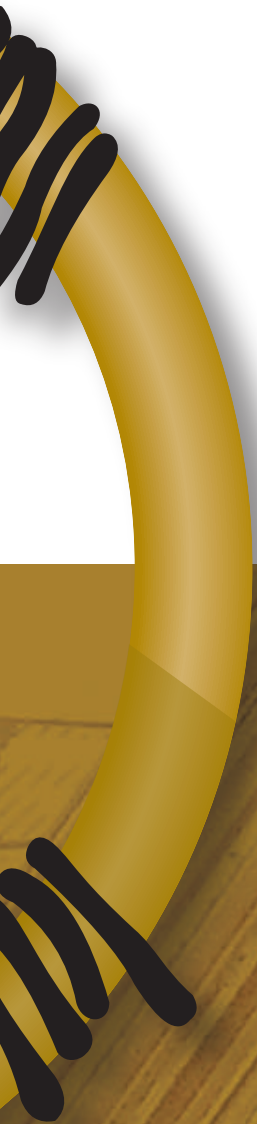
Mr Wayne Adams (General Manager : LETQA), Ms Moketenyana Mayongo (General Manager : Corporate Services), Mr Tom Mkhwanazi (General Manager : Corporate Governance), Dr Raymond Patel (Chief Executive Officer), Ms Beaula Dziruni (Chief Financial Officer), Mr Derrick Peo (General Manager : Projects)

Not in photograph: Ms Corli Janse van Rensburg (General Manager : Client Services) and Mr Seya Shayi (General Manager : Corporate Services)





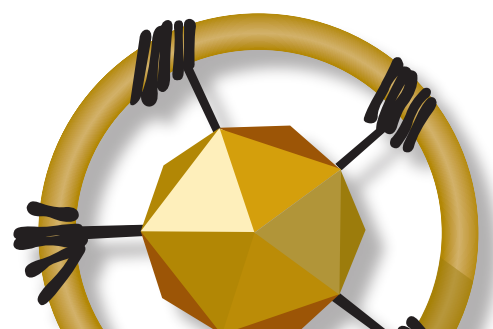
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3

Financial Overview

The financial affairs of the MERSETA remain sound.



Levies

MERSETA experienced a 15% growth in levy income in the 2007/2008 financial year, as a result of an 8% increase in the number of contributing firms as well as a corresponding growth in the payroll costs of companies. Of the remaining 24000, there are 12781 contributing firms. This is slightly over 50% so that there is a definite need to increase the number. SARS is responsible for the collection of levies.

Only 10% of the contributing companies are categorised as large, and they contribute more than 70% of the total levies. The small companies that need to be supported through skills development initiatives comprise of 68% of contributing companies, plus the exempted companies as mentioned above.

The breakdown of levies received per chamber (Graph 4) shows that the Metal Chamber continues to contribute over 50% of total levies. The Metal Chamber also has the largest number of companies, both contributing and exempted. As in prior years, most of the firms that are registered, active or contributing are located in Gauteng.

Accounting error on levies

During the year the Department of Labour and all the SETAS recognized that levy income should be recognised at the point of receipt or allocation, and not as previously shown at the date of the employer making the payment. The time lag between employer payment and receipt or allocation is roughly two months. This has led to restatement of prior year figures as shown in the Financial Statements.

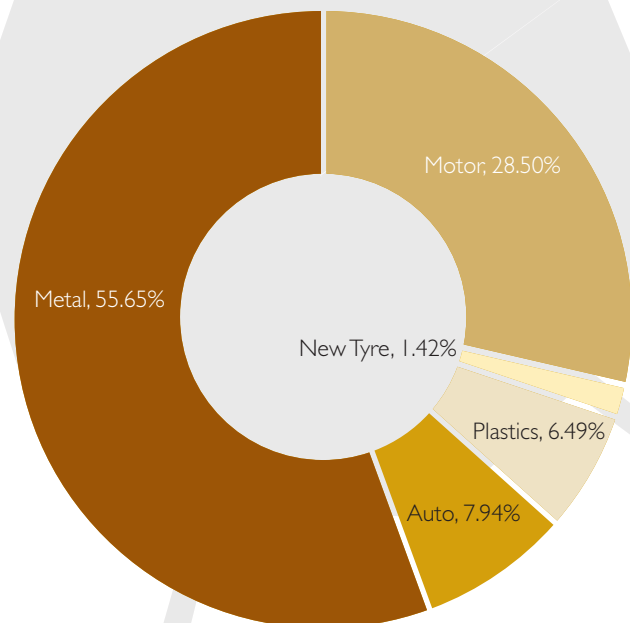
Grants Paid

The mandatory grant payout ratio stayed constant at 63%. Efforts are being made to increase this even further. In line with levies paid, companies under the Metal Chamber claimed more than 50% of the grants. Discretionary grant payments were 36% below the previous reporting period, due to delays in registration of learners and delays in learners completing courses. The MERSETA has already set in place plans to improve on these during the 2008/9 financial year.

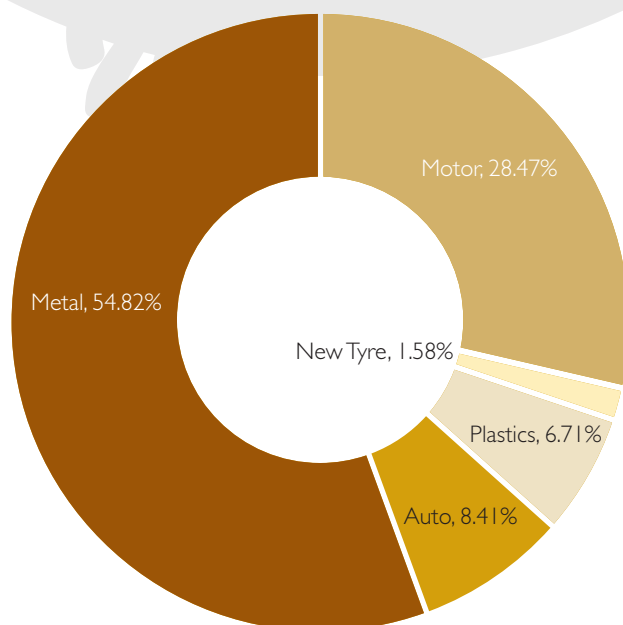
Project Expenditure

Policy decisions affected the implementation of projects. A Projects Division was set up during the year to handle all projects and to accelerate training under special projects.

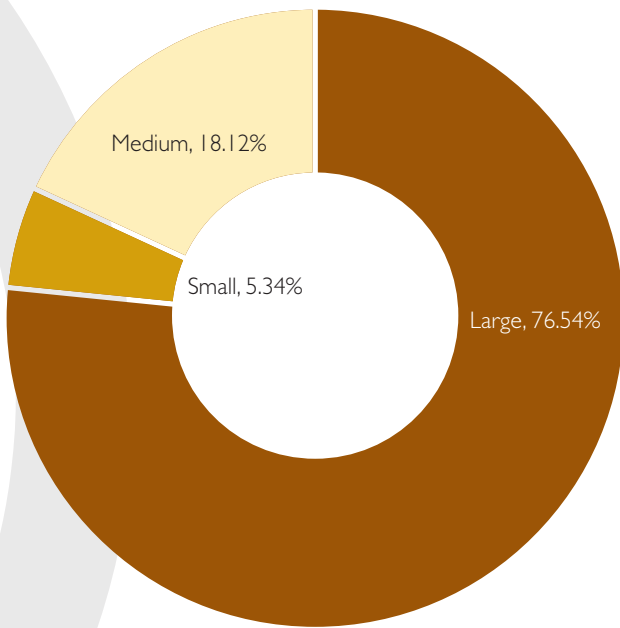
Graph 1: Percentage of Total Levies Paid by Chamber
2008



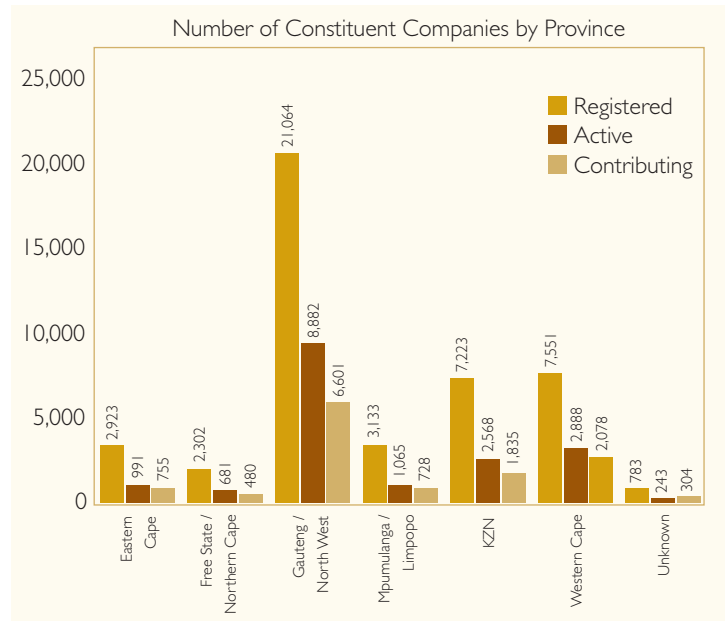
Graph 2: Percentage of Total Levies Paid by Chamber
2007



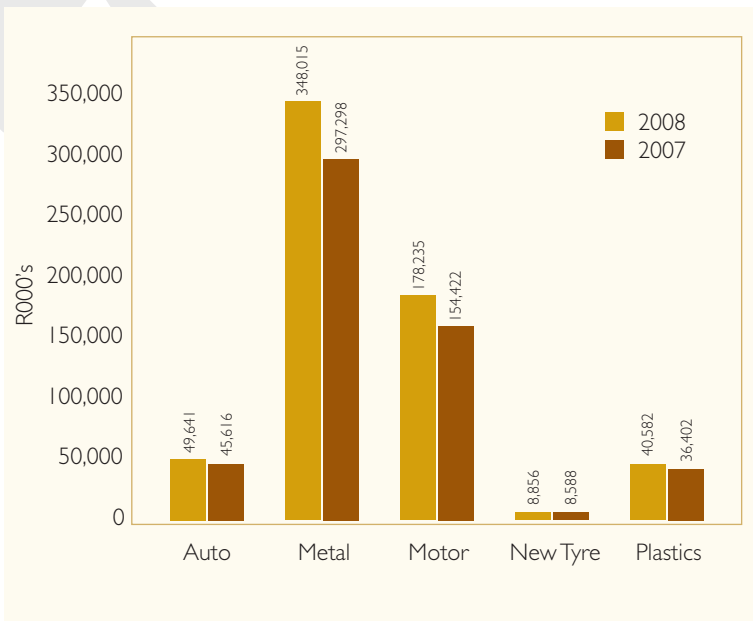
Graph 3: Composition of MERSETA Contributing companies by total number of employees



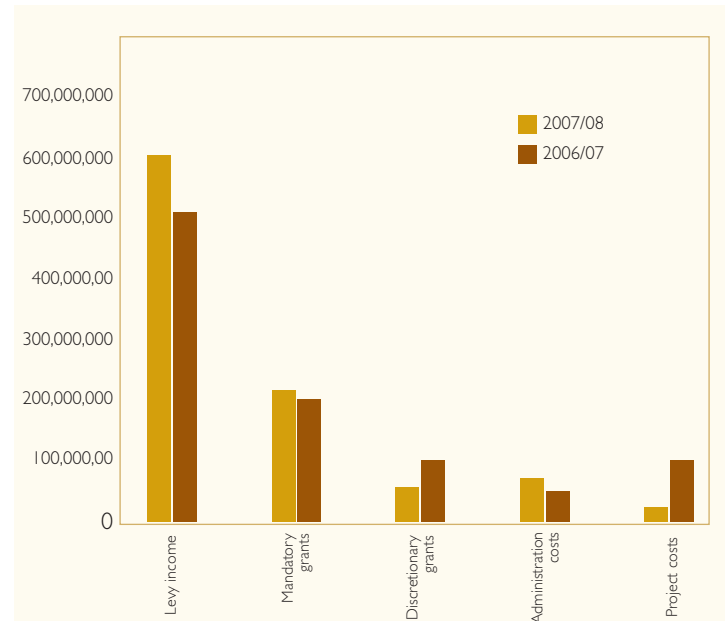
Graph 5: Total levy Analysis by Province



Graph 4: Levy Contribution by Chamber 2007/8 vs 2006/07

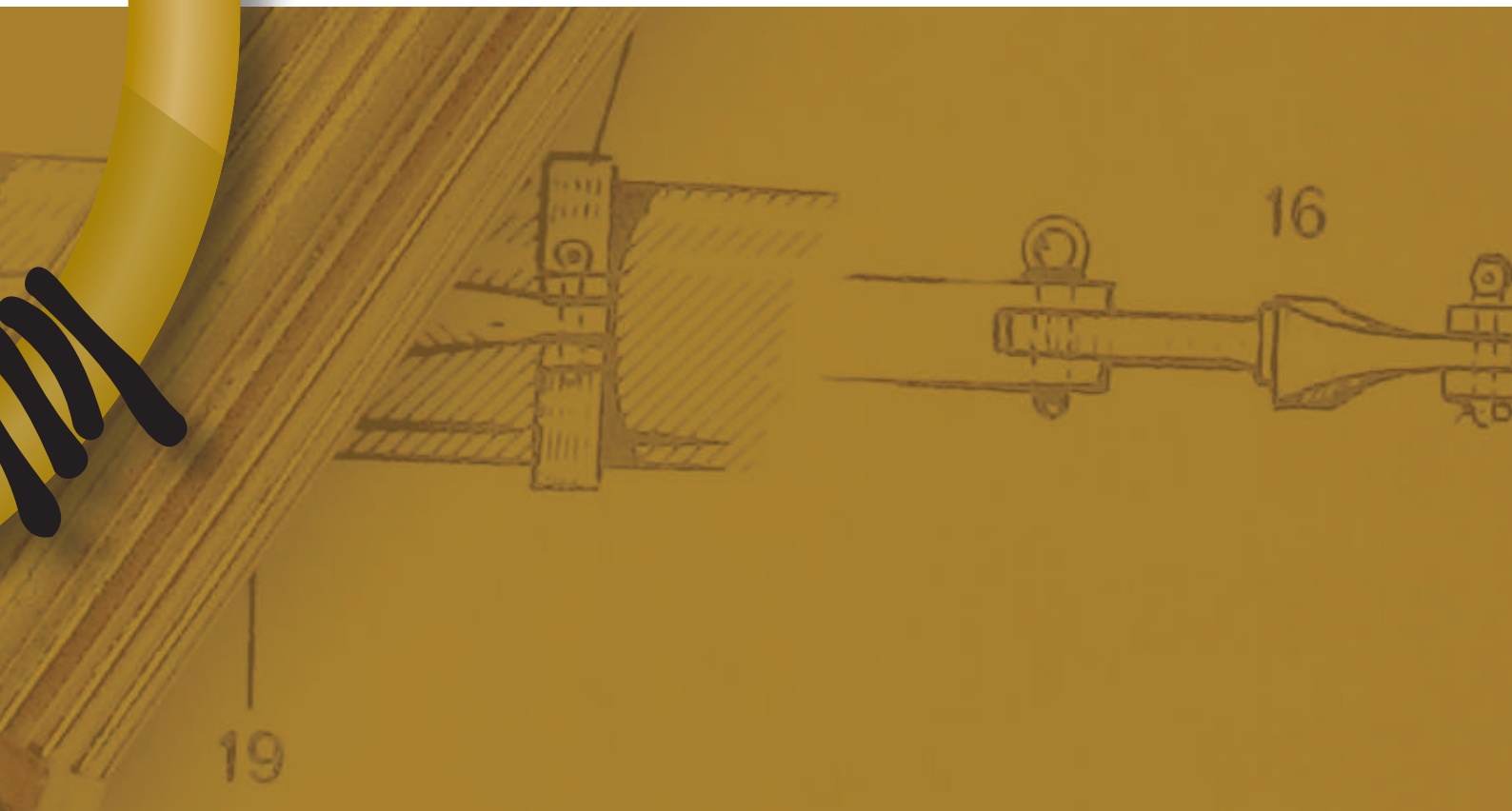
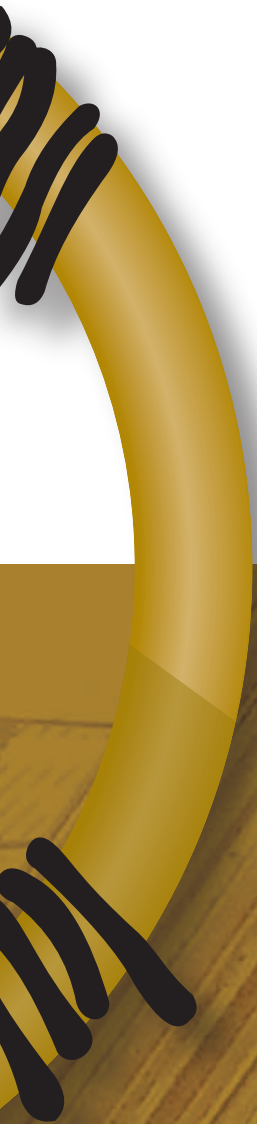


Graph 6: 2007/08 Income and Expenditure

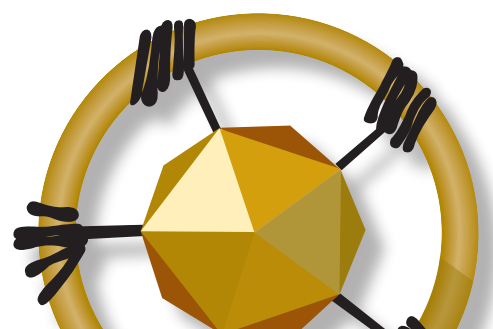




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4 Corporate Services Report



In the financial year April 2007 to 31 March 2008, the main focus of the Human Resources division was to ensure that the restructuring process was effectively implemented and that all vacant and new positions were filled. This has been achieved successfully since most positions have been filled.

Highlights:

The following are the highlights achieved in the division:

- Introduction of an automated performance management system within MERSETA
- Sound labour relations
- Review of all job profiles
- Finalising the job grading project and the salary bench-marking exercise
- Implementation of an Employee Assistance Programme (ICAS)

In the new financial year we will focus on the following:

- Implementing a management development and mentoring programme
- Development and implementation of a retention strategy and succession planning
- Coordination of training for all the regions
- Development and implementation of incentive programmes

Staff complement

Permanent staff	148
Fixed term contract	6

Staff turnover

Reason	MALE	FEMALE
Resignation	2	5
Dismissal	1	
Operational reasons		1
Total	3	6

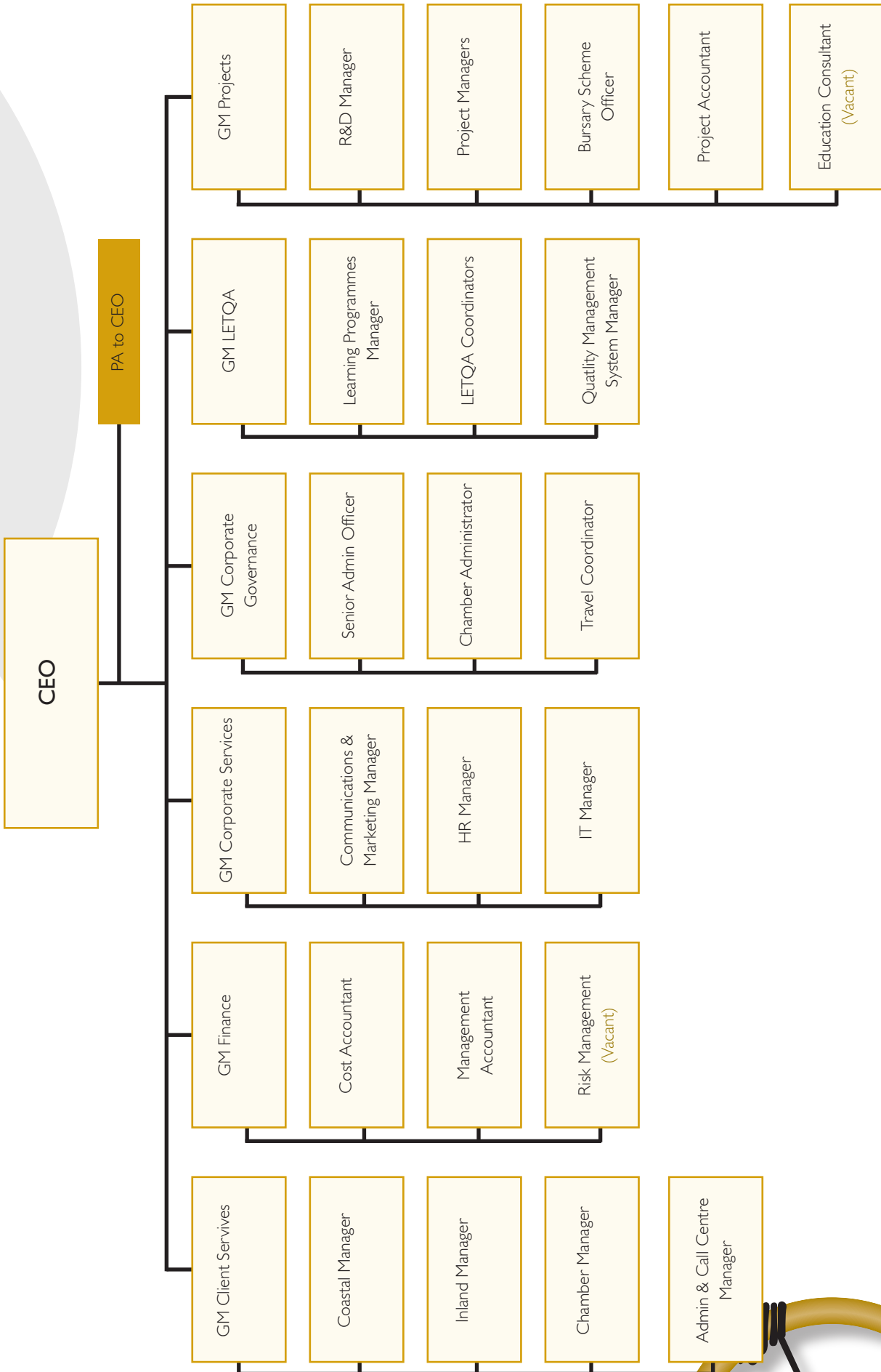
Job evaluation

Total positions evaluated	69
Positions upgraded	25
Positions downgraded	3

Consultants utilised by the HR Division

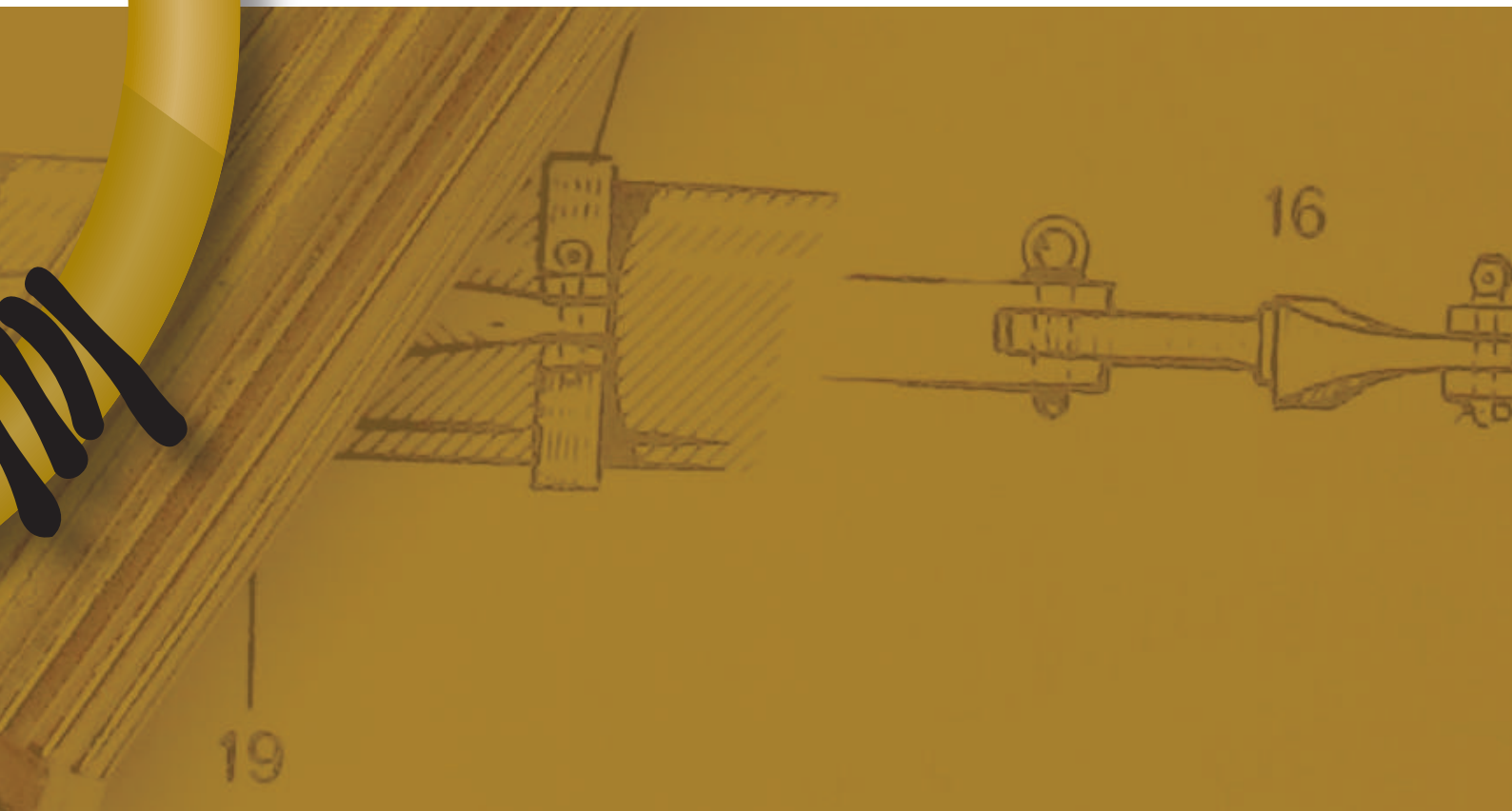
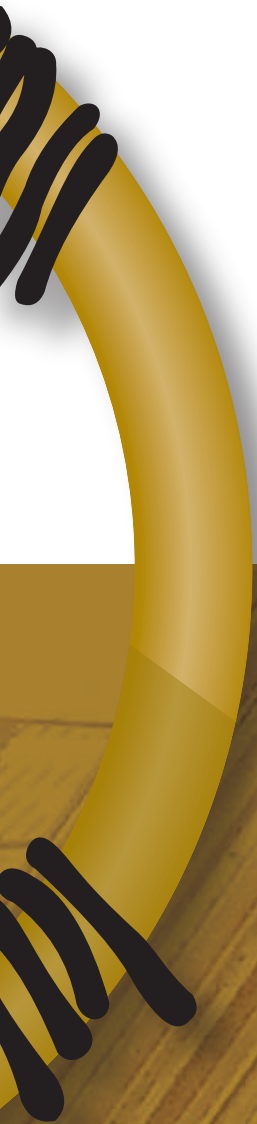
The division sought the professional and technical assistance of a number of consultancies in order to achieve its objectives:

1. PE CORPORATE – for salary surveys and job evaluations
2. 21ST CENTURY – for review of job profiles, grading and salary bench-marking.
3. Growth Plus – for implementation of the automated performance management system.

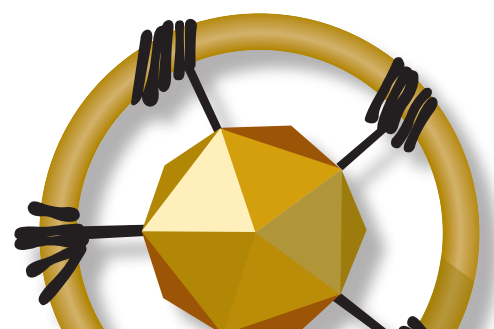




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5 LETQA Report



For the MERSETA Learning Education Training and Quality Assurance Division (LETQA), the year under review has been in many respects a very successful one.

Provider Accreditation

The graphic presentation below clearly indicates the acceleration that we have achieved in terms of our mandate for delivery.

Provider Accreditation

	2006/2007	2007/2008	% Increase
Site visits	314	325	4
Providers given full accreditation	41	63	54
Provisional accreditation	2	4	100
Extension of accreditation	59	68	15
Decentralised Trade Test Centres accredited	20	29	45

The process of aligning the accreditation of providers to the revised approved criteria, as and when existing accreditations expire, has had a positive result. Two providers requested de-accreditation.

A total number of 236 workplaces were approved as facilities with the required infrastructure to implement learnerships and skills programmes. Thirty-seven (37) new learning programmes were submitted for Programme Evaluation and were approved to extend the scope of coverage of accredited providers.

The decrease in new learning programmes that were submitted for programme evaluation was barely significant; from 38 to 37 submissions.

Memorandum of Understanding signed with the Department of Labour

The Department of Labour has entered into a Memorandum of Understanding with the MERSETA ETQA to capacitate and assist

its registered providers towards the attainment of accreditation in accordance with the MERSETA ETQA criteria. MERSETA has appointed Assessment College SA to conduct the capacity building of these providers to acquire accreditation. The project rolled out at the end of 2007 and will be completed by September 2008.

Assessor Registration

MERSETA has registered a total number of 495 Assessors and 76 Moderators in accordance with its Assessor/Moderator registration criteria. Assessor and Moderator extensions were granted to 75 Assessors and 21 Moderators respectively. These Assessors and Moderators cover the primary focus of MERSETA ETQA.

Auditing Activities

Monitoring and auditing activities were stringently undertaken in order to assist providers to meet the criteria for full accreditation; so that even those service providers who have been provisionally accredited finally achieve full accreditation. This rigorous approach resulted in the auditing of 37 fully accredited providers during the period under review. The required corrective action was implemented and followed up in order to ensure compliance.

Provider Customer Satisfaction Survey

A customer satisfaction survey was conducted during the period under review. While it has highlighted our success areas, it has also provided the organisation with the opportunity to identify the areas requiring intervention in order to improve service delivery. The areas of concern were about our turnaround times, communication and the effectiveness of our website. Strategies to address these challenges have been put in place and are currently being implemented.

Certification of Learners

A total number of 6127 certificates have been issued to learners in recognition of their achievements. These certificates were issued upon the completion of 498 moderation visits that were made to accredited providers during the financial year.

The process of issuing certificates has been streamlined to ensure that certificates are now issued within seven days after validation.

The following categories of certificates were issued:

• National Qualification Certificates	2380
• Trade Test Certificates Section 13	997
• Trade Test Certificates Section 28	1346
• CBMT Levels	1054
• ATRAMI	46
• AMIC	304

SAQA Performance Audit

A South African Qualification Authority(SAQA) performance audit on the implementation of the Education Training and Quality Assurance(ETQA) processes was conducted in the period under review. MERSETA LETQA is fully compliant with the SAQA Act 58 of 1995 and its related regulations. The areas requiring improvements in our performance were those relating to impact assessment. This process was begun when the Provider Customer Satisfaction Survey was conducted.

Verification of Certificates

Requests for the verification of MERSETA issued Certificates were received from MERSETA stakeholders and our overseas counterparts who needed to verify the authenticity of the certificates. A total number of 2005 requests for verification were received.

Capacity Building Workshops on the implementation of Recognition of Prior Learning (RPL)

Capacity Building workshops were conducted nationally, in all the major city centres to ensure that accredited providers have a working knowledge and understanding of the implementation of RPL in accordance with the MERSETA criteria. These workshops were well attended.

Assessor, Moderator Mentor and Skills Development Facilitator Training Grants

MERSETA has modified its approach to the training of Assessors, Moderators, Mentors and Skills Development Facilitators by providing discretionary grants for these categories instead of appointing Training Providers to provide the training. This has resulted in funds being disbursed to companies based on competency declarations only.

Establishment of Institutes for Sectoral and Occupational Excellence

MERSETA has signed Memorandum of Understanding Agreements with the following institutions:

- Northlink Further Education and Training College
- Further Education and Training College of Cape Town
- Coastal Kwazulu Natal Further Education and Training College
- National Institute for the Deaf

The Memorandum of Understanding signed with the Further Education and Training Colleges is aiming at supporting the attainment of their status as Institutes for Sectoral and/or Occupational Excellence for the Welding, Motor and Tool, Jig and Die Making trades.

The Memorandum of Understanding signed with the National Institute for the Deaf provides for the conversion of the Automotive and Body Repair qualifications training material to be rendered in a medium that is usable for people with hearing disabilities. This project will also include the creation within the workforce of sensitisation, communication and awareness-raising campaigns as a strategy to prepare the workplace to accommodate people with hearing disabilities.

Qualifications Development

MERSETA has, through the funding of Standards Generating Bodies,(SGB) facilitated the development of:

- 31 Registered Qualifications
- 14 Qualifications developed and submitted to the South African Qualifications Authority for approval by its Consultative Panels as a prerequisite for registration.



These SGBs are also currently reviewing 15 Qualifications to effect changes resulting from workplace revisions that impact on the education and training of learners.

Communication with SAQA regarding the process to be followed in the development of qualifications has improved during this financial year, leading to quick turnaround times in the registration of the reviewed and newly developed qualifications.

The MERSETA funded the following SGBs:

- Welding SGB
- Manufacturing Assembling Processes SGB
- Generic and Manufacturing and Engineering Technology SGB
- Vehicle Maintenance SGB
- Plastics Manufacturing SGB

Skills Programmes

During the present year, the registration of Skills Programmes has gained momentum. We have registered 63 Skills Programmes.

SMEs have been the main beneficiaries of these skills training programmes; especially those SMEs which, although committed to skills training, are unable to release their workers to embark on learnerships because of the possible negative financial impact upon their businesses, as well as the longer duration of learnerships in comparison to ordinary skills training. During the financial year under review, 837 learners were registered on Skills Programmes.

Learnerships

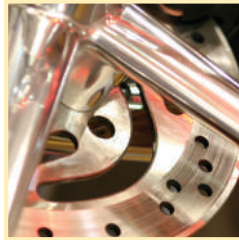
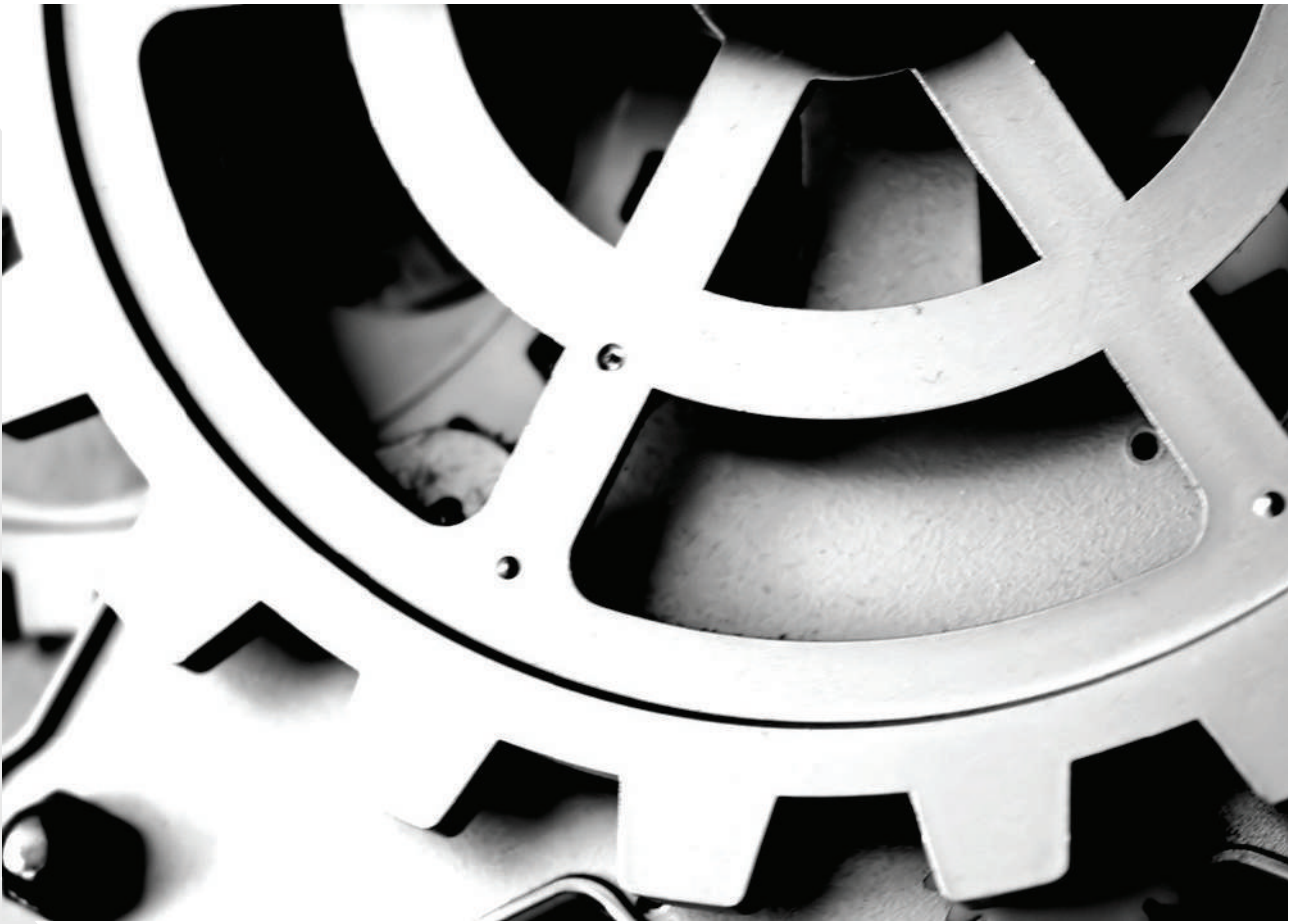
Procedures and guidelines with regard to the registration of learnerships were developed, and the existing ones were reviewed. 2236 Learners were registered on Learnerships during the financial year.

Apprenticeships

The challenges faced by the phasing out of the Nated programmes of FET colleges as one of the pillars of Apprenticeship training, has resulted in the development and subsequent approval of exemption criteria for the theory component of them for candidates who wish to undertake a trade test.

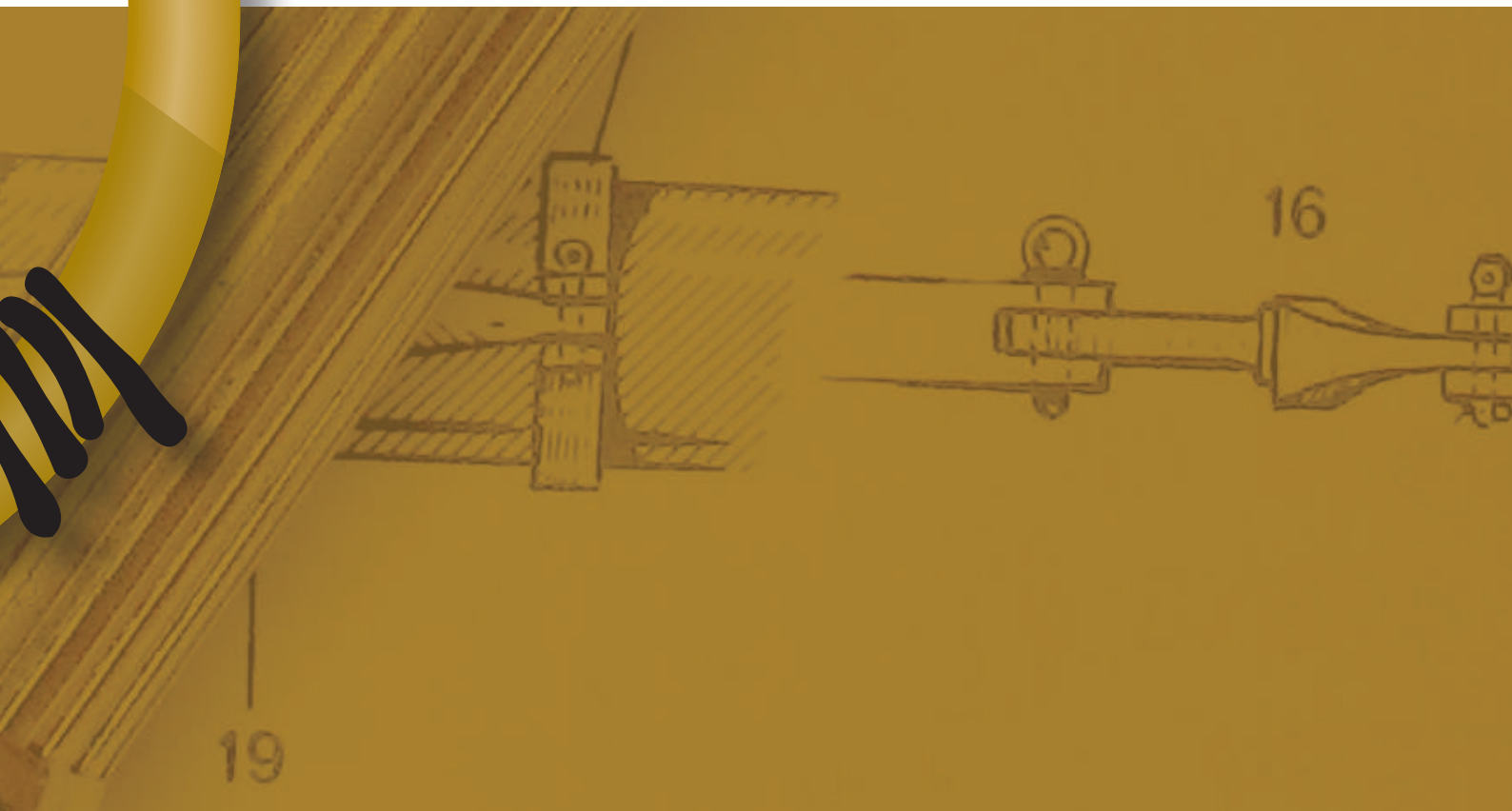
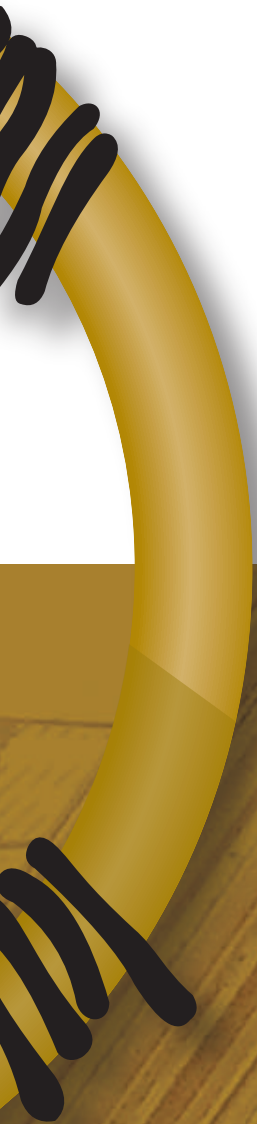
MERSETA has also participated in the review and update of trade test assessment tools in consultation with our industry participants. This project was conducted under the auspices of the Department of Labour as the custodian of the Manpower Training Act.

The number of new apprentices registered during the financial year 2007/2008 was 3525. MERSETA has seen a remarkable increase in the intake of apprentices as compared to the previous financial year.

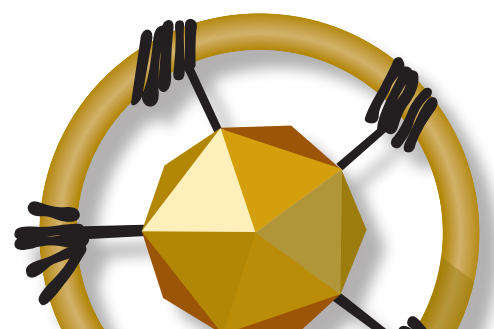




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6 Client Services Report



Regional Offices

Regional offices are responsible for the implementation of MERSETA skills development initiatives through a regional outreach programme that includes providing support to companies, training providers and learners. Advocacy and implementation are also undertaken at regional level. MERSETA has six regional offices nationally and a seventh is in the process of being established.

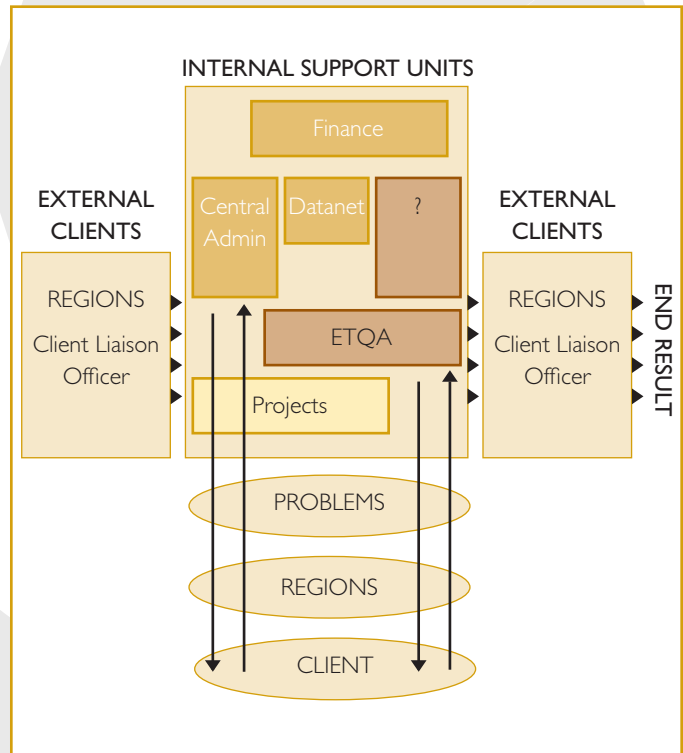
The regional offices have been demarcated into two streams, namely Coastal (Eastern Cape, Western Cape, KwaZulu Natal) and Inland (Limpopo/Mpumalanga, Free State/Northern Cape Gauteng). A new office is planned for Pretoria, which will look after the greater part of Pretoria and North West Province. Client Relations Managers have been appointed. They are responsible for the smooth running of these offices and they are accountable to ensure that the following vital services and functions of the regional offices are implemented:

- Advocate MERSETA skills development initiatives
- Guide, support and assist training providers to obtain accreditation status
- Verify suitability, capacity, readiness of workplaces to roll out skills development initiatives
- Induct learners and apprentices
- Monitor learner/apprentice progress
- Support Small and Micro enterprises
- Guide employers in carrying out a needs analysis
- Capacitate training committees, shop stewards, skills development facilitators and providers
- Provide customer focused service delivery
- Participate in and give input into provincial growth strategies and plans
- Establish relations with strategic partners

All employers who pay levies to MERSETA, or who are legally exempted from paying the skills development levies but actively participate in skills development initiatives, have a dedicated Client Liaison Officer who looks after their skills development portfolio. All services, queries and investigations are dealt with by the Client Liaison Officer, who will in turn work with the support units.

The Regional Office staff during the past year visited 483 large companies 772 medium companies and 3476 small businesses.

With the new approach adopted by the Regional Offices it is clear that the MERSETA delivery agenda has gained momentum during the year under review. Companies that pursued training programmes and continued to do so were rewarded by being categorised as established companies for discretionary grant purposes.



Chambers

The chamber unit is responsible for the five sub sector chamber committees and the MERSETA's interaction with the industry through these representatives. This unit ensures that the chamber committees operate within the MERSETA constitutional terms of reference; it aligns sector needs with regional needs; it acts as a link between the stakeholders (chambers and regions) and the MERSETA; and it monitors the implementation of training programmes.

The chamber unit's approach has been to ensure that stakeholders are now involved in identifying scarce and critical skills within the sectors, and to assist in forming initiatives to fill these gaps. This is a much more proactive way of getting people on the ground more involved in areas such as setting up qualification matrices, defining curricula, working with assessors in developing courses

and ensuring that there are providers. They work closely with the LETQA division, and they are also involved in measuring the SETA against desired results.

The identification of scarce and critical skills by different chambers culminates in a robust sector skills plan, which guides us in our task of implementing apprenticeships; skills programmes and learnership training.

Central Administration

Since the establishment of the MERSETA in March 2000, all administration of apprenticeship contracts, learnership agreements, skills program learners and Section 28 requirements were performed at our six regional offices across the country. The administration of mandatory and discretionary grants was dealt with by the MERSETA grants unit, which was based at the MERSETA head office.

However, in order to improve service delivery, all administration has been centralised, reducing the administration function at regional level so that regional offices are more customer focused. The centralisation of administration occurred during August and September 2007. 75 000 files were centralised; these included company mandatory grant files, discretionary grant files and current and archived learner files. During the period July 2007 and March 2008 a huge backlog existed, which has since been substantially reduced, thus indicating that the decision to centralise has yielded positive benefits in the interests of our stakeholders.

The management of the unit realigned the Quality Management System(QMS) workflows, which resulted in the implementation of various systems and processes. All files were incorporated into a central filing system and staff were employed to do the administration.

The unit currently consists of five teams. These are:

- the registration team - deals with all new registrations of apprenticeship contracts, learnership agreements and skills programme learners
- a trade test result and assessment team - deals with all apprentice level/trade test results, including learner assessment reports

- a grants team – deals with all mandatory and discretionary grant matters
- a trade test application and trade test date team – deals with all level/trade test applications and date notifications
- a team that deals with certificate distribution, applications for transfers of contracts, extension of contract requests, applications for rescission of contracts and exemption requests.

The central administration unit is a support unit and is committed to streamlining processes and improving service to clients.

The following table indicates the number of registered contracts/agreements, level/trade tests arranged, rescissions of contracts effected and grant applications received and processed for 2007/2008 financial year:

	Total number registered	Total number of level/trade tests arranged	Total number of contracts rescinded
Apprenticeship	8184	2049	760

	Total number registered	Total number of qualifications obtained
Learnerships	7516	10405

	Total number received	Total number approved
Mandatory grant applications	3597	2850

The unit aims to have a proactive approach to ensure that clients are informed and reminded at appropriate intervals, through datanet interventions, of the crucial periods during the learning programme implementation cycle. An example of this factor is the reminders that level/trade tests are due within a specific timeframe.

By increasing our communication with clients, through our regional Client Liaison Officers, the implementation of skills development has become more effective and beneficial to the client, the learner and the economy.



It is a known factor that high turnover within our stakeholder organisations, is one of the challenges we face, at the moment, in obtaining updated contact details of the responsible individuals.

Customer Interaction Centre

During the 2007-2008 financial year, the need to establish a Query Centre where clients can direct their queries, was identified. Previously, clients directed their queries randomly to staff within the organisation and the lack of accountability resulted in many unhappy clients. The Query Centre was established within the Client Services Division as a support to the newly established Central Administration Division. The objective of the Query Centre was to direct calls to an identified group of individuals and to minimise calls to Central Administration, allowing Central Administration to improve efficiency in its back office processing.

It was soon realised that the Query Centre was not very effective as it was working off the existing switchboard extensions. All incoming calls to the Query Centre were routed through the Head Office Switchboard. Calls were then transferred to individual extensions within the Query Centre, causing extreme bottlenecks on the Head Office Switchboard. Finding a free extension within the Query Centre was done manually by the switchboard operator, and this caused further delays and frustration for calling clients.

To improve this situation MERSETA had to focus on three key areas that needed attention. The three key areas that were identified were PEOPLE, PROCESSES and TECHNOLOGY. MERSETA plans, by focusing on these three key areas, to transform its Query Centre into a state-of-the-art Customer Interaction Centre.

People

The first step was to employ a well experienced and qualified Call Centre Supervisor who would assist MERSETA in realising its objective to establish a state-of-the-art Customer Interaction Centre. The employment of an able Call Centre Supervisor in November 2007 and six highly experienced Call Centre Consultants during January 2008 proved to be of great benefit towards reaching this objective. Continuous training within the Call Centre is a high priority in order that staff are kept updated

on products and services. Training is conducted weekly by internal staff, department heads and subject matter experts. Call Centre staff are kept up to date with all new developments and strategic decisions.

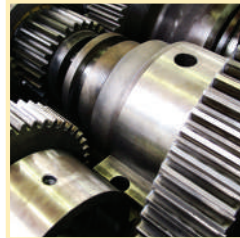
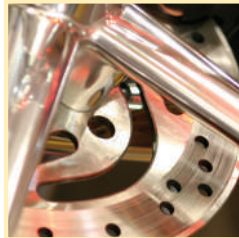
Processes

It was essential to create a single point of contact for clients where their queries could be directed and resolved. The 0861 673378 (0861 MERSET) number was established for all voice calls. A central email address was created (customerservice@MERSETA.org.za) for all email communication. A centralised fax number, 0866 730017, was established for client convenience. The Call Centre adopted the already established QMS within the Client Services Division to ensure uniformity and consistent application of processes and adherence to timelines.

Technology

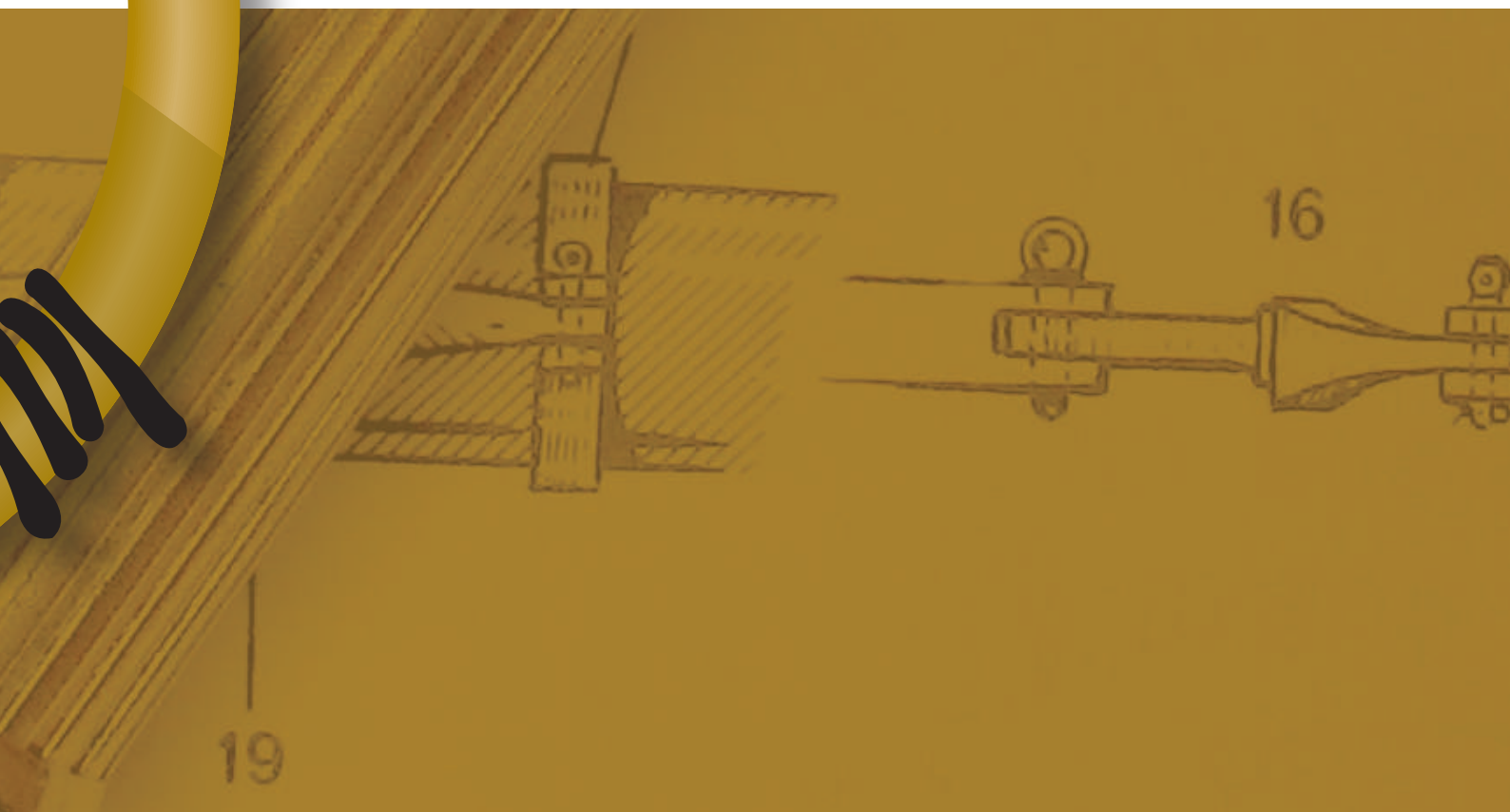
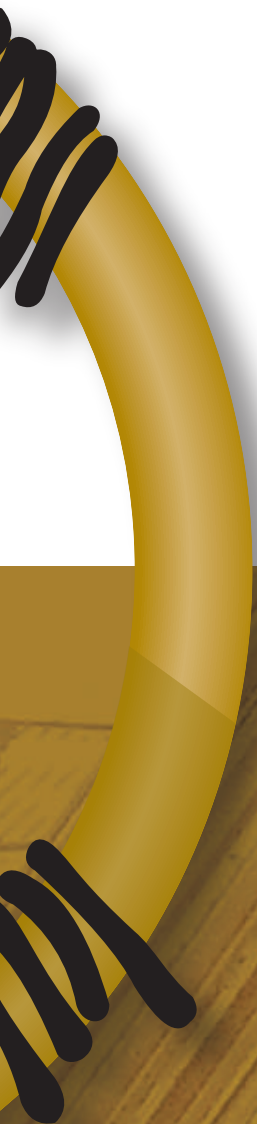
It was soon realised that the current switchboard did not have all the functionality necessary to transform the Query Centre into a state of the art Customer Interaction Centre. The Client Services Division then started to source a Call Centre platform. To choose the correct technology, the Client Services Division first looked at its client interaction needs and formulated its Interaction Management Strategy in December 2007. Using the Interaction Management Strategy as the basis for interacting with its clients, the Client Services Division documented its requirements into a User Requirement Specification, which formed the Terms of Reference for the Call Centre Tender. The tender was published in February 2008 and a provider was appointed in March 2008. The Client Service Division purchased a single Call Centre platform that also acts as a virtual telephone system for the entire organisation. This platform is an all-in-one platform that makes provision for multi-channel contact (voice, fax, email, instant messaging, etc). This platform also records all interactions to the Call Centre, making it easy to track client interactions and documents. The platform will be used for proactive outbound campaigns, self-service and automation.

Going into the 2008-2009 financial year, the Contact Centre will continue to improve, making use of the functionality of its platform to improve effectiveness and to increase client satisfaction.

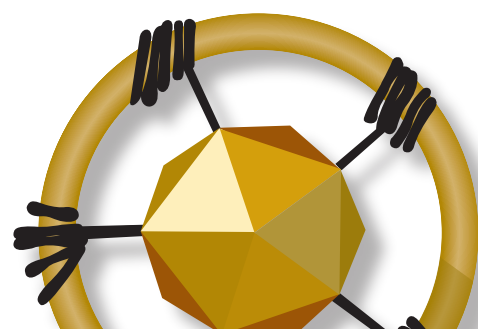




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7 Projects Report



The Projects Division was established in June 2007 after having been a unit in what was then the Skills Development Implementation Division.

The Projects Division leads and facilitates projects, as commissioned by the Governing Board, that are either outside the regular operations of the MERSETA, that have targets that cannot be met through normal channels, that are very large in scale, or that are new initiatives that need a pilot or development phase. The PMO is also responsible for managing the research and development agenda linked to the Sector Skills Plan and aligned to the National Skills Development Strategy.

An Internal Project Operations Committee (IPOC) has been established with representation from Client Services, (which includes regions and chambers), LETQA, and Corporate Services, to promote operational integration across the functional divisions of the MERSETA. Guiding principles for the approval of projects funded by the Discretionary Grant Reserve have been developed.

Programmes

The Projects Division undertook four programmes during the year under review:

1. An ASGI-SA/JIPSA Programme, with an emphasis on artisan development (e.g. AATP, RPL, etc.) and scarce skills (bursaries, workplace and graduate development grants) as well as support for the pipeline of learners with Science and Math Science, Engineering and Technology (SET);
2. SME Skills Development Support Programme (e.g. training vouchers, Client Liaison Officer support, and emerging and informal sector support);
3. ABET Support Programme (Discretionary grants, training vouchers, and Impact Research);
4. Research and Development Programme (an integrated research and development agenda, linked to labour market analysis, impact analysis and sector skills forecasting) culminating in the annual Sector Skills Plan (SSP);

Asgi-sa / Jipsa Programme

A core driver for the Accelerated Artisan Training Programme

(AATP) is the identification of scarce skills within the engineering pipeline that impact on the country's ability to meet and sustain economic and industrial growth objectives and targets. In this regard, the lack of technical skills in South Africa has been identified as a 'binding constraint' on the achievement of the government's economic growth target of 6% and its infrastructure development plans. Infrastructure development, including the manufacturing supply chain and its ongoing maintenance, is seriously affected by the shortage of skilled project managers, engineers, technicians and artisans.

At the end of March, AATP had reached 106% (691) of its original target in the Metal Sector and 21% (137) of the originally proposed target in the Motor Sector; thus totalling 63.5% (828) of the projected uptake of 1300 for Phase 1. Concurrently the MERSETA was finalising negotiations arising from a funding proposal to the National Skills Fund (NSF) of the Department of Labour (DoL) for the training of 2720 apprentices for R136m, to be matched by an additional MERSETA investment of R80m for an additional 1600 apprentices. This brought the MERSETA commitment to artisan development to a historical and unprecedented single initiative valued at R286m (for training 5620 apprentices).

A general constraint to uptake arises from the feeder system, which is not producing sufficient numbers of candidates with Maths, Science, and Trade Theory in the right combinations. In September 2007 the Governing Board approved an exploratory pilot to investigate how MERSETA could intervene to ensure a better quality of matriculants with Mathematics and Science for uptake into its scarce and critical skills learning programmes. The Science Engineering and Technology (SET) Project is designed as an interface to strengthen the learner pipeline and the delivery of the new National Vocational Curriculum at FET colleges.

Also positioned as a sub-project of the AATP, MERSETA stakeholders have long realised the potential of Recognition of Prior Learning (RPL) for acceleration of currently skilled workers into further learning. The RPL pilot project is being implemented in Gauteng, KwaZulu Natal and Western Cape, after which it will be rolled out to other regions as well. A key aspect of the project is the training of company based labour representatives as RPL Advisors.

The MERSETA Bursary Scheme has been relocated within

the Projects Division, and is underpinned by a Bursaries Policy which has been approved by the Board. Bursaries are provided annually to around 200 learners in Higher Education studies in the engineering disciplines. Management and sales related graduate courses are also supported for different target groups, a good example of which is a project with 46 female learners from MERSETA companies at the UNISA School of Business Leadership (SBL)/Black Management Forum (BMF) programme. Prior to the end of the financial year, the MERSETA entered into a partnership with the Thabo Mbeki Education Trust around the co-funding of bursaries in scarce and critical skills.

SME Skills Development Support Programme (SDSP)

Following a research and scoping study, a comprehensive MERSETA SME Strategy was proposed in April and May 2007. The strategy comprised a set of recommendations that re-positioned the SME SDF role as specialist and mentor in business development (through skills development), with a diverse basket of service offerings. The strategy was translated into eight modalities, rationalised to three programme streams, with sub-projects.

The first programme stream, the Training Voucher Project represents direct training support from specialist training providers. The second programme stream relates to the provision of appropriately trained and equipped SME Client Liaison Officers, while the third programme stream focuses on Emerging and Informal Sector Support, including the New Venture Creation Project.

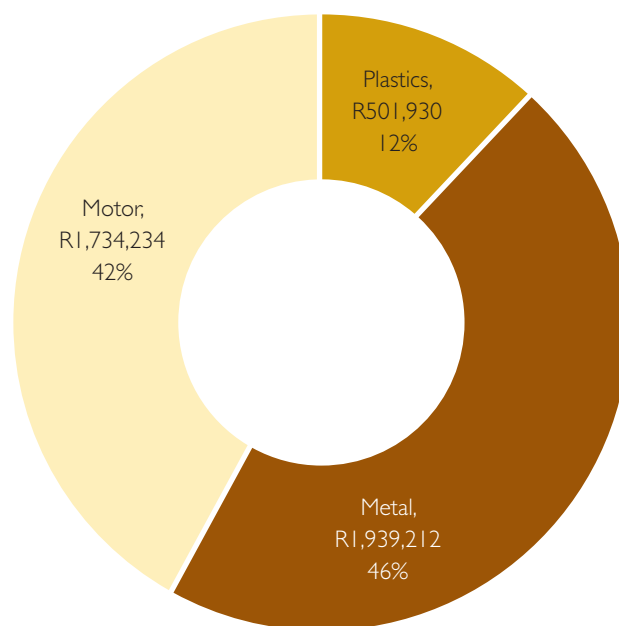
The MERSETA Governing Board approved funding for the development of a web-based platform to handle the issuing of training vouchers to SMEs employing fewer than 50 permanent employees in its sector. The overall objective of this project is to implement a focused, integrated and sustainable three-year strategy for SME development in the metal, motor and plastics chambers sector in the following categories:

- ABET
- Finance, Accounting and Governance
- HIV/AIDS
- Information, Communications and Technology
- Life Skills
- Management and Supervisory Training

- Presentation and Communication Skills
- Project Management
- Safety, Health, Environment and Quality
- Sales, Marketing and Customer Service
- Secretarial and Administration
- Skills Development
- Technical / Industry Specific
- Transport, Freight and Logistics

In the five-month period of implementation of the Training Voucher Project, 144 SMEs in the Metal and Engineering Sector, 110 SMEs in the Motor Sector, and 28 SMEs in the Plastics Sector, were supported. A total of 2773 training vouchers were issued in the pilot phase. In monetary terms, a total of R4 175 376 was issued in training vouchers. The graph below reflects the amount spent per chamber in training vouchers.

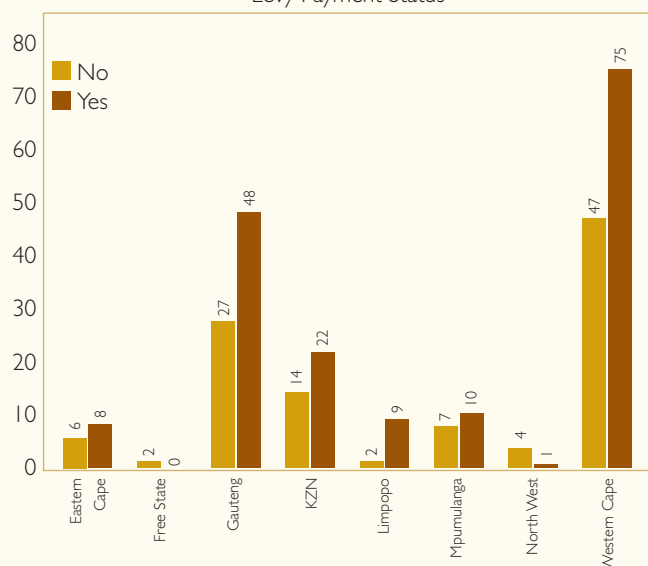
Expenditure per chamber



Both levy paying and levy exempted companies are eligible for SME Training Vouchers. The graph below reflects companies per levy payment status, per province:



Levy Payment Status



New Venture Creation (NVC Project)

The New Venture Creation Project which commenced with a small group of learners in the previous financial year, was enlarged to 214 participants (black 84%; female 60%; disabled 4%). Final external moderation and certification commenced in April 2008 and a gathering of learners to exhibit their new businesses was scheduled to take place during June 2008.

Adult Basic Education and Training (ABET)

The 2007-2009 period focused on closing off the historical SME ABET Projects, and maintenance of ABET incentives to medium and large companies through the Discretionary Grant mechanism. At that time the Board also requested a full review of the impact of MERSETA's ABET support mechanisms. This review is due at the end of May 2008. It is expected that the review will come up with recommendations for future ABET targets and support interventions for employees in the sector:

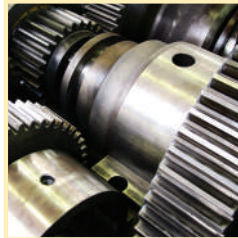
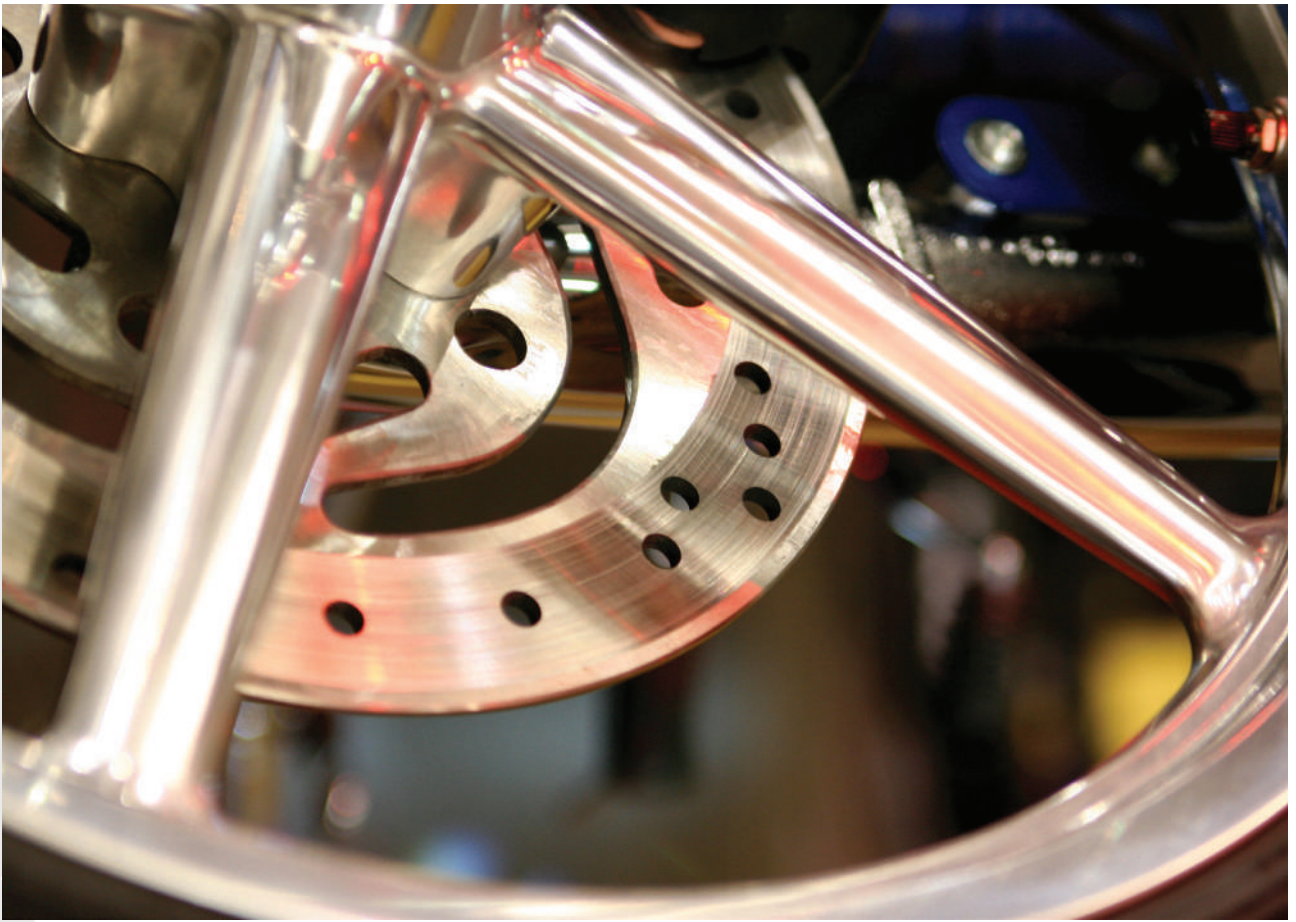
Research and Development (R&d) Programme

The annual review of the Sector Skills Plan was completed with the critical and scarce skills list aligned for the first time to the Organising Framework for Occupations (OFO) which has replaced the old SIC codes of the Department of Labour (DoL). Concurrently, workshops to build the capacity of Chambers around the OFO took place. The review identified gaps and

areas for refinement for the DoL. Revised formats for WSP and ATR submissions were developed to incorporate the OFO fields necessary for DoL compliance, as well as to derive accurate skills planning data.

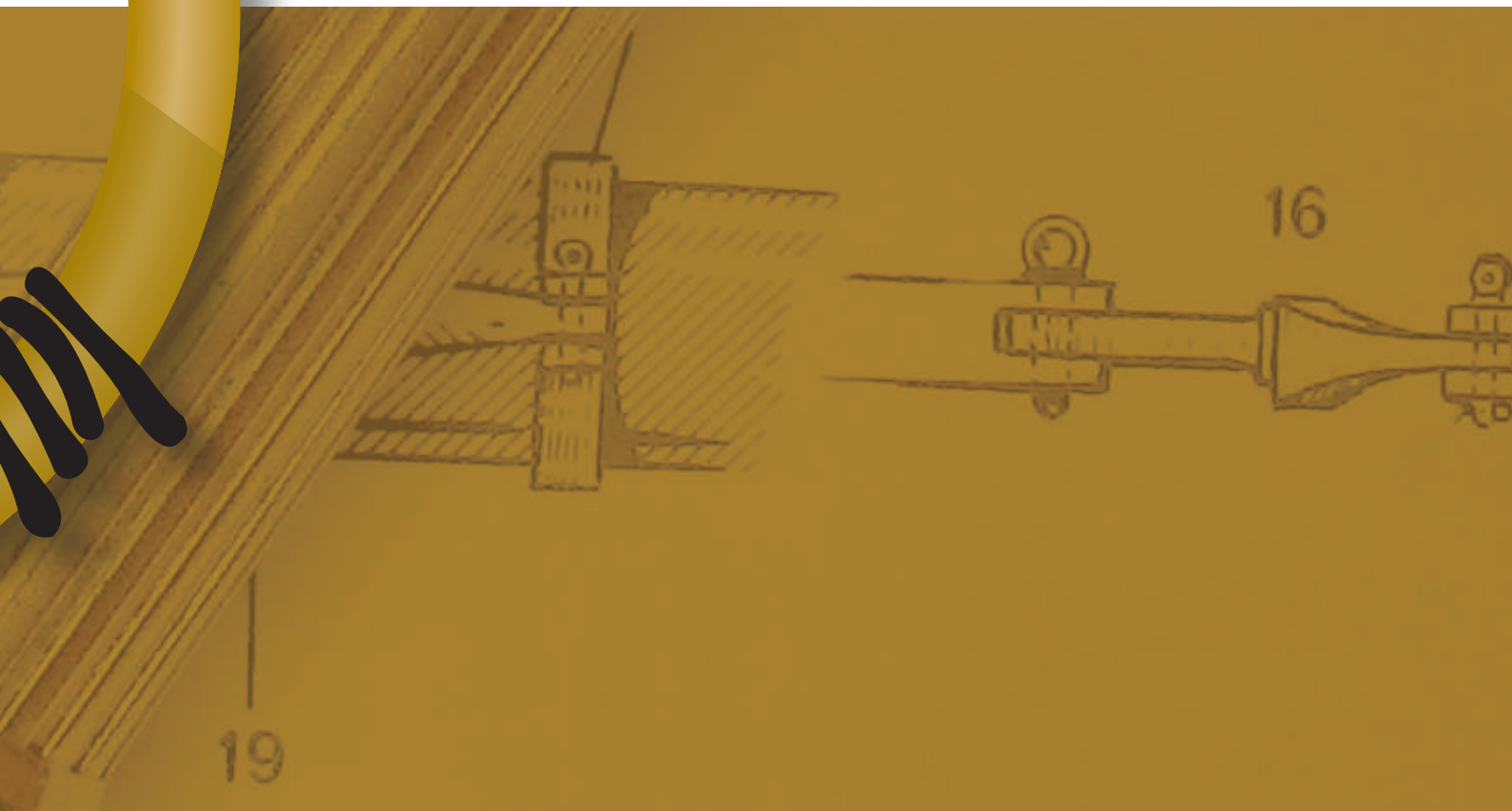
At the October 2007 Strategic Planning Workshop of the Governing Board, the need was identified for greater priority of the research function, including broadening the scope and objectives of the research agenda in order to allow for more accurate and strategic research products. Emphasis was placed on investing in the development of a reliable model for identifying and monitoring scarce and critical skills. This project involves the development and testing of a tool with which to research (more accurately and exhaustively) the human resources required to serve the manufacturing and engineering sector over a specified number of years. The model will be multi-faceted, and combine amongst others, the following factors to produce a credible estimation of skills scarcity including: labour market analysis; future planned projects within the sector (human resource estimations based on the planned quantity of raw material); levels of upcoming retirement and staff turnover; and company level reported scarcity.

Two impact studies were commissioned in the period under review, the first being an impact assessment of learnerships and apprenticeships that aims to ascertain the efficiency and effectiveness of the learnership and apprenticeship systems and their impact on the demand for and supply of skills for the industry, and the second study being the ABET impact study mentioned earlier.

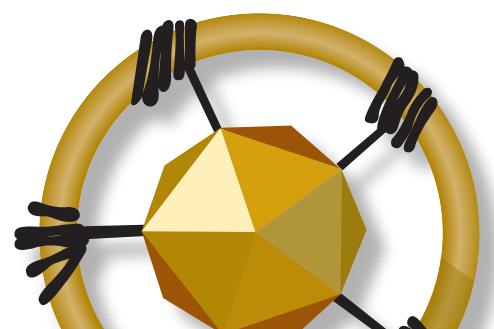




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8 MERSETA's Performance Against NSDS Targets and Highlights



No	NSDS 2005 - 2010 Objectives	NSDS 2005 - 2010 Success Indicators, National Targets and Outcomes	SETA Plan for 2007 – 2008 Annual Targets and Outcomes	Achievements
1	1. Prioritising and communicating critical skills for sustainable growth, development and equity	Indicator 1.1 Skills development supports national and sectoral growth, development and equity priorities.	The SSP or Annual Update is signed off by the: a) SETA/DoL agreed growth, development and equity strategy driver. b) DoL Executive Manager responsible for quality assurance of SSP. The SSP or Annual update submitted on time as per DoL Guidelines.	The updated MERSETA Sector Skills Plan was submitted to the Department of Labour by 30 October 2007
2	1. Prioritising and communicating critical skills for sustainable growth, development and equity	Indicator 1.2 Information on critical skills widely available to learners. Impact of information dissemination researched, measured and communicated in terms of rising entry, completion and placement of learners.	A sector guide per sub sector (1 x 5 sub sectors) 711 SDFs or Sector Specialists trained in sector for the year.	A sector guide covering the five sub sectors was produced. 1552 skills development facilitators and Sector Specialists were trained
3	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.1 By March 2010 at least 80% of large firms and at least 60% of medium firms' employment equity targets are supported by skills development. Impact on overall equity profile assessed.	The TARGET for large firms is 479 firms. The TARGET for medium firms is 755 firms. Two scores will be calculated, one for each sub sector. Score 3a for Large companies and score 3b for medium companies.	483 large firms received WSP / ATR grants for the 2007/08 financial year. 772 medium firms received WSP / ATR grants for the 2007/2008 financial year.
4	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.2 By March 2010 skills development in at least 40% of small levy paying firms supported and the impact of the support measured.	The TARGET for the different number of small firms is 4035 firms Note- The number of firms will be equal to the number of interventions supported. This will allow a company to be supported more than once.	3476 small levy paying firms were provided with skills development support interventions during the 2007 / 2008 financial year

No	NSDS 2005 - 2010 Objectives	NSDS 2005 - 2010 Success Indicators, National Targets and Outcomes	SETA Plan for 2007 – 2008 Annual Targets and Outcomes	Achievements
5	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.4 By March 2010, at least 500 enterprises achieve a national standard of good practice in skills development approved by the Minister of Labour.	Not applicable for 2007 - 2008	Not applicable to MERSETA and its sub sectors
6	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.5 Annually increasing number of small BEE firms and BEE co-operatives supported by skills development. Progress measured through an annual survey of BEE firms and BEE co-operatives within the sector from the second year onwards. Impact of support measured	33 small BEE firms and 9 BEE Co-Operatives targeted and supported	57 small BEE firms and 11 BEE cooperatives were supported by skills development during the 2007/2008 financial year.
7	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.7 By March 2010 at least 700 000 workers have achieved at least ABET Level 4.	Target for the sector for the period 2007 to 2008 is 2400 learners enter ABET and 1200 achieve ABET.	450 entered 714 achieved The MERSETA is conducting research into this area.
8	2. Promoting and accelerating quality training for all in the workplace	Indicator 2.8 By March 2010 at least 125 000 workers assisted to enter and at least 50% successfully complete programmes, including learnerships and apprenticeships, leading to basic entry, intermediate and high level scarce skills. Impact of assistance measured.	Target for the sector for the period 2007 to 2008 is 4250 employed learners entered 2125 employed learners completed	5504 employed learners entered 2782 employed learners completed
9	Promoting employability and sustainable livelihoods through skills development	Indicator 3.2 By March 2010, at least 2000 non-levy paying enterprises, NGOs, CBOs, and community-based co-operatives supported by skills development. Impact of support on sustainability measured with a targeted 75% success rate.	Target for the sector for the period 2007 – 2008 is: 40 Non-Levy Paying Companies 25 NGOs 10 CBOs and 5 CB Co-Ops	The following organisations were supported during the year: 260 Non Levy Paying 17 NGOs 15 CBOs and 15 CB Co-Ops .



No	NSDS 2005 - 2010 Objectives	NSDS 2005 - 2010 Success Indicators, National Targets and Outcomes	SETA Plan for 2007 – 2008 Annual Targets and Outcomes	Achievements
10	Assisting designated groups, including new entrants to participate in accredited work, integrated learning and work based programmes to acquire critical skills to enter the labour market and self employment	Indicator 4.1 By March 2010 at least 125 000 unemployed people assisted to enter and at least 50% successfully complete programmes, including learnerships and apprenticeships, leading to basic entry, intermediate and high level scarce skills. Impact of assistance measured.	Target for the sector the period 2007 to 2008 is 4100 unemployed learners entered and 2050 unemployed learners completed	5664 unemployed learners entered and 2350 unemployed learners completed
11	Assisting designated groups, including new entrants to participate in accredited work, integrated learning and work based programmes to acquire critical skills to enter the labour market and self employment	Indicator 4.2 100% of learners in critical skills programmes covered by sector agreements from FET and HET institutions assisted to gain work experience locally or abroad, of whom at least 70% find placement in employment or self-employment	Target for the sector for the period 2007 to 2008 is: 1000 learners assisted in workplace experience 700 of the above learners employed or self employed	901 learners were assisted
12	Assisting designated groups, including new entrants to participate in accredited work, integrated learning and work based programmes to acquire critical skills to enter the labour market and self employment	Indicator 4.3 By march 2010, at least 10 000 young people trained and mentored to form sustainable new ventures and at least 70% of new ventures in operation 12 months after completion of programme	Target for the sector for the period 2007 to 2008 is: 300 NVC trained 0 Above sustained for 12 months	142 were assisted
13	Improving the quality and relevance of provision	Indicator 5.1 By March 2010 each SETA recognises and supports at least five Institutes of Sectoral or Occupational Excellence (ISOEs) within public & private institutions and through Public Private Partnerships (PPPs), where appropriate, spread as widely as possible geographically for the development of people to attain identified critical occupational skills, whose excellence is measured in the number of learners successfully placed in the sector and employer satisfaction ratings of their training.	Target for the sector for the period 2007 to 2008 is: 2 institutes.	MERSETA continued to support 2 ISOEs recognised within the previous financial year and registered 4 additional ISOEs bringing the total to 6 ISOEs registered.

No	NSDS 2005 - 2010 Objectives	NSDS 2005 - 2010 Success Indicators, National Targets and Outcomes	SETA Plan for 2007 – 2008 Annual Targets and Outcomes	Achievements
14	Improving the quality and relevance of provision	Indicator 5.2 By March 2010, each province has at least two provider institutions accredited to manage the delivery of the new venture creation qualification. 70% of new ventures still operating after 12 months will be used as a measure of the institutions' success.	Target for the sector for the period 2007 to 2008 was not applicable.	Not applicable
15	Improving the quality and relevance of provision	Indicator 5.3 By March 2010 there are measurable improvements in the quality of the services delivered by skills Development institutions and those institutions responsible for the implementation of the NQF in support of the NSDS.	Note: A measurement methodology with outcomes, targets and criteria is to be developed in conjunction with SAQA and SETA ETQAs. MERSETA: Qualifications review New qualifications developed (SGBs) Courseware development	MERSETA continued to ensure that it complied with DoL requirements through timeous submission of relevant reports such as the Annual Report to Parliament, the QMR and performance Scorecards. The ETAQ status received a favourable audit report from SAQA.
16	Improving the quality and relevance of provision	Indicator 5.4 By March 2010, there is an NSA constituency based assessment of an improvement in stakeholder capacity and commitment to the National Skills Development Strategy.	Note: A measurement methodology with outcomes, targets and criteria is to be developed in conjunction with the NSA. Capacity building for chamber committees took place.	





Success Stories

The names of MERSETA bursary recipients have been randomly chosen:

- This was an opportunity given to you by MERSETA to express your gratitude

I am extremely fortunate to have an opportunity like this to study again and this really was a blessing as I learnt quite a bit. Generally as wives and women we prioritise everything in our lives for all our loved-ones and forget about ourselves. By obtaining a bursary from MERSETA it enabled the door of knowledge to open for me and allowed me to do things for myself for a change.

- Give us an overview of how you are progressing

I have worked hard and have done research for all my assignments. I learnt that knowledge is not only gained from books but also by speaking to people and learning from others. This enabled me to progress in expanding my knowledge to a much higher level and not only at work but also at home.

- An overview of the group assignment 'get-together' study sessions

Unfortunately we hardly had group sessions and our group had made very little effort to contribute and assist each other.

- How do you juggle your time to include: motherhood, being a wife, managing a job and a home with kids and homework-care etc?

It was quite a difficult task to accomplish. Every weekend I normally do some work for the assignments or catching up with the chapters needed to prepare for the assignment. The weekdays are quite time-consuming with being at work and then I only finish all my home executive duties after working hours and finish around 9 at night. By then I am totally exhausted.

- How is this study opportunity going to benefit you and enable you to become an effective leader in the workplace?

It was quite an effective course that made me realise what you learn at University when becoming an engineer is not sufficient to be a good worker and manager. After doing the financial management course, leadership, occupational health and safety and employee relations courses, my understanding of business

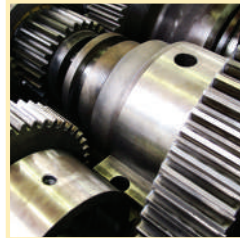
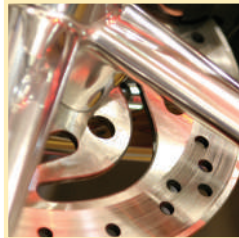
and people management as well as the legal implications of an organisation has allowed me to excel in all aspects of my job as a project and continuous improvement engineer. Before I used to look at long-term strategies on a financial and engineering level but now I look at how it will affect people and the environment as well. My leadership skills have improved drastically by learning the various leadership styles that can be used in all types of situations.

- Being the recipient of a bursary is an exceptional privilege, to ensure success it is pertinent to embrace the challenge with dedication, commitment and hard work. How would you describe the experience to the new intakes?

The experience as a whole was quite refreshing. The students came from different types of organisations and we all learnt quite a lot from each other with regard to the occupation and company that each worked in as well as how various situations can be handled. Also the lectures were very hands-on and the learning experience became much easier due to this. Therefore this is an extremely remarkable opportunity.

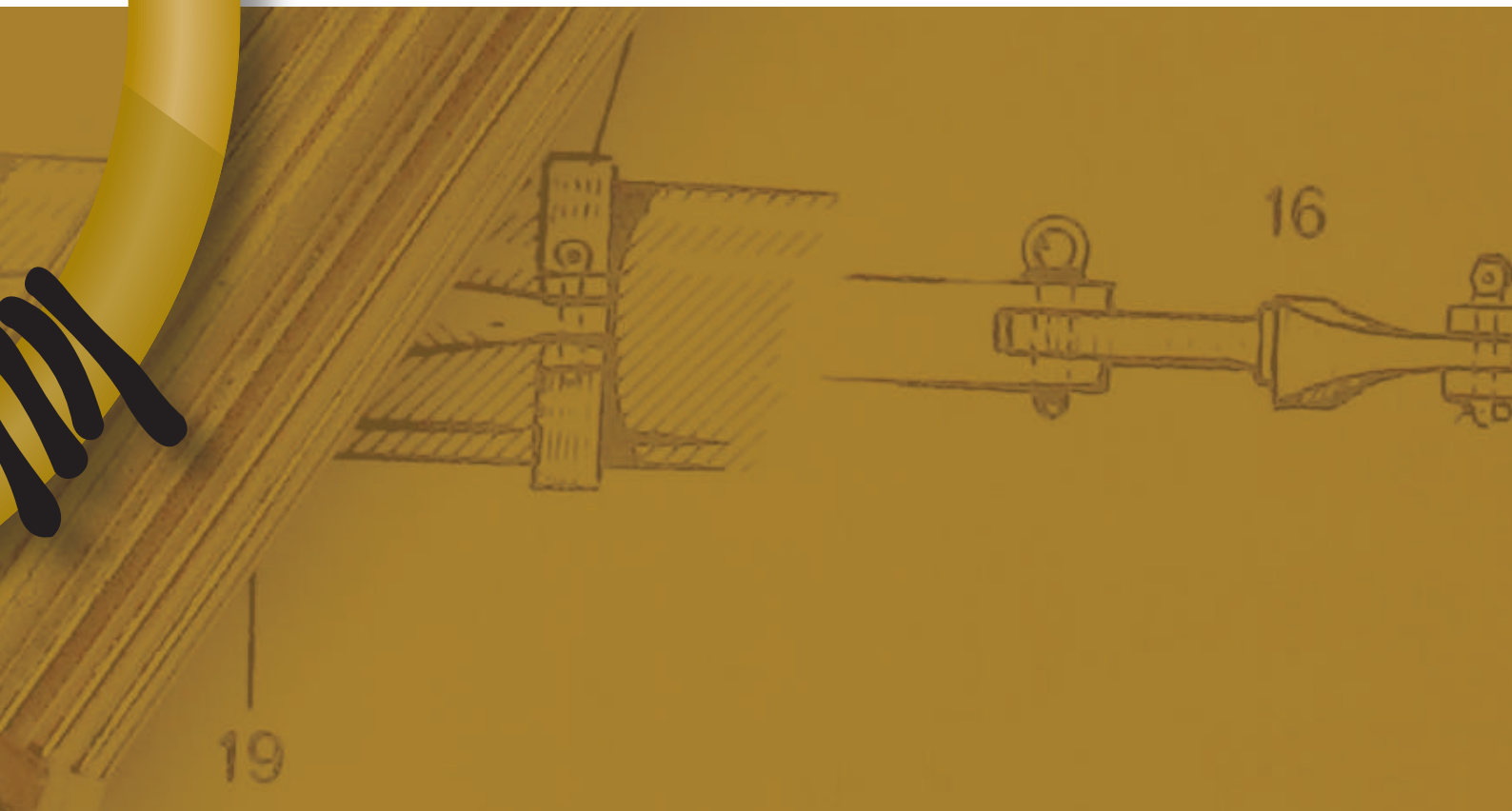
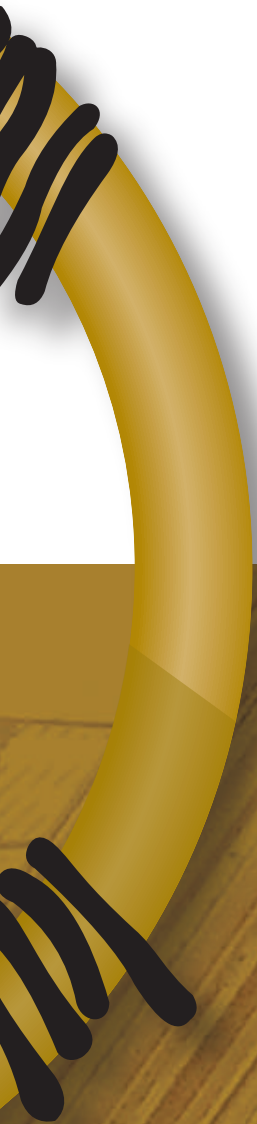
To the whole world you are just a company but to a certain minority you are the whole world. I am very fortunate to have been a part of that minority. I can never be able to thank you, MERSETA, for what you have done for me. My tertiary life has been an amazing experience thanks to the financial support I received from MERSETA. I want to express my undivided appreciation to the company and I really can't imagine how tough my life would have been, if I had not been a MERSETA sponsored student. And I hope that one day all the investment the company has put in me can be worthwhile. As it has been said before that "you reap what you sow" and I hope that I will be a good harvest to the company since they definitely sowed a good seed in me.

"Life does not depend on how happy you are but how others can be because of you" and my life has been happy in an unforgettable way because of MERSETA.

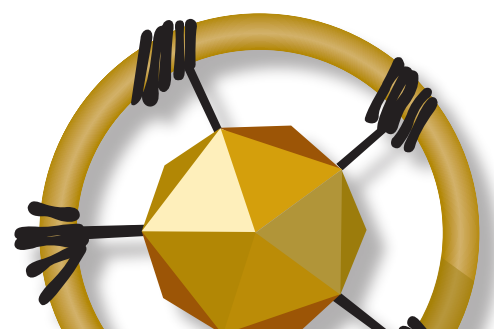




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9 Corporate Governance Report



Introduction

MERSETA's approach to Corporate Governance is to ensure that MERSETA fulfils its mandate in a manner that is in keeping with best governance practice in respect of accountability, transparency, fairness and responsibility. While doing this, the MERSETA strives to focus on performance.

MERSETA is a public entity established by the Skills Development Act, 97 of 1998, as amended and supported by the Skills Development Levies Act, 97 of 1999, as well as the SAQA Act, 58 of 1995. The statutory duties and responsibilities of the Governing Board members and the Accounting Authority are regulated by the Public Finance Management Act of 1999 as amended. It is also guided by and upholds the principles of the report on Corporate Governance for South Africa 2002 (King II Report).

MERSETA has implemented a proper Corporate Governance Framework to assist with better governance practices by introducing various initiatives, which include: training for Governing Board members, the review of the Code of Conduct, and approval of the Meeting Procedures. The Governing Board also approved the Board Charter, which members of the Governing Board sign as a form of acceptance of their responsibilities.

Stakeholders

MERSETA is stakeholder driven and in terms of the Skills Development Act, these must be equally represented from organised Labour and organised Employers. The Governing Board reports to the Department of Labour, that is, the main stakeholder.

Service Level Agreement

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

MERSETA Constitution

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

Governance Structures

Governing Board

MERSETA has a Governing Board that comprises of 32 members in a non-executive capacity as well as 10 alternates.

The Governing Board members, appointed by the Minister of Labour in terms of the MERSETA Constitution, represent organised labour and organised employers from our sector.

The MERSETA Constitution stipulates that: the Chairperson and the Deputy Chairperson are elected during the Annual General Meeting on an annual basis and, where the Chairperson is elected from the members representing one stakeholder grouping, the Deputy Chairperson must be elected from the other stakeholder grouping and vice versa. Each year the roles must be reversed unless otherwise agreed.

Mr Xolani Tshayana was elected as the Chairperson, with Mr Anton Hanekom as the Deputy Chairperson of the Governing Board during the Annual General Meeting held on 26 September 2007.

The MERSETA Constitution provides for the appointment of an independent Chairperson if the Governing Board so decides. The Governing Board has decided not to opt for this, as there has been tremendous improvement in Corporate Governance practice due to the initiatives that have been implemented.

The term of office of a Governing Board member is a period of three years and he or she may be re-appointed after expiry of the term.

In terms of Schedule 3 clause 4.1, The Governing Board must review the list of organised employers and organised labour every two (2) years. If the Governing Board deems it appropriate,

the Governing Board must call on organised employers and trade unions (not employers and employees) to participate by nominating members to the Governing Board. The purpose of such an invitation is to ensure that the Governing Board is properly represented by members representing organised employers and organised labour; and also to ensure that the representation is reviewed on a biannual basis.

The Governing board undertook the abovementioned process during the year under review and it culminated in some changes in the membership of the Governing Board. The changes were not only based on the said process; retirement and resignations also brought the following changes in membership.

The following members resigned, retired or vacated office based on the review of membership by constituencies:

- Mr B Angus (SEIFSA) on 30 July 2007
- Mr L Chipako (RMI) on 26 September 2007
- Mr A Dennis (New Tyre) on 30 July 2007
- Mr B Holmes (MISA/SAMU) on 26 November 2007
- Mr D Jekwa (NUMSA) on 30 August 2007
- Mr C Murray (SEIFSA) on 30 August 2007
- Ms A Pretorius (PCA) on 30 July 2007
- Mr G Zamisa (New Tyre) on 31 March 2008
- Mr M Fourie (New Tyre) on 31 March 2008

The following members were appointed to replace the above members:

- Mr D Carson (SEIFSA) on 14 August 2007
- Mr M Bullock (PCA) on 01 August 2007
- Mr D de Villiers (MISA/SAMU) on 01 August 2007
- Ms J Esterhuizen (RMI) on 26 September 2007
- Mr B Farquhar (RMI) on 26 September 2007
- Mr M Fourie (New Tyre) on 26 September 2007
- Mr R N Kgagudi (MEWUSA) on 26 September 2007
- Mr Z Xaba (Plasfed) on 26 September 2007

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



NAME	GOVERNING BOARD	EXECUTIVE COMMITTEE	ETQA FUNCTIONAL STANDING COMMITTEE	REMUNERATION COMMITTEE	RACE	GENDER
Alexander Dennis	2		1		Coloured	Male
Anton Hanekom	5	9	2	1	White	Male
Ben Khoza	2				Black	Male
Blackie Swarts	5	4	3		White	Male
Brian Angus		2		1	White	Male
Brian Holmes	1	4		1	White	Male
Chris Wessels	2				White	Male
Daluxolo Jekwa	2	6			Black	Male
Dana de Villiers		2			White	Male
Dave Carson	3	4			White	Male
Dave Rule	5				White	Male
Elijah Kodisang	4	5		1	Black	Male
Elias Kubeka	2	1			Black	Male
Ephraim Tshikwavhavha	2				Black	Male
Gibson Lephallo	4				Black	Male
Glen Zamisa	5				Black	Male
Jakkie Olivier	3	3			White	Male
Janet Lopes	4	8	2		White	Female
Jeanne Esterhuizen	2		1		White	Female
Johan Pieterse	4	6			White	Male
John Wilson	3		1		White	Male
Len Whiteley	4	8			White	Male
Leon de Klerk	4	7			White	Male
Malebo Mogopodi	3	9			Black	Female
Marius Fourie	2				White	Male
Mary Nxumalo	2				Black	Female
Mike Bullock	2				White	Male
Monica Netshandama	4		1		Black	Female
Xolani Tshayana	5	3	3		Black	Male
Pierre Bezuidenhout	5	5			White	Male
Phumzile Nodongwe	3				Black	Male
Piet Veldtman	3				White	Male
Piet Verryne	3		3		Coloured	Male
Pieter Welgemoed	4	8			White	Male
Raymond Kgagudi	2				Black	Male
Thabang Tsiboli	4				Black	Male
Urban Badenhorst	4				White	Male
Vukani Mthethwa	3				Black	Male
Lodewikus Greyling	5				White	Male
William Nsele	2				Black	Male
Zamo Xaba	2				Black	Male
Peter Frimas			2		White	Male
Willie Matthiae			2		White	Male
Dougie van Rensburg			1		White	Male

- Governing Board - 5 meetings
- Executive Committee - 9 meetings
- ETQA FSC - 3 meetings
- Remuneration - 1 meeting

Delegation of Authority

The Governing Board of MERSETA operates with an understanding that it cannot delegate the power to delegate hence the Board remains accountable for actions under delegation and does not divest any of its powers, duties or functions by virtue of any delegation.

Board Evaluation and Performance

The Governing Board Self Assessment was conducted in the year under review and this evaluation is done against Accounting Authority duties as stipulated in the MERSETA Constitution, PFMA and the Treasury Regulations. Programmes have been put in place to address any shortcomings identified in the Evaluation Report.

Induction and Orientation

New members of the Governing Board undertake an induction programme to sharpen their understanding of the skills development legislative framework and the nature of business of MERSETA. All members of the Governing Board attended the orientation workshops on Corporate Governance during the year under review.

Members' Remuneration

Governing Board members do not receive any form remuneration in accordance with the MERSETA Code of Conduct. The payment is made to constituencies to assist with the preparation and attendance of meetings.

Company Secretariat Function

The Company Secretariat function resides within the Corporate Governance Division and its main function is to assist the Governing Board with Corporate Governance assurance. It also monitors MERSETA compliance in accordance with the PFMA and other relevant legislation; it reports to the Board in this regard.

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

Governing Board Committees

Clause 7 of the MERSETA Constitution establishes various committees that assist the Governing Board in carrying out its responsibilities. Such committees operate within Terms of Reference approved by the Governing board.

Executive Committee

The Executive Committee comprises of 10 members equally represented from organised labour and organised employers.

The Executive Committee is responsible for the oversight of management of the operational affairs of the MERSETA and it manages, coordinates and monitors the activities of Functional Standing Committees, Chamber Committees and any ad hoc Committees.

The Chief Executive Officer is not a voting member of the Executive Committee due to the fact that the legislation does not allow such practice. The Governing Board has commissioned an investigation to look at this matter to enhance good corporate governance

Eight meetings were held by the Executive Committee during the year under review.

Audit Committee

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

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



Mr Brian Hawksworth retired as Chairperson of the Audit Committee as of 30 August 2007 and Mr Andrew Mashifane took over as Chairperson on 01 September 2007.

The following members resigned as members and were replaced on 01 September 2007:

- Mr Graham Rosenthal and Mr Shati Govender. They were replaced by:
- Ms Thulisile Mashanda and Advocate Wisani Sibuyi.

The Chairperson of the Audit Committee presents a report to the Governing Board at least twice a year.

The Audit Committee operates in terms of the Term of Reference (Audit Committee Charter) which was reviewed by the Governing Board during January 2008 in accordance with Treasury Regulations.

Remuneration Functional Standing Committee

The Remuneration Functional Standing Committee comprises of four members equally represented from organised labour and organised employers and two non-executive independent members who are non-voting.

The Remuneration Committee is responsible for the development of guidelines, and it reviews the compensation and performance of staff of the organisation. It reviews and approves the compensation of the Chief Executive Officer; evaluates the Chief Executive Officer's performance in relation to MERSETA's corporate goals and objectives and takes responsibility for all Human Resource remuneration related matters.

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

Education, Training, Quality Assurance Functional Standing Committee

The Education, Training Quality Assurance (ETQA) Functional Standing Committee comprises of 10 members equally represented from organised labour and organised employers.

The ETQA Functional Standing Committee (FSC) is responsible for the monitoring, on behalf of MERSETA, of the quality assurance functions and obligations of MERSETA in its role as an Education and Training Quality Assurance Body as provided in the South African Qualifications Authority Act, 58 of 1995, and the Education and Training Quality Assurance Regulations, 1998.

The composition of this committee was reviewed in January 2008 to ensure that the membership is in accordance with the MERSETA constitution.

Chamber Committees

MERSETA has five (5) Chamber Committees

- Automobile Manufacturing
- Metal and Engineering
- Retail Motor and components
- New Tyre
- Plastics

Each chamber comprises of an equal number of members representing Organised Employers and Organised Labour but it may not exceed eight (08) voting members.

Each Chamber Committee develops sub sectoral inputs into the Sector Skills Plan which identifies education and training needs, makes inputs to education training policies and monitors the development and implementation of learning programmes as well as other training in the sub sector.

This division was successful in focusing the Chamber Committees to operate within the Constitutional Terms of Reference.

Four meetings were held by each Chamber Committee.

Regional Committees

The Governing Board established the Regional Committees in terms of clause 13.1(d) on 8 March 2008. During the year under review, the Terms of Reference for these committees were compiled and approved by the Governing Board.

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

Code of Ethics

The Governing Board approved the values for MERSETA and these will underpin the formulation of the Code of Ethics, which will be considered at the beginning of the next financial year. The Code of Ethics will set the ethical and behavioural standards for all at the MERSETA.

Materiality and Significance Framework

The Treasury regulations issued in terms of the Public Finance Management Act require that the Governing Board compile and agree on a materiality and significance framework of acceptable levels with the Department of Labour. The approval has been agreed upon and approved by the Minister through the service level agreement.

Risk Management

MERSETA is continuously striving to improve its risk management and, as a result, a risk assessment was performed by our internal auditors to ensure that we improve mechanisms for identifying risks and monitoring risks. This assessment will culminate in a Risk Management Plan for MERSETA being formulated in the new financial year.

Sustainable Development

MERSETA commits to sustainable development by making sure that its operations take cognisance of the environment, social and economic considerations, by adopting strategic objectives that allow business to be conducted in the following manner:

- Good governance while exceeding stakeholder expectation..
- Effective financial management through the management and disbursement of funds.
- Human resources development that focuses on the creation of a culture of learning as well as the retention, attraction and motivation of employees and becoming the employer of choice.
- Making sure that the MERSETA operations are conducted

in a healthy and safe environment and that an Occupational Health and Safety Policy is in place.

Management Committee

The Management Committee is chaired by the Chief Executive Officer who has been charged with the responsibility and accountability for recruitment, appointment and management of all employees of the MERSETA. The Chief Executive Officer receives strategic direction from the committee and is supervised by the Executive Committee.

The Management Committee up until 31 March, 2008, comprised of:

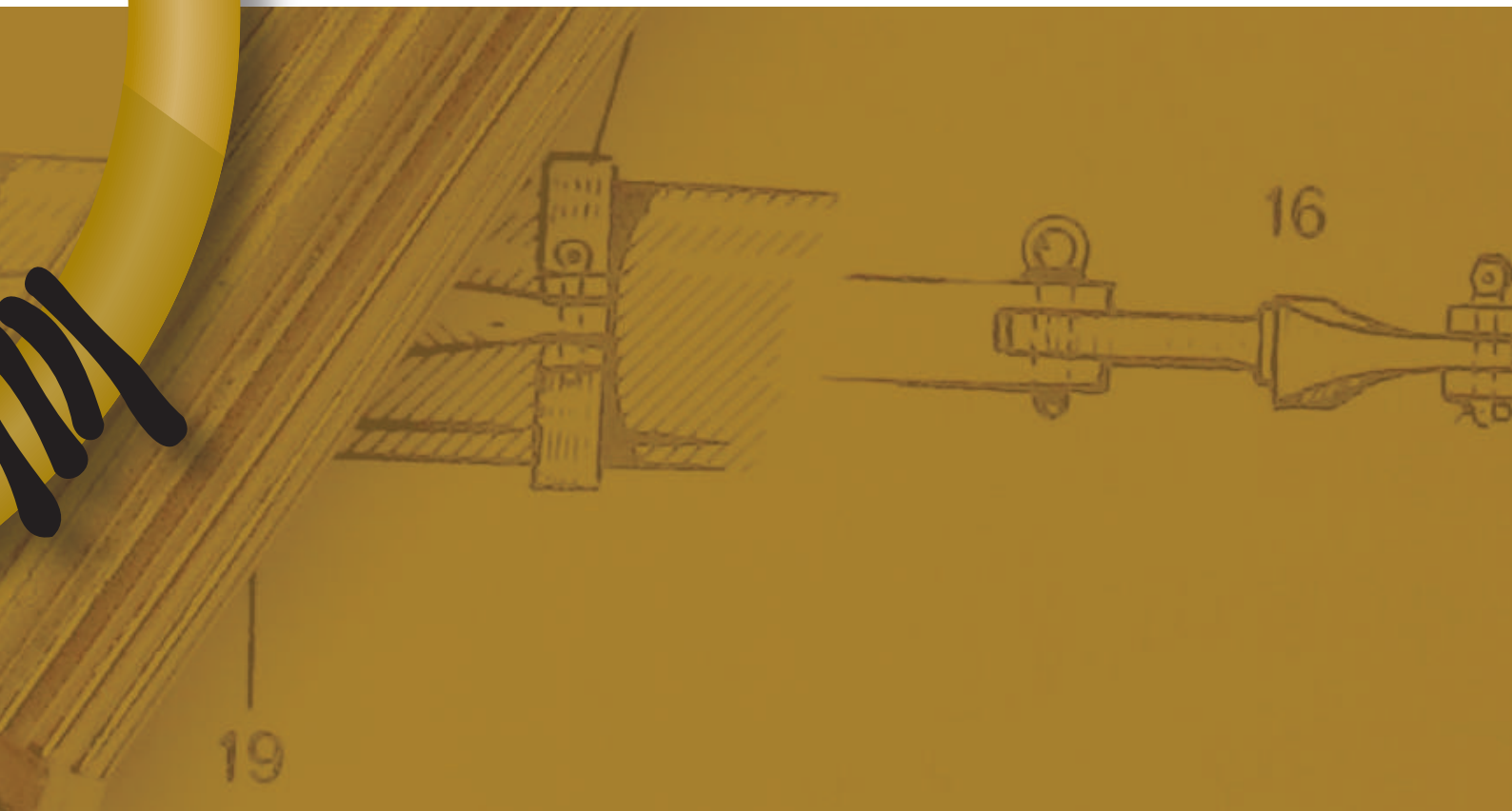
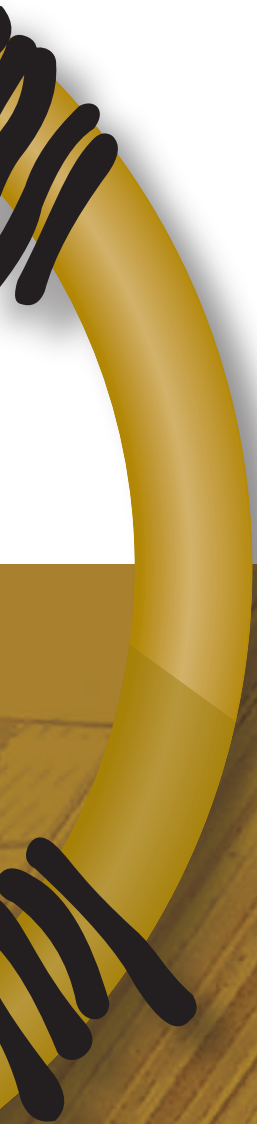
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|------------------------------|--|
| •Dr Raymond Patel | : Chief Executive Officer |
| •Ms Beaula Dziruni | : Chief Financial Officer |
| •Mr Seya Shayi | : General Manager:
Corporate Services |
| •Mr Wayne Adams | : General Manager: ETQA |
| •Mr Tom Mkhwanazi | : General Manager:
Corporate Governance |
| •Ms Corli Janse van Rensburg | : General Manager:
Client Services |

The Management Committee meets at least twice a month.





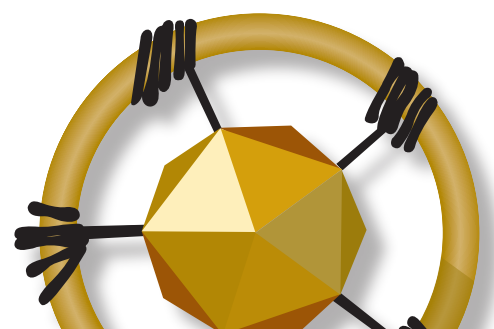
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10

Audit Committee Report

Required by Treasury Regulations 27.1.7 and 27.1.10 (B) and (C) issued in terms of the Public Finance Management Act I of 1999, as amended by Act 29 of 1999 (“PFMA”)



We are pleased to present our report for the financial year ended 31 March 2008.

Audit Committee Membership and Attendance

The audit committee was reconstituted from 1 October 2007 and consists of a maximum of five independent non-executive members appointed by the Governing Board. The Chairperson of the Governing Board, Chief Executive Officer, Chief Financial Officer, representatives of the outsourced Internal Auditors and the Auditor General attended meetings of the audit committee. The Audit Committee met five times during the year and has therefore complied with the minimum number of meetings as set out in its approved Audit Committee charter (at least four times). Listed hereunder is a list of members and number of meetings attended by each.

Name of Member	Number of Meetings Attended
Mr BM Hawkworth (Independent Chairperson retired on 30 September 2007)	3
Mr A Mashifane (Independent member and Chairperson from 1 October 2007)	5
Mr J L Davis (Independent member)	5
Mr C Murray (Independent member from 1 October 2007)	2
Ms T Mashanda (Independent member from 1 October 2007)	2
Adv W Sibuyi (Independent member from 1 October 2007)	2

Audit Committee Responsibility

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

The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the audit report on the annual financial statements and management letter of the Auditor General, it was noted that the system of internal control had improved compared with the prior year as management had engaged in a process of ensuring compliance with prescribed accounting and internal policies and procedures. Areas of weakness identified for improvements that have been highlighted in the various reports of the outsourced internal auditors and the Auditor General have been or are in the process of being resolved. The Audit Committee will monitor management's progress towards resolving these matters on a regular basis as required in terms of the Audit Committee Charter.

Having considered the above, the audit committee has no reason to believe that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

Evaluation of Annual Financial Statements

The Audit Committee has:

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

The Audit Committee having considered the financial position of the company, the report of the directors and audit report of the Auditor General, concurs that the adoption of the going concern premise in the preparation of the financial statements is appropriate.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General and has therefore recommended the adoption and approval of the financial statements by the Governing Board.



Mr Andrew Mashifane
(Chairperson of the Audit Committee)

Date: 24 July 2008

Manufacturing, Engineering and Related Services Education and Training Authority

AUDIT COMMITTEE MEMBERS



Mr Andrew Mashifane
(Chairperson)



Ms Thulisile Mashanda
(Member)



Mr Chris Murray
(Member)



Adv Wisani Sibuyi
(Member)

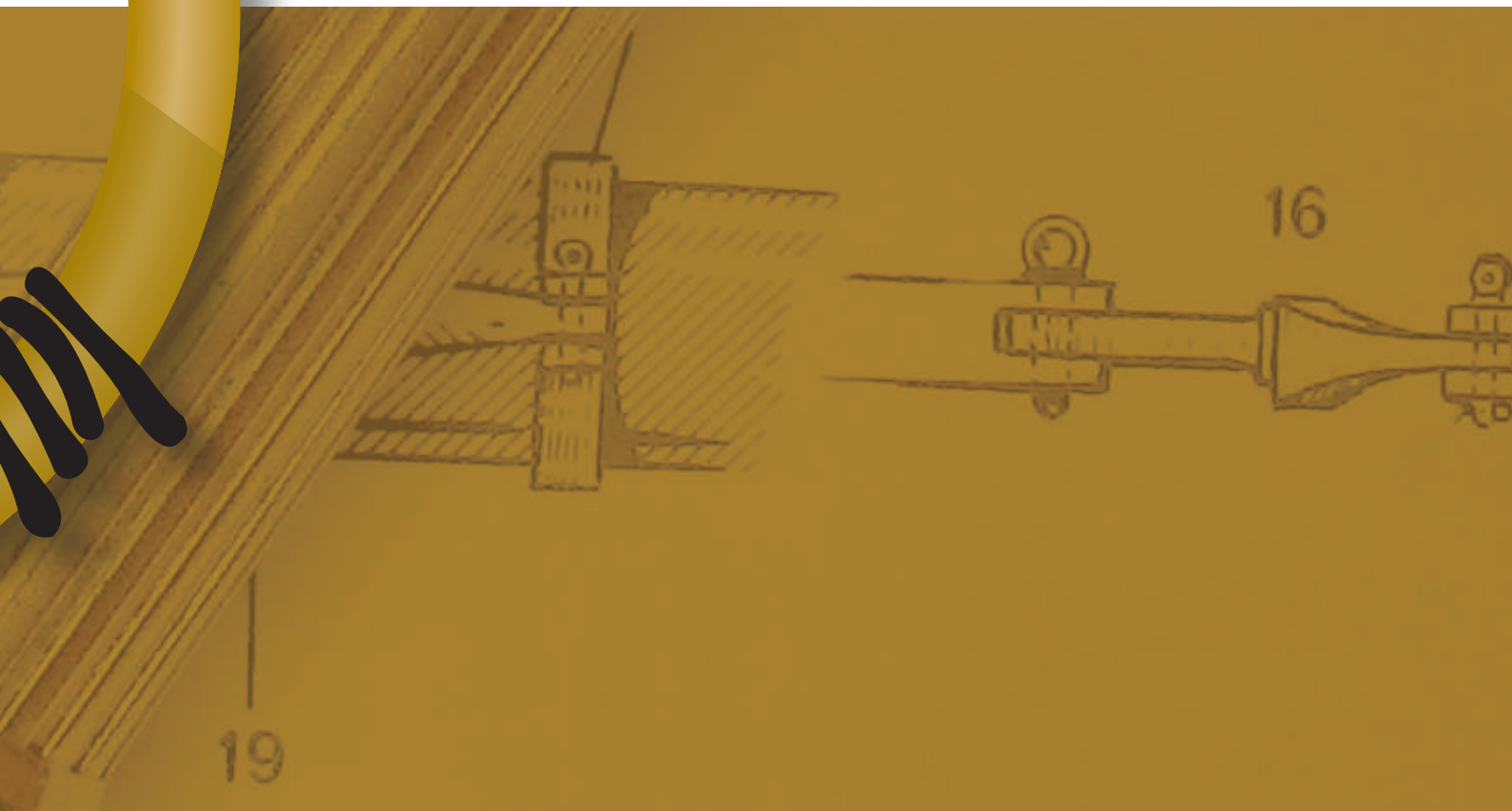


Mr John Davis
(Member)





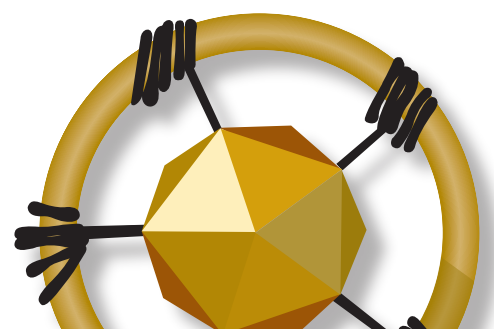
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11

Auditor-General's Report

Report of the Auditor-General to Parliament on the Financial Statements and Performance Information of the Manufacturing, Engineering And Related Services Sector Education and Training Authority (MERSETA) for the year ended 31 March 2008



REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA) which comprise the statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting authority's report, as set out on pages 64 to 107.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 14(6)(a) of the Skills Development Act, 1998 (Act No. 97 of 1998), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International

Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The public entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements.

Opinion

9. 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 (MERSETA) as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements and in the manner required by the PFMA.

Emphasis of matter

Without qualifying my audit opinion, I draw attention to the following matter:

Restatement of corresponding figures

10. As disclosed in note 34 and note 1 to the annual financial statements the accounting policy for the recognition and measurement of skills development levy income has been amended by National Treasury and the Department of Labour on the basis of a revised interpretation of the Skills Development Act, Act no 97 of 1998 and the Skills Development Levies Act, Act no 9 of 2001. Revenue and related receivables and mandatory grant expenses and related payables have been adjusted accordingly. The corresponding figures for 31 March 2007 have been restated as a result of revised interpretation.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matter that relate to my responsibilities in the audit of the financial statements:

Matters of governance

11. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The public entity had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	✓	
Internal audit		
• The public entity had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	✓	
Other matters of governance		
The annual financial statements were submitted for audit as per the legislated deadlines (section 55 of the PFMA for public entities)	✓	
The financial statements submitted for audit were not subject to material amendments resulting from the audit.		✓
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
The prior year's external audit recommendations have been substantially implemented.	✓	



OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

12. I have reviewed the performance information as set out on pages 38 to 41.

Responsibility of the accounting authority for the performance information

13. The accounting authority has additional responsibilities as required by section 55(2) (a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

14. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.

15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

Audit findings (Performance information)

16. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

OTHER REPORTS

Investigations

17. A preliminary investigation has commenced subsequent to year end into allegations made through the fraud hotline. The purpose of the preliminary investigation is to establish whether irregularities occurred at a regional office. The investigation was still ongoing at reporting date.

APPRECIATION

18. The assistance rendered by the staff of the Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA) during the audit is sincerely appreciated.

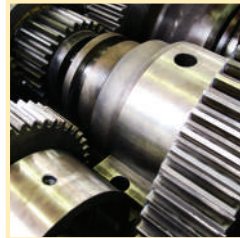
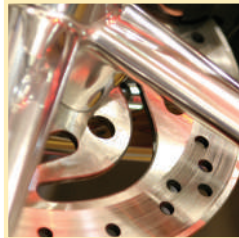
Auditor - General .

Pretoria

31 July 2008

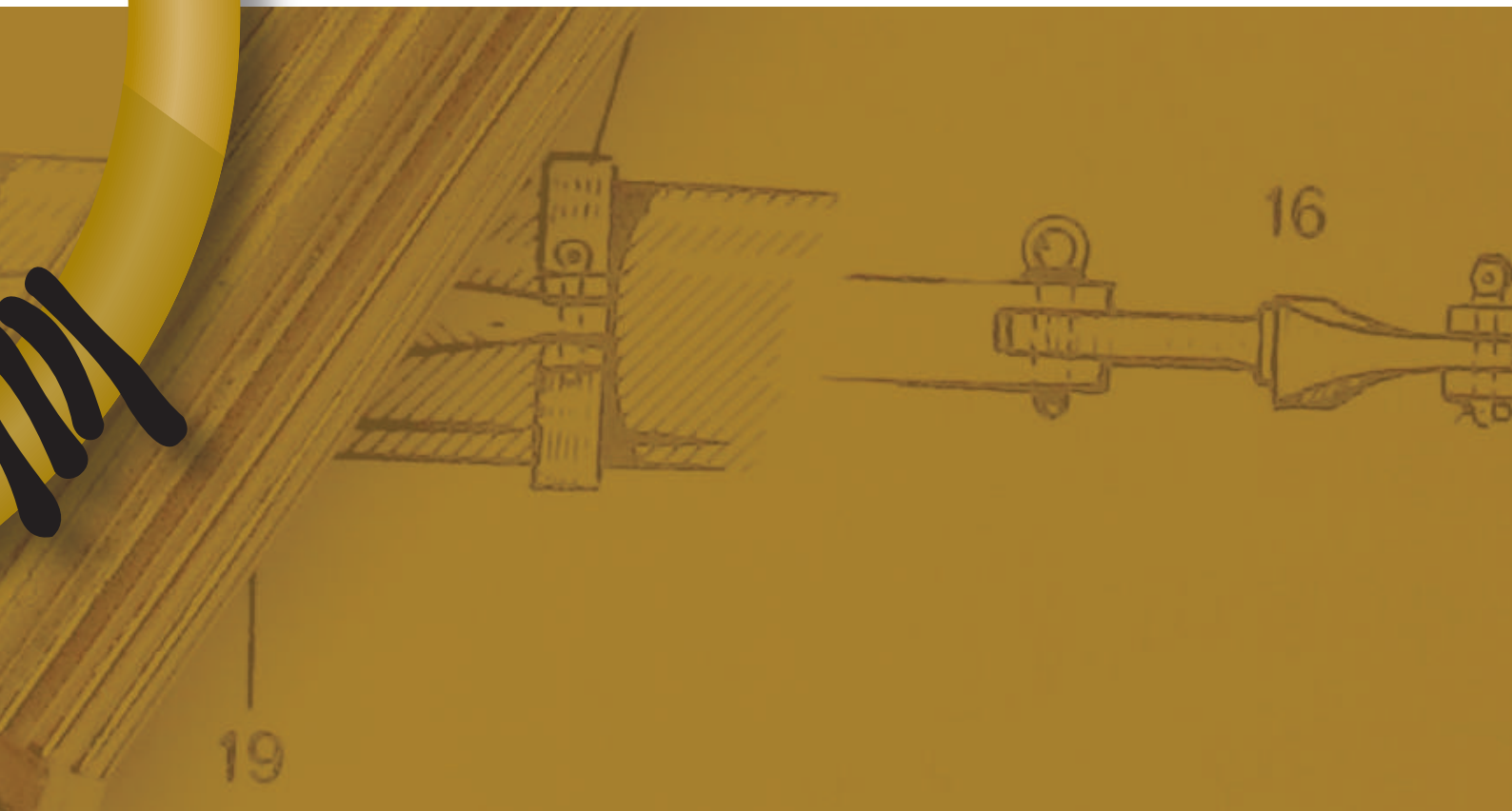


A U D I T O R - G E N E R A L

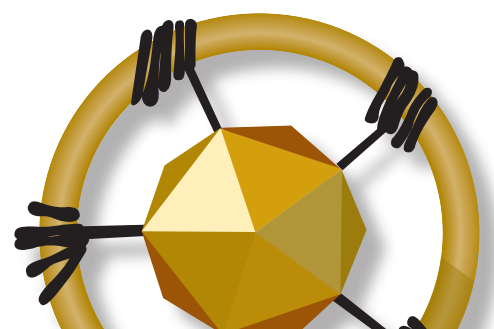




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12 Annual Financial Statements



Manufacturing, Engineering and Related Services Education and Training Authority

Financial Statements for the year ended 31 March 2008

The Annual Financial Statements for the year ended 31 March 2008, set out on pages 2 to 32, 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 24 July 2008, and are signed on their behalf by:



Raymond Patel
(Chief Executive Officer)



Xolani Tshayana
(Chairperson)

Manufacturing, Engineering and Related Services Education and Training Authority

Annual Financial Statements for the year ended 31 March 2008

Contents	Page
Report of the Accounting Authority	66 - 70
Statement of Financial Performance	72
Statement of Financial Position	73
Statement of Changes in Net Assets	74
Cash Flow Statement	75
Notes to the Annual Financial Statements	76 - 107



Accounting Authority Report. Report by the Accounting Authority to the Executive Authority and Parliament of the Republic of South Africa for the financial year ended 31 March 2008

1. General review of the state of affairs

The financial affairs of the MERSETA are sound, as evident from the substantial and expanding levy income base, as well as the effective mandatory grant disbursements. Discretionary grants and expenditure on skills development initiatives in the form of projects slowed due to restructuring during the financial year under review. However, any delays will be compensated for in the 2008/9 financial year. The MERSETA financial position is strong.

a) Prior years' accounting error

Collectively all the SETAs, The Department of Labour (DoL) and various stakeholders misinterpreted various legislation and accounting principles governing the recognition of Skills Development Levy in prior years. In these financial statements the accounting errors have been corrected, and the results of the retrospective statements of prior years' have been done; in accordance with Generally Recognised Accounting Practice (GRAP) 3 – Accounting policies, changes in accounting estimates and errors.

In prior years, the SETAs recognised revenue when employers submitted their returns of tax/levy liability forms (EMP201) to SARS, whilst the correct treatment is that revenue should be recognised at the earlier of the receipt of funds or the allocation from DoL. This occurs approximately two months after the employers submit the EMP201 forms. The net effect on revenue is the reduction of revenue, since inception, by two months' worth of revenue and an appropriate reduction in reserves. For the 2006/7 comparative year, a slight reduction in revenue is shown. Further restatements of grant liabilities and recalculations of administrative expenditure thresholds based on revenue have also been performed. The full effect of the correction is disclosed in note 34 of the financial statements.

b) Levies

MERSETA experienced growth in its levy income of 15% in the 2007/8 financial year. The levy income exceeded budget by 7.5%.

The growth is due to an increase in the number of contributing firms, and it is also due to a growth in the payroll costs of companies. At the end of the year there were 12 781 contributing companies, compared to 11 165 in the previous year. This increase is due to the effects of payroll increases bringing more companies to above the payroll threshold. The payroll threshold was not increased for this year and still stands at annual payrolls of R500 000. The change in the point of revenue recognition has made it critically important that DoL transfers or allocates the levies timeously each month. We are pleased that no delay in payments occurred during the year under review.

c) Grants and Projects

MERSETA maintains a consistent flow of mandatory and discretionary grant payments. The average mandatory grant payment is R19.3 million per month. Strict deadlines in the regulations for submission of mandatory grant applications continue to be enforced and most companies adhere to them. The MERSETA has also explored various initiatives that allow companies to submit WSPs and training plans electronically. The amount of mandatory grant payments for the 2008 levy year increased by 15% over levy year 2007. The payout ratio remained constant at 63% from prior year.

Discretionary grant payments were 36% below the previous review period, due to delays in registration of learners and in learners completing courses. The MERSETA has already set in place plans to catch up on these during the 2008/9 financial year, which includes the introduction of a new approach to Discretionary Grant allocation to top-training companies, which will be governed by a Memorandum of Agreement.

The 2007/8 expenditure is substantially below the 2006/7 levels. There were various policy changes during the year, which delayed some projects; and in one case a pilot project to establish feasibility had to be undertaken first, delaying the starting of the project. In terms of the restructuring, a project department was also set up to spearhead board approved initiatives, and to raise the level of expenditure on skills. This only began functioning in June 2007, which further delayed the start of some projects. A number of projects have been carried over to the 2008/9 financial year. New projects were launched, including the Accelerated Artisan Training Programme (AATP) and SME Training Voucher Programme, which are expected

to significantly increase project expenditure in the new year.

Grants paid to date per grant type and chamber since inception of MERSETA: Rand 000's

Chamber	SDF	WSP	ATR	Disc. Grant	Total	% of Total
Auto	1,933	94,318	69,715	47,842	213,808	12%
Metal	9,340	433,880	285,667	283,184	1,012,071	56%
Motor	2,572	194,929	106,369	153,737	457,607	25%
New Tyre	462	16,103	13,435	5,470	35,470	2%
Plastics	712	48,027	23,992	29,057	101,788	5%
Total	15,019	787,257	499,178	519,290	1,820,744	100%
% of Total	1%	43%	27%	28%	100%	

d) Planned Utilisation of Surpluses

The MERSETA has reserves of R828 million and cash balances of R873 million. MERSETA has applied and received approval to carry forward these surpluses for the 2006/7 year, and will apply for similar carry forward of surpluses for the 2007/8 year in June 2008. The MERSETA has plans to utilise R435 million in board approved strategies and projects in the 2008/9 financial year.

e) Going Concern

The MERSETA was set up in terms of the Skills Development Act No 97 of 1998 and its certificate expires on 31 March 2010. The process of re-establishment is governed by the Skills Development Act Regulations number 20442 dated September 1999. MERSETA will therefore be required to apply for the certificate by 31 March 2009. Accordingly, the MERSETA has drawn up and presented these financial statements on a going concern basis.

2. Services Rendered by the MERSETA

MERSETA renders four broad services to its sector:

Grants disbursements:

- Disbursement of mandatory grants accounts for 50% of levies paid. This is subject to the companies submitting an appropriate workplace skills plan received by 30 June 2007. This reimburses companies which undertake training.
- Disbursement of discretionary grants accounts for a minimum of 20%. The MERSETA supports learners and apprentices with such grants and it also undertakes special projects that

will benefit the sector at large.

Quality assurance functions, which include but are not limited to:

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

Skills development functions as follows:

- Development of unit standards and registration of these with the South African Qualifications Authority;
- Development of curriculum and courseware from unit standards registered in the MERSETA's scope of coverage;
- Conceptualisation and implementation of skills initiatives which promote the NSDS objectives and address training needs in the MERSETA's five sub sectors.
- Research into sector training needs in terms of critical skills and future growth skills; and
- Development and maintenance of a database for skills development reference and administration.



Skills implementation functions as follows:

- Skills development advice and assistance to companies and training providers;
- Administration and maintenance of the apprenticeship system; and
- Administration and maintenance of the learnership system.

3. Restructuring

During the financial year, the MERSETA completed a restructuring exercise. This entailed realigning the functions into seven divisions being: Finance, Client Services, Learning Education and Training Quality Assurance (LETQA) Projects, Corporate Services (which includes Human Resources), Corporate Governance and the office of the Chief Executive Officer. A Projects Office was established; staff positions and grading were also reassessed during the year. All significant management positions were filled by the year-end. The positive effects of the restructuring can already be seen as the MERSETA is more customer focused, while service delivery has improved; although there is room for further tightening and monitoring of systems and controls to ensure better delivery on all objectives.

Employment data for key personnel for MERSETA for the 2007/8 financial year: Rand 000's

Key Personnel	Period in Office	Period Vacant	Basic Salary	Other Allowances and Costs	Performance bonus	Total	Total	Period in Office
	2007/8	2007/8	2007/8	2007/8	2007/8	2007/8	2006/7	2006/7
CEO	Full Year	-	802	241	133	1,176	446	6 months
CFO	March 2008	11 months	45	10	-	55	788	Full year
GM Client Services	Full Year	-	528	155	85	768	*	*
SDI Divisional Manager	-	-	-	-	-	-	598	Full year
GM Corporate Services	Full Year	-	460	188	75	723	-	Full year
GM LETQA	Full Year	-	440	147	87	674	674	Full year
GM Corporate Governance	Full Year	-	438	127	82	647	-	Full year
GM Projects	Jun 07 – Mar 08	2 months	439	60	83	582		
HR Manager	Full Year	-	362	120	59	541	478	Full year
Company Secretary	Full Year	-	-	-	-	-	397	Full year
Total			3,515	1,047	604	5,166	3,381	

* Position created in 2007/8 year

The salary packages for the CFO and Divisional Manager ETQA in 2006/7 are inclusive of the acting allowances paid to them for a six month period when they were acting jointly as the Chief Executive Officer

The SDI Divisional Manager position was made redundant in the restructuring exercise

The Company Secretary position was incorporated into a larger portfolio in the restructuring exercise

4. Utilisation of Donor Funds

MERSETA received R264 000 from the National Skills Fund as co-financing for the SME provider capacity building. MERSETA has shown R46 000 of this as income, as all the conditions have been met in disbursing that amount. The balance has been kept in a separate bank account.

5. Business Address

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

MERSETA	MERSETA
Metropolitan Park	P O Box 61826
8 Hillside Road	MARSHALLTOWN
3rd Floor	2107
Parktown	
2193	

6. Discontinued Activities/ Activities to be Discontinued

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

7. New/proposed Activities

Several new projects which totalled R230 million, were launched during 2007/8, and are expected to be concluded by March 2010. They include, inter alia, the Accelerated Artisan Training Programme (AATP), the SME Training Voucher Programme, the ABET Project Phase 3, the New Venture Creation Project and the Maths and Science Project.

8. Events after the Reporting Date

MERSETA is not aware of any events after the reporting date which will affect the financial state of affairs of the organisation for the 2007/8 financial year.

9. Performance Information

MERSETA's performance is measured by the Department of Labour, against the National Skills Development Strategy objectives which were translated into targets by MERSETA in 2006/7, and for

which a Service Level Agreement was signed between MERSETA and DoL. MERSETA has an extensive information database which it uses for record keeping and updating purposes, quality assurance requirements as well as reporting to the DoL.

10. Corporate Governance

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

a) Internal Audit

MERSETA's internal audit function is outsourced to an independent audit firm that operates on an approved three year internal audit plan. The independent internal auditors report in terms of their Charter and in line with the Audit Committee Charter. In response to matters raised in the audit and risk assessment, capacity building among all stakeholders on Corporate Governance continues and will be concluded in the new financial year, including the Governing Board assessment. Systems of accounting and internal controls are also being improved.

b) Audit Committee

The Audit Committee comprises of five independent members. The Audit Committee is advisory in nature and reports to the Governing Board. The Committee's Charter is aligned to the duties prescribed by the PFMA and Treasury Regulations. The Committee has the authority to seek such independent professional advice as it considers necessary.



c) Other Audits

SAQA carried out a routine performance audit during this period. The MERSETA was found to be in compliance with the SAQA Act 58 of 1995 and the relevant regulations in all material respects. A few areas of improvements, which management is working on, were identified. The final report will be issued at the end of June 2008.

d) Financial Management

The MERSETA's financial management is sound and compliant with the PFMA and National Treasury regulations. The six-weekly MERSETA Executive Committee meetings are presented with a full financial management report from the Chief Financial Officer. An all-inclusive budgeting process formed part of the Business Plan process and is used as a benchmark for levy income and grant administration and capital expenditure. A quarterly report showing actual results against budget is presented to the MERSETA Governing Board and the Department of Labour.

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

e) Policies

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

MERSETA's policies and procedures are aligned with GAAP and GRAP. Existing policies are reviewed at least once every two years, or as necessary to comply with changes in GAAP, GRAP or within the organisation. A Risk Assessment Report, Fraud Prevention Policy, HR Policy, Disaster Recovery Plan, Procurement Policy and Revised Business Plan to March 2010 were drafted during the year.

f) Supply Chain Management Unit

The Procurement Policy as well as a Supply Chain Management Framework was reviewed in order to ensure compliance with relevant legislation. The Supply Chain Management Unit as prescribed by National Treasury consists of a Cost Accountant and Procurement Administrator. The Cost Accountant also acts as the Compliance Officer.

g) Systems

MERSETA's Information Technology systems are fully operational, cost effective and well supported. The organisation is committed to continuous and systematic development of its database, Datanet. The organisation's IT network is fully functional and stable. It reaches MERSETA's seven regional offices effectively and efficiently. MERSETA is in the process of reviewing its Disaster Recovery Framework for IT.

h) Conflict of Interest

MERSETA's Governing Board maintains a Declaration of Interest Register, in terms of the Code of Conduct. This is over and above the requirements that members declare if they have an interest in any item on the agenda, in order to comply with the Public Finance Management Act as well as good corporate governance practice.

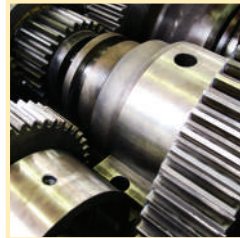
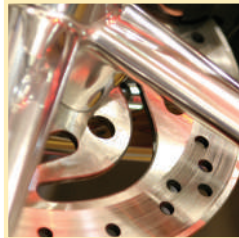
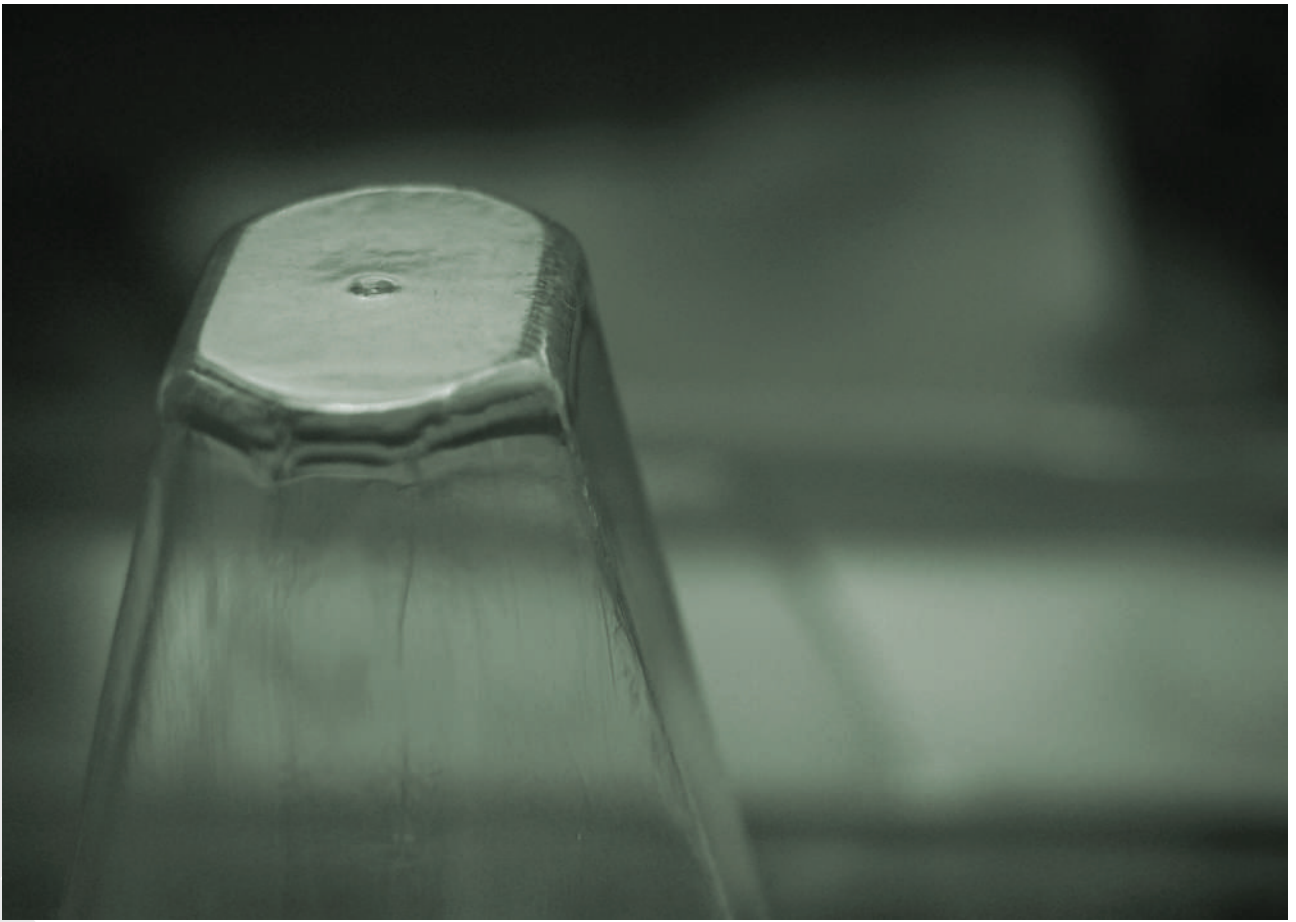
Approval



Raymond Patel (Chief Executive Officer)



Xolani Tshayana (Chairperson)



STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2008

	Note	2007/08 R'000	2006/07 R'000 Restated
REVENUE			
Skills Development Levy: income	3	625 327	542 325
Skills Development Levy: penalties and interest	4	4 925	4 212
Government grant income	5	46	-
Total non-exchange revenue		630 298	546 537
Investment income	6	73 697	40 052
Other income	7	391	3 316
Total exchange revenue		74 088	43 368
Total revenue		704 386	589 905
EXPENSES			
Employer grant and project expenses	8	(339 576)	(427 226)
Administration expenses	9	(76 582)	(62 921)
Government grant expense	5	(46)	-
Finance cost	10	(26)	(4)
Total expenses		(416 230)	(490 151)
Net surplus for the year	2	288 156	99 754

STATEMENT OF FINANCIAL POSITION

As at 31 March 2008

		31 March 2008	31 March 2007
	Note	R'000	R'000 Restated
ASSETS			
Current assets			
Current portion of loan	11	-	292
Prepayments and advances	12	1 537	6 489
Receivables from non-exchange transfers	13	1 006	3 567
Other receivables from exchange transactions	14	8 380	5 205
Assets held for sale	15	2 518	-
Inventories	16	75	-
Held-to-maturity financial assets	17	240 000	120 000
Cash and cash equivalents	18	632 900	472 701
		886 416	608 254
Non-current assets			
Property and equipment	19	6 839	8 845
Intangible assets	20	339	257
		7 178	9 102
Total Assets		893 594	617 356
LIABILITIES			
Current liabilities			
Grants and transfers payable	21	53 883	51 959
Trade and other payables from exchange transactions	22	9 775	24 507
Provisions	23	2 070	1 180
		65 728	77 646
Net Assets		827 866	539 710
Net assets represented by:			
Administration reserve		7 178	9 102
Employer grant reserve		5 253	641
Discretionary grant reserve		815 435	529 967
Total Net Assets		827 866	539 710



STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2008

	Note	Administration reserve	Employer grant reserve	Discretionary grant reserve	Unappropriated surplus	Total
		R'000	R'000	R'000	R'000	R'000
Balance at 1 April 2006		14 585	-	484 464	-	499 049
Restatement due to prior year error	34	(11 034)	(25 894)	(22 165)	-	(59 093)
Restated balance		3 551	(25 894)	462 299	-	439 956
Net surplus for the year per statement of financial performance		-	-	-	99 754	99 754
Allocation of unappropriated surplus for the year	2	8 187	128 783	(37 216)	(99 754)	-
As previously stated		10 240	130 376	(32 388)	(108 228)	-
Restatement due to prior year error	34	(2 053)	(1 593)	(4 828)	8 474	-
Excess reserves transferred to discretionary reserve		(2 636)	(102 248)	104 884	-	-
As previously stated		(8 920)	(129 735)	108 235	-	-
Restatement due to prior year error		6 284	27 487	(3 351)	-	-
Balance at 1 April 2007		9 102	641	529 967	-	539 710
Net surplus for the year per statement of financial performance		-	-	-	288 156	288 156
Allocation of unappropriated surplus for the year	2	1 810	148 509	137 837	(288 156)	-
Excess reserves transferred to discretionary reserve		(3 734)	(143 897)	147 631	-	-
Balance at 31 March 2008		7 178	5 253	815 435	-	827 866

CASH FLOW STATEMENT

For the year ended 31 March 2008

		2007/08	2006/07
	Note	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating activities			
Cash receipts from stakeholders and others		622 077	544 126
Levies, interest and penalties received		621 646	544 013
Donor income from NSF		264	-
Other income		167	113
Cash paid to stakeholders, suppliers and employees		(410 079)	(504 096)
Grants and project payments		(339 534)	(448 057)
Compensation of employees		(38 182)	(31 765)
Payments to suppliers and other		(32 363)	(24 274)
Cash generated by operations	24	211 998	40 030
Interest received		70 653	40 642
Net cash inflow from operating activities		282 651	80 672
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment	19	(2 435)	(3 454)
Purchase of intangible assets	20	(484)	(234)
Proceeds from disposal of property and equipment		193	739
(Purchase) / disposal of held-to-maturity financial assets		(120 000)	113 153
Proceeds from loan		300	399
Net cash (outflow) / inflow from investing activities		(122 426)	110 603
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(26)	(4)
Net cash outflow from financing activities		(26)	(4)
Net increase in cash and cash equivalents		160 199	191 271
Cash and cash equivalents at beginning of year		472 701	281 430
Cash and cash equivalents at end of year	18	632 900	472 701



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

I ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statement as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

i. Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends

ii. The cash flow statement can only be prepared in accordance with the direct method.

iii. Specific information has been presented separately on the statement of financial position such as:

- (a) Receivables from non-exchange transactions, including taxes and transfers;
- (b) Taxes and transfers payable;
- (c) Trade and other payables from non-exchange transactions;

iv. The amount and nature of any restrictions on cash balances must be disclosed

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

Paragraph 11 – 15 of GRAP 1 has not been implemented due to the fact that the local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objectives of the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below and are, in all material respects, consistent with those of the previous year, except as otherwise indicated.

1.1 Basis of preparation

The financial statements have been prepared on the historical cost basis, except where adjusted for present/fair values as required by accounting standards.

1.2 Currency

1.2.1 Functional and presentation currency

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

1.2.2 Foreign currency transactions

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

1.3 Revenue recognition

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

1.3.1 Levy income

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies of the MERSETA pay a skills development levy of 1% of the total

payroll cost to the South African Revenue Service (SARS).

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

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

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

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

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



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1.3.2 Interest and penalties

Income from interest and penalties on skills development levies are recognised at the earlier of the time the Department of Labour (DoL) makes the allocation or payment is made to the MERSETA

1.3.3 Funds allocated by the National Skills Fund for special projects

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

1.3.4 Government grants and other donor income

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

1.3.5 Investment income

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

1.4 Grants and project expenditure

1.4.1 Mandatory grants

The grant payable and the related expenditure is recognised when the employer has submitted an application for a grant in the prescribed form within the legislated cut-off period and it is probable the grants will be paid. This grant is equivalent to 50% (2006/07: 50%) of the total levies paid by the employer and comprises a workplace skills planning grant.

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

amounts can be estimated reasonably accurately.

1.4.2 Discretionary grants and project expenditure

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

Project expenditure comprises:

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

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

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

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

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1.5 Irregular and fruitless and wasteful expenditure

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

- The PFMA,
- The Skills Development Act,

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

1.6 Property and equipment

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

Asset class	Depreciation period
- Computer equipment	3 - 6 years
- Office furniture and fittings	5 - 10 years
- Office equipment	5 - 6 years
- Motor vehicles	4 - 6 years

The estimated remaining useful life of the assets is limited to the remaining period of the licence issued to the MERSETA by the Minister of Labour. For the current year the remaining period is two years (2006/07: three 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.

1.7 Intangible assets

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

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

Asset class	Amortisation period
- Computer software	1 - 2 years

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

1.8 Leasing

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



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1.9 Retirement benefit costs

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

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

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

1.10 Provisions

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

Provision for employee related entitlements

The cost of other employee benefits (not recognised as retirement benefits - see note 1.9 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 leave (based on the current salary rates), bonuses and Workman's Compensation.

1.11 Financial instruments

Recognition

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

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

Measurement

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

Financial assets

The MERSETA's principal financial assets are other receivables, loan and cash and cash equivalents.

Other receivables

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

Loan

The interest free loan granted is 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

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The prevailing market rate for a similar instrument with a similar credit risk rating is used as the discount rate.

Cash and cash equivalents

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

Financial liabilities

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

Derecognition

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

Fair value considerations

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

Offsetting

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

1.12 Net assets

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

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

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

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

	2007/08	2006/07
	%	%
Administration costs of the MERSETA	10	10
Mandatory Workplace Skills Planning Grant	50	50
Discretionary grants and projects	20	20
	80	80



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

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

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

The amount retained in the administration reserve equates to the net book value of property and equipment. Excess cash reserves are transferred to the discretionary reserve.

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

1.13 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. We have on the 31 May 2008 submitted an application to the Department of Labour for retention of surplus funds. As in the previous year MERSETA expects that National Treasury will approve the retention of surplus funds.

1.14 Related Party transactions

Transactions are disclosed as other related party transactions where the seta has in the normal course of its operations, entered into certain transactions with entities either related to the Department of Labour (DoL) or which had a nominated representative serving on the Seta accounting authority.

Transactions are disclosed as other related party transactions where Interseta transactions arise due to the movement of employees from one Seta to another.

1.15 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The notes affected by prior year adjustments in the current year are notes 3, 4, 8, and 21.

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

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

	Employer grants reserve				Discretionary reserve				
	Total per Statement of Financial Performance	Administration reserve	Mandatory skills planning grant	Mandatory skills implementation grant	Total	Discretionary grants	Projects	Government grants	Total discretionary
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 31 March 2008									
Total revenue	704 386	78 418	391 177	(441)	390 736	206 951	28 235	46	235 232
Skills development levy: income									
Admin levy income (10%)	78 194	78 194	-	-	-	-	-	-	-
Grant levy income (70%)	547 133	-	391 177	(441)	390 736	128 162	28 235	-	156 397
Skills development levy: penalties and interest	4 925	-	-	-	-	4 925	-	-	4 925
Government grant income	46	-	-	-	-	-	-	46	46
Investment income	73 697	-	-	-	-	73 697	-	-	73 697
Other income	391	224	-	-	-	167	-	-	167
Total expenses	416 230	76 608	242 040	187	242 227	69 114	28 235	46	97 395
Employer grants and project expenses	339 576	-	242 040	187	242 227	69 114	28 235	-	97 349
Administration expenses	76 582	76 582	-	-	-	-	-	-	-
Government grant expense	46	-	-	-	-	-	-	46	46
Finance cost	26	26	-	-	-	-	-	-	-
Net surplus per the statement of financial performance allocated	288 156	1 810	149 137	(628)	148 509	137 837	-	-	137 837
Year ended 31 March 2007									
Total revenue	589 905	71 107	337 490	1 759	339 249	70 749	108 800	-	179 549
Skills development levy: income									
Admin levy income (10%)	67 904	67 904	-	-	-	-	-	-	-
Grant levy income (70%)	474 421	-	337 490	1 759	339 249	26 372	108 800	-	135 172
Skills development levy: penalties and interest	4 212	-	-	-	-	4 212	-	-	4 212
Investment income	40 052	-	-	-	-	40 052	-	-	40 052
Other income	3 316	3 203	-	-	-	113	-	-	113
Total expenses	490 151	62 925	196 890	13 576	210 466	107 960	108 800	-	216 760
Employer grants and project expenses	427 226	-	196 890	13 576	210 466	107 960	108 800	-	216 760
Administration expenses	62 921	62 921	-	-	-	-	-	-	-
Finance cost	4	4	-	-	-	-	-	-	-
Net surplus per the statement of financial performance allocated	99 754	8 182	140 600	(11 817)	128 783	(37 211)	-	-	(37 211)

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

3. SKILLS DEVELOPMENT LEVY INCOME

Note	2007/08 R'000	2006/07 R'000
The total levy income per the statement of financial performance is as follows:		
		restated
Levy income: Administration	78 194	67 904
Levies received from SARS	77 988	68 523
InterSETA transfers in	1 582	1 578
InterSeta transfers out	(1 539)	(2 019)
Provision for refund SARS	163	(178)
Levy income: Employer Grants	390 736	339 249
Levies received from SARS	390 017	342 169
InterSETA transfers in	8 249	8 408
InterSETA transfers out	(8 345)	(10 435)
Provision for refund SARS	815	(893)
Levy income: Discretionary Grants	156 397	135 172
Levies received from SARS	155 687	136 560
InterSETA transfers in	2 814	2 671
InterSETA transfers out	(2 430)	(3 702)
Provision for refund SARS	326	(357)
	625 327	542 325

4. SKILLS DEVELOPMENT LEVY: PENALTIES AND INTEREST

Penalties	2 674	2 433
Interest	2 251	1 779
	4 925	4 212

5. GOVERNMENT GRANTS

National Skills Fund grant		
Opening balance	-	-
Received during the year for SME provider capacity building	264	-
Utilised and recognised as revenue - conditions met	(46)	-
Closing balance	21	-

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

6. INVESTMENT INCOME

Interest income from short term deposits, bank and call accounts	73 509	40 081
Fair value adjustments	188	(29)
	73 697	40 052

7. OTHER INCOME

Surplus on disposal of property and equipment	-	290
Surplus arising from fair value adjustments to property and equipment	224	2 913
Trade test fees received	167	113
	391	3 316

8. EMPLOYER GRANT AND PROJECT EXPENSES

Mandatory grants		242 227	210 466
Disbursed		231 270	248 679
Movement in provisions and accruals		10 957	(38 213)
Discretionary grants	26.1.2	69 114	107 960
Disbursed		67 198	107 960
Movement in provisions and accruals		1 916	-
Project expenditure	8.1,26.1.1	28 235	108 800
Disbursed		44 464	94 323
Movement in provisions and accruals		(16 229)	14 477
		339 576	427 226

8.1 Project expenditure consists of:

Direct project costs		21 296	107 126
Project administration costs	9	6 939	1 674
	8	28 235	108 800



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

9. ADMINISTRATION EXPENSES

	Note	2007/08 R'000	2006/07 R'000
Depreciation	19	1 869	3 406
Prior to re-assessment of useful lives/ residual values		2 789	2 571
Depreciation due to re-assessment of useful lives/ residual values		(920)	835
Amortisation - intangible assets	20	402	156
Impairment of property and equipment	19	-	426
Impairment of intangible assets	20	-	10
Loss on disposal of property and equipment		90	-
Operating lease rentals		6 285	4 163
Buildings		5 648	3 648
Equipment		-	108
Parking		637	407
Repairs, maintenance and running costs		4 276	1 741
Buildings		2 497	451
Property and equipment		1 779	1 290
Advertising, marketing and promotions, communication		5 558	2 035
Bank charges		181	195
Cleaning and groceries		156	184
Cost of employment	9.1	39 935	31 621
Entertainment expenses		10	6
External auditor's remuneration		603	466
Gifts, donations and sponsorships paid		211	4
Insurance and license fees		429	348
Internal auditor's remuneration		1 682	1 410
Legal fees		206	223
Printing stationery and postages		2 391	1 544
Rates, water and electricity		1 020	752
Recruitment costs		950	684
Removal costs		211	23
Remuneration to members of the audit committee		123	131
Secretarial services		166	97
Service provider administration fees		2 227	1 170
SMME skills development facilitators		-	3 783
Special functions		1 095	467
Staff training, development and welfare		1 482	906
Storage		245	64
Telecommunication expenses		3 624	2 765
Travel, subsistence and meeting expenses		8 094	5 815
		83 521	64 595
Less: amounts allocated to project expenditure	9.1	(6 939)	(1 674)
		76 582	62 921

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

9.1 Cost of employment

Salaries and wages	35 161	27 887
Basic salaries	29 036	22 396
Performance awards	2 710	3 389
Other non-pensionable allowance	1 908	1 421
Temporary staff	236	265
Leave payments	1 271	416
Social contributions	4 774	3 734
Medical aid contributions	1 218	1 040
Pension contributions: defined benefit plans	2 885	2 213
Unemployment Insurance Fund	209	172
Workman's compensation	106	34
Other salary related costs	356	275
	39 935	31 621
Allocation of cost of employment		
Administration expenses	36 952	31 621
Project expenses	2 983	-
	9	39 935
		31 621
Average number of employees	165	143

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.



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

9.2 Retirement benefit costs

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

- The fund was last actuarially valued in 2008 in terms of the fund rules.
- At that date the fund was financially sound and had a surplus of R5 040 375.
- The actuarial valuation shows that there were no unfunded past service liabilities.
- Contribution rates have remained consistent since the MERSETA joined the fund eight years ago.
- The expense recognised in the income statement, equal to the contributions due for the year amounts to R 2 885 000 (2006/07: R 2 213 000) as disclosed in note 9.1 to the financial statements

	Note	31 March 2008 R'000	31 March 2007 R'000
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10. FINANCE COST

Interest paid		26	4
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11. LOAN

Loan granted		-	292
Less: current portion		-	(292)
		-	-

The loan was secured, by a second Mortgage bond over Stands 4 and 5 of Erf 207 Randjiespark Extension 69, Midrand and bore interest at rates determined from time to time by the lender; upon written notice to the borrower from January 2003. It was repayable in equal monthly instalments over five years commenced in January 2003 and ended in December 2007. The lender charged no interest during the 2007/08 year.

12. PREPAYMENTS AND ADVANCES

Staff Advances		50	78
Prepayments - Insurance		87	88
Prepayments - Associations		-	6 323
Discretionary grant prepayments		1 400	-
		1 537	6 489

The net prepayment in respect of associations amounts to R nil (2006/07: a net payable of R 4 844 000). This comprises a prepayment of nil (2006/07: R6 323 000) less the association payable (see note 22) of Rnil (R2006/07: R1 479 000). In the books of the associations this comprises cash and cash equivalents of Rnil (2006/07: R6 714 000), accounts receivable of R nil (2006/07: R75 000), and accounts payable of R nil (2006/07: R1 943 000).

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

	Note	31 March 2008 R'000	31 March 2007 R'000
13. RECEIVABLES FROM NON-EXCHANGE TRANSFERS			
InterSETA receivable	28.1	1 006	3 567

13.1 Employer receivable

Employer receivable			
Overpayment to employers		7 061	7 136
Allowance for doubtful debts		(7 061)	(7 136)
Net effect of SARS retrospective adjustments on affected employers		-	-

R 7 061 000 (2006/07: R7 136 000) is recognised as an employer receivable due to the overpayment of grants in earlier periods and is based on the amount of such overpayment. An amount of R7 061 000 was provided against such employer receivables. Refer also to policy note 1.3.1.

14. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits		222	145
Interest receivable		8 067	5 031
Sundry receivables		91	29
		8 380	5 205

15. ASSETS HELD FOR SALE

Vehicles - cost		4 310	-
Accumulated depreciation		(1 792)	-
Carrying value at end of year		2 518	-

It was resolved by the Governing Board to cease the company car scheme and replace all recipients with car allowances. The company vehicles will first be on offer to the existing drivers and then sold by means of a public auction. This was negotiated and accepted by the union. The completion date of the sale is expected to be by the end of August 2008.



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

16. INVENTORIES

Consumables stock	75	-
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17. HELD-TO-MATURITY FINANCIAL ASSETS

Medium term investments/instruments	240 000	120 000
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18. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1 985	203
Cash at bank	1 959	187
Cash on hand	26	16
Short term investments/instruments	630 915	472 498
Cash and cash equivalents at end of year	632 900	472 701

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held. The weighted average interest rate on short term bank deposits was 9.84% (2006/07: 7.45%).

19. PROPERTY AND EQUIPMENT

	Cost R'000	Accumulated depreciation R'000	Closing car- rying amount R'000
Year ended 31 March 2008			
Computer equipment	4 386	(2 581)	1 805
Office furniture and fittings	4 171	(1 607)	2 564
Office equipment	2 815	(1 032)	1 783
Motor vehicles	5 419	(2 214)	3 205
	16 791	(7 434)	9 357
Less: vehicles held for sale	(4 310)	1 792	(2 518)
Balance at end of year	12 481	(5 642)	6 839

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

	Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
Year ended 31 March 2007			
Computer equipment	3 694	(1 830)	1 864
Office furniture and fittings	3 453	(1 271)	2 182
Office equipment	2 079	(628)	1 451
Motor vehicles	5 675	(2 327)	3 348
Balance at end of year	14 901	(6 056)	8 845

There are no capitalised leased assets. No assets have been pledged as security or collateral for any liability.

	Opening carrying amount R'000	Reclassifi- cations of assets R'000	Transfers (out)/ fair value adjustment R'000	Additions R'000	Impair- ment cost R'000	Disposals cost R'000	Deprecia- tion/ Am- ortisation charge R'000	Accu- mulated depre- ciation on disposals R'000	Carrying amount R'000
Movement summary 2008									
Computer equipment	1 864	-	39	932	-	(279)	(935)	184	1 805
Office furniture and fittings	2 182	-	179	721	-	(176)	(437)	95	2 564
Office equipment	1 451	-	11	782	-	(57)	(440)	36	1 783
Motor vehicles	3 348	-	-	-	-	(255)	(57)	169	3 205
Balance at end of year	8 845	-	229	2 435	-	(767)	(1 869)	484	9 357

Movement summary 2007

Computer equipment	1 576	26	1 102	461	(326)	(130)	(954)	109	1 864
Office furniture and fittings	1 136	-	1 400	389	(81)	-	(662)	-	2 182
Office equipment	229	(26)	354	1 317	(19)	-	(404)	-	1 451
Motor vehicles	3 875	-	-	1 287	-	(1 280)	(1 386)	852	3 348
Balance at end of year	6 816	-	2 856	3 454	(426)	(1 410)	(3 406)	961	8 845



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

20. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Cost R'000	Accumulated depreciation R'000	Closing carrying amount R'000
Year ended 31 March 2008			
Intangible assets	1 008	(669)	339
Year ended 31 March 2007			
Intangible assets	524	(267)	257

	Opening carrying amount R'000	Additions R'000	Impairment cost R'000	Depreciation/ Am- ortisation charge R'000	Carrying amount R'000
Movement summary 2008					
Intangible assets	257	484	-	(402)	339
Movement summary 2007					
Intangible assets	189	234	(10)	(156)	257

21. GRANTS AND TRANSFERS PAYABLE

	Note	2007/08 R'000	2006/07 R'000
Grants payable	21.1	42 082	29 209
InterSETA payables	28.1	1 654	11 517
Donor income received in advance	5	218	-
Provision for SARS refund	21.2	9 929	11 233
		53 883	51 959

21.1 Grants payable

	2007/08 R'000	2006/07 R'000
Opening carrying amount	29 209	70 564
Amounts utilised	(306 852)	(358 296)
Additional provision/accrual made during the period	319 725	316 941
Closing carrying amount	42 082	29 209

The grant provision is based on grant applications currently in process that have been submitted by the due date, being 30 June 2007. Provision was only made where the status of these applications indicated that there was a good likelihood that these grants would still be paid.

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

21.2 SARS payable

Opening carrying amount	11 233	9 805
Net effect of SARS adjustments for the current year	(2 226)	(4 282)
Estimated adjustments included in levies received	922	5 710
Closing carrying amount	9 929	11 233

An amount of R9 929 000 (2006/07: R11 233 000) has been provided in the current year for possible refunds to companies falling below the SDL threshold but still contributing levies. The effective date of the exemption was 1 August 2005.

22. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Project payables	2 617	18 846
Association payables	-	1 479
Sundry payables	7 158	4 182
Accruals operating expenditure	3 878	1 682
Accruals salaries and wages	2 855	1 992
Other payables	425	508
	9 775	24 507

23. PROVISIONS

	Employee leave provision R'000	Employee bonus provision R'000	Workman's Compensation provision R'000	2007/08 R'000	2006/07 R'000
Opening carrying amount	805	290	85	1 180	1 327
Amounts utilised	(602)	(1 289)	(53)	(1 944)	(1 684)
Additional provision during the period	1 271	1 456	107	2 834	1 537
Closing carrying amount	1 474	457	139	2 070	1 180

Employee leave provision is based on the value of leave days due to each employee. The Bonus provision is a pro rata amount based on one month's salary. The workman's compensation provision is calculated in accordance with the Workman's Compensation Act no 130 of 1993.



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

24. RECONCILIATION OF NET SURPLUS TO CASH UTILISED IN OPERATIONS.

	Note	2007/08 R'000	2006/07 R'000
Net surplus as per the statement of financial performance		288 156	99 754
Adjusted for non-cash items:			
Depreciation property and equipment	9,19	1 869	3 406
Amortisation of intangible assets	9,20	402	156
Impairment of intangible assets	9,19	-	10
Impairment of property plant and equipment	9,20	-	426
Loss on disposal of property and equipment	9	90	
Surplus on disposal of property and equipment	7	-	(290)
Fair value adjustments - loan		(8)	(92)
Transfers out/ fair value adjustments to property and equipment	19	(229)	(2 856)
Movements in provisions		890	(147)
Adjusted for items separately disclosed			
Investment income		(70 653)	(40 642)
Interest paid		26	4
Adjusted for working capital changes:			
Decrease/(increase) in prepayments and advances		4 952	(5 511)
Decrease/(increase) in receivables from non-exchange transfers		2 561	(3 567)
(Increase)/decrease in other receivables from exchange transactions		(3 175)	529
Increase in inventories		(75)	-
Decrease in grants and transfers payable		1 924	(26 536)
(Decrease)/Increase in trade and other payables from exchange transactions		(14 732)	15 386
Cash generated by operations		211 998	40 030

25. CONTINGENCIES

25.1.1 Surplus funds

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury. After year end application is made to National Treasury to retain surplus funds for the current financial year. Approval has been obtained from National Treasury for the 2006/07 financial year.

26. COMMITMENTS

26.1 Discretionary reserve

Of the balance of R 815 435 available in the Discretionary Reserve on 31 March 2008 an amount of R 413 556 000 has been approved for future project expenses and discretionary grants as set out below. Amounts for expenses that have already been incurred, and therefore included in project and discretionary grant expense in the statement of financial performance, are also indicated.

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

26.1.1 Projects

Project name	NSDS indicator	Opening balance 2006/07	Adjustments/non contractual payments 2006/07	Approved by Accounting Authority and contracted 2006/07	Utilised 2006/07	Opening balance 2007/08	Adjustments/non contractual payments 2007/08	Approved by Accounting Authority and contracted 2007/08	Utilised 2007/08	Total
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
SSP Review	1.1	-	491	1 105	(1 596)	-	-	950	(359)	591
Assessor and Moderator Training	1.2	1 909	328	396	(2 152)	481	-	1 243	(383)	1 341
Skills Requirements Projects	1.2	308	(182)	-	(126)	-	-	9	(9)	-
SMME Implementation SDFs	1.2	-	-	1 520	-	1 520	(1 520)	-	-	-
SME Voucher Project	2.2	-	-	-	-	-	-	24 100	(1 762)	22 338
SMME Implementation	2.2	35 729	-	-	(29 367)	6 362	(6 618)	-	256	-
ABET Project Phase 1	2.7	4 761	-	-	(629)	4 132	(4 132)	-	-	-
ABET Project Phase 2	2.7	19 523	-	-	(5 095)	14 428	(11 561)	-	(2 867)	-
ABET Project Phase 3	2.7	-	-	-	-	-	-	515	(99)	416
Air-conditioning and Refrigeration SGB	2.8	111	8	-	(27)	92	(46)	240	(46)	240
Annual Report Project	2.8	-	260	-	(260)	-	379	-	(379)	-
Courseware & Curriculum Development	2.8	12 305	287	473	(10 545)	2 520	(2 242)	-	(278)	-
GMET SGB	2.8	-	-	-	-	-	-	21	(21)	-
MAP SGB	2.8	-	500	161	(661)	-	-	1 179	(757)	422
Plastic manufacturing SGB	2.8	-	-	-	-	-	-	36	(36)	-
RPL Pilot Project	2.8	-	-	-	-	-	-	1 125	(48)	1 077
Vehicle Maintenance SGB	2.8	-	178	246	(424)	-	-	802	(522)	280
Welding SGB	2.8	-	-	41	(41)	-	-	205	(5)	200
Accelerated Artisan Training Programme Phase 1	4.1	-	-	-	-	-	-	15 895	(7 154)	8 741
Accelerated Artisan Training Programme Phase 2	4.1	-	-	-	-	-	-	9 752	-	9 752
Bursaries	4.1	1 631	-	5 528	(7 159)	-	-	11 000	(7 254)	3 746
Damelin	4.1	2 115	-	-	(1 695)	420	(420)	-	-	-
ESDLE Project	4.1	7 524	-	-	(5 696)	1 828	(484)	-	(1 344)	-
General motors - unemployed learners	4.1	4 410	-	-	(1 228)	3 182	(3 182)	-	-	-
Maths and Science Student Project	4.1	-	-	-	-	-	-	2 500	-	2 500
National Setters	4.1	-	-	2 334	(388)	1 946	(1 282)	-	(664)	-
PRO STEP - Sigma	4.1	179 187	-	-	(27 824)	151 363	(151 363)	-	-	-
Unemployed youth learners	4.1	5 130	(630)	-	(4 500)	-	-	-	-	-
VWSA	4.1	-	-	4 864	(3 154)	1 710	(1 710)	-	-	-
Centres of Excellence	5.1	5 700	12	-	(5 712)	-	-	-	-	-
New Venture Creation	5.2	-	-	-	-	-	-	6 000	-	6 000
Labour & Stakeholder Capacity Building Project	5.4	2 522	(2 340)	227	(409)	-	-	260	(260)	-
Investors in People	NSDS1	-	63	98	(112)	49	-	-	(49)	-
Indirect Project administration expenditure	N/A	-	-	-	-	-	-	4 195	(4 195)	-
		282 865	(1 025)	16 993	(108 800)	190 033	(184 181)	80 027	(28 235)	57 644

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

26.1.2 Discretionary Grants

Discretionary grant name	NSDS indicator	Opening balance 2006/07	Adjustments/ non contractual payments 2006/07	Approved funds committed to grants 2006/07	Utilised 2006/07	Opening balance 2007/08	Adjustments/ non contractual payments 2007/08	Approved funds committed to grants 2007/08	Utilised 2007/08	Total
Employed learners	2.8	19 478	-	5 022	(12 663)	11 837	-	104 350	(8 086)	108 101
Unemployed learners	2.8	51 710	-	31 690	(34 060)	49 340	-	87 778	(26 252)	110 866
Apprenticeships	4.1	33 488	-	36 512	(44 148)	25 852	-	90 578	(27 348)	89 082
Non primary focus learners	2.8	-	-	15 600	(1 114)	14 486	-	-	(456)	14 030
Skills programmes	2.8	19 795	(6 595)	-	(2 976)	10 224	-	3 888	(1 112)	13 000
Skills priorities	2.7	11 603	(6 575)	-	(4 057)	971	-	874	(1 845)	-
Recognition of Prior Learning (RPL)	2.8	1 108	(1 108)	-	-	-	-	-	-	-
IT training	2.8	5 394	(5 390)	-	(4)	-	-	-	-	-
Experiential training	4.2	20 002	-	4 998	(5 313)	19 687	-	4 461	(3 315)	20 833
Trade test fees and other	2.8	-	-	3 625	(3 625)	-	-	700	(700)	-
		162 578	(19 668)	97 447	(107 960)	132 397	-	292 629	(69 114)	355 912

26.2 Operating Leases

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

	2007/08 R'000	2006/07 R'000
Not later than one year	5 105	3 124
Later than one year and not later than five years	4 586	5 578
	9 691	8 702

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 31/03/2010. For the purposes of calculating the lease commitments, options to renew the leases on expiry have been ignored. The rental escalation percentage varies from lease to lease, the average being about 9%.

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

27. FINANCIAL INSTRUMENTS

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

Interest rate risk

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

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

	Floating rate		Fixed Rate			Non-interest bearing		TOTAL
	Amount	Effective interest rate	Amount	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Amount	Weighted average period until maturity in years	
	R'000		R'000			R'000		R'000
Year ended 31 March 2008								
Assets								
Cash and cash equivalents	1 985	6.0	630 915	9.8	.25			632 900
Other receivables from exchange transactions	-	-	-			8 380	.3	8 380
Total financial assets	1 985	6.0	630 915	9.8	.25	8 380	.3	641 280
Liabilities								
Trade and other payables from exchange transactions						9 775	.2	9 775
Total financial liabilities	-	-	-	-	-	9 775	.2	9 775
Year ended 31 March 2007								
Total financial assets	203		472 498			5 497		478 198
Total financial liabilities	-		-			(24 507)		(24 507)
Net financial assets	203		472 498			(19 010)		453 691

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

Credit risk

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

The ageing of receivables from non exchange transfers:

	2007/08		2006/07	
	Gross	Impairment	Gross	Impairment
Not past due	47	(47)	69	(69)
Past due 0 - 30 days	47	(47)	-	-
Past due 31 - 120 days	1 684	(678)	3 777	(210)
Past due 121 - less than 1 year	1 048	(1 048)	648	(648)
More than one year	5 241	(5 241)	6 209	(6 209)

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

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The MERSETA does not have any material exposure to any individual or counter-party. The MERSETA's concentration of credit risk is limited to the manufacturing, engineering and related services industry in which it operates. No events occurred in the manufacturing, engineering and related services industry during the financial year that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of an allowance for doubtful debts.

Liquidity risk

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

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

2007/08	Carrying Amount	Contractual Cash Flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
Trade and other payables from exchange transactions	9 775	5 472	9 775	-	-	-
2006/07	Carrying Amount	Contractual Cash Flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
Trade and other payables from exchange transactions	24 507	22 317	23 028	1 479	-	-

Market risk

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

Fair values

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

Cash and cash equivalents and held-to-maturity financial assets

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

Other receivables from exchange transactions

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



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

28. RELATED PARTY TRANSACTIONS

28.1 Transactions with other SETAs

Inter-seta 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.

	Note	2007/08		2006/07	
		R'000		R'000	
		Net transfers in/(out) during the year	Amount receivable/(payable)	Transfers in/(out) during the year	Amount receivable/(payable)
Receivables	13	788	1 006	8 345	3 567
AGRISETA		-	-	1	1
CETA		-	-	313	217
CTFL		14	-	43	43
EDTP SETA		-	-	115	-
ESETA		-	-	15	15
FASSET		(84)	110	87	21
FIETA		(247)	145	148	168
FOODBEV		-	-	8	-
HW SETA		31	2	154	33
MAPPP		-	-	141	82
MQA		25	86	153	117
PAETA		-	-	4	4
POSLEC		9	-	9	9
SERVICES		1 040	659	4 126	1 457
TETA		-	-	214	272
THETA		-	4	4	4
W&R SETA		-	-	2 810	1 124
Payables	21	(457)	(1 654)	(11 844)	(11 516)
AGRISETA		(30)	(36)	-	-
CETA		465	(7)	-	-
CHIETA		(262)	(1 313)	(10 929)	(10 827)
ESETA		(25)	(11)	-	-
INSETA		(507)	-	(238)	-
ISSET		54	-	(677)	(689)
MAPPP		(31)	(26)	-	-
TETA		(306)	(34)	-	-
W&R SETA		185	(227)	-	-
Total		331	(648)	(3 499)	(7 949)

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

28.2 BOARD MEMBERS: REPRESENTATIVE COMPANY TRANSACTIONS

These transactions and balances are due to levies received and grants paid		2007/08 R'000		2006/07 R'000	
Company	Board members	Net transfers in/(out) during the year	Amount receivable/(payable)	Net transfers in/(out) during the year	Amount receivable/(payable)
RMI	J Olivier, J Esterhuizen, B Farquhar, L Whiteley	-	-	(15 637)	576
SEIFSA	J Lopes, B Angus, D Carson, W Nsele	-	-	(17 898)	(1 479)
PLASFED	A Hanekom, M Bullock, D Rule, Z Xaba, D Hughes	(26)	-	(8 315)	4 873
NUMSA	X Tshayana, E Kubeka, B Khoza, G Lephallo, E Tshikwavhava, P Verryne, V Mthethwa, M Mogopodi, T Tsiboli	(77)	-	-	-
SOLIDARITY	J Pieterse, P Veldman, B Swarts	(14)	-	-	-
CEPPWAWU	E Kodisang, N Nxumalo	(7)	-	-	-
MEWUSA	R Kgagudi	-	-	-	-
BMW SA	C Wessels	1 578	-	2 806	-
Bridgestone Firestone SA	P Welgemoed	807	-	1 410	-
Cape Gate Pty Ltd	B Swarts	705	-	1 149	-
Continental Tyre SA	G Zamisa	634	-	648	-
Daimler Chrysler SA	D Jekwa	1 506	-	2 996	-
Dunlop Tyres International	J Wilson	383	-	1 362	-
Goodyear SA	A Dennis	460	-	928	-
Plasticolors PTY	D Rule	22	-	61	-
Precision Valve	M Netshandama	39	-	-	-
Toyota SA	U Badenhorst	4 270	-	-	-
Volkswagen of SA	L De Klerk	2 319	-	1 042	-
		12 599	-	(29 448)	3 970

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



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

28.3 NATIONAL PUBLIC ENTITIES

Organisation name	Nature of transaction	2007/08 R'000		2006/07 R'000	
		Net transfers in/(out) during the year	Amount receivable/(payable)	Net transfers in/(out) during the year	Amount receivable/(payable)
Auditor General	Auditing work	(658)	(106)	(620)	-
Business Enterprises - University of Pretoria	Bursary payments	(35)	-	(171)	-
Cape Peninsula University of Technology	Bursary payments	(320)	(104)	(538)	-
Central University of Technology - Free State	Bursary payments	(73)	(52)	(121)	-
College Campus - Tshwane	Bursary payments	-	-	(21)	-
Department of Labour (Transfers)	Trade test fees	(164)	(11)	(126)	-
Durban Institute of Technology	Bursary payments	(193)	(25)	(894)	-
Eagle Skills ESDL	Discretionary grant	-	-	(120)	-
East Cape Midland College	Bursary payments	-	-	(2 850)	-
Eastern Cape Training Centre	Bursary payments	(29)	(18)	(23)	-
EDSLE Mpumalanga	Discretionary grant	(261)	-	-	-
Mangosuthu Technikon	Bursary payments	(10)	-	(193)	-
Nelson Mandela Metropolitan University	Bursary payments	(1 154)	-	(625)	-
NMMU - South (Nelson Mandela)	Bursary payments	-	-	(923)	-
Northlink College	Bursary payments	(47)	-	(363)	-
Northwest University	Bursary payments	(54)	(23)	(31)	-
South Cape College	Bursary payments	-	-	(28)	-
Telkom	Telephone	-	-	(1 275)	-
Tshwane University of Technology	Bursary payments	(232)	-	(310)	-
Umsobomvu Youth Fund	Bursary payments	(32)	-	(4 500)	-
University of Cape Town	Bursary payments	(61)	-	(100)	-
University of Jhb - Doornfontein	Bursary payments	(183)	-	(1 143)	-
University of Jhb - Auckland Park Campus	Bursary payments	(110)	-	(66)	-
University of Kwazulu Natal - Westville	Bursary payments	(20)	-	(16)	-
University of KwaZulu Natal	Bursary payments	(177)	(46)	(405)	-
University of Pretoria	Bursary payments	(2 042)	(366)	(1 075)	-
University of Stellenbosch	Bursary payments	(150)	(89)	(48)	-
University of Witwatersrand	Bursary payments	(50)	-	(159)	-
University of Witwatersrand - Public & Development management	Bursary payments	(36)	-	-	-
UNISA - University of South Africa	Bursary payments	(1 043)	-	-	-
Vaal University of Technology	Bursary payments	(326)	(141)	(311)	-
Varsity College - Sandton	Bursary payments	-	-	(34)	-
Varsity College - Eastern Cape	Bursary payments	(7)	-	-	-
Varsity College Gardens	Bursary payments	(50)	-	(55)	-
Walter Sisulu University (Border Campus)	Bursary payments	(159)	-	(531)	-
Weskus College Malmesbury #2	Bursary payments	-	-	(359)	-
West Coast College	Bursary payments	(257)	-	(2 594)	(257)
College of Cape Town	Bursary payments	(3)	(3)	(69)	-
		(7 936)	(984)	(20 697)	(257)

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

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

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

CRIMINAL CONDUCT

One of the MERSETA employees was dismissed during the year as a result of an investigation by the South African Police. No losses were incurred by MERSETA as a result thereof.

A former employee misappropriated new computer equipment worth R17,000. The matter was reported to the South African Police Services.

IRREGULAR EXPENDITURE

During the 2007/08 financial year procurement of goods and services to the value of R222 741, as indicated below, were not motivated in writing justifying the reasons for deviation from the supply chain management at the point of making the decision as required by Treasury Regulation 16A.

In addition, procurement of goods from Dell Computers to the value of R354 545 was deemed to be irregular as a motivation to use a preferred supplier was not completed in writing at time of procuring these services. The Governing Board had resolved to buy the goods from a preferred supplier.

Supplier	Nature of transaction	2007/08 R'000	2006/07 R'000
Internet Solutions	Information Technology	20	-
Webber Wentzel	Legal work	24	-
Birchwood Executive Hotel	Accommodation	30	-
Phaahlana Mahlako Communications	Communications	38	-
Heifa Safari Ranch	Accommodation	47	-
Spescom Datafusion	Information Technology	64	-
		223	
Dell Computers	Information Technology	355	-
		578	-

During the 2005/06 financial year, the Auditor General expressed a matter of emphasis on the irregular awarding of the contracts, listed below. The MERSETA had not followed due procurement process. As a result MERSETA conducted a financial audit into the matter. The audit revealed that the MERSETA procurement processes needed to be adjusted in accordance with the Preferential Procurement Policy Framework Act (PPPFA) and the PFMA. These audits did not reveal any fraud on any of these contracts. MERSETA subsequently cancelled the Sigima contract at the end of March 2007. The rest of the contracts came to an end in March 2007. During 2007/08 financial year there were some transactions that did not fully comply with supply chain management processes.



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

Supplier	Nature of transaction	2007/08 R'000	2006/07 R'000
AIDC	Learnership project	-	5 695
CSIR/AMTS	Learnership Project	-	228
Fairchild McMorran	Courseware development	-	276
Learning Network	Courseware development	-	306
Media Works	ABET Training	-	2 700
Mesong	Courseware development	-	194
PLASFED	SMME project	-	8 315
RMI	SMME project	-	15 549
SEIFSA	SMME project	-	17 898
SIGIMA	Learnership project	-	28 405
Volkswagen of SA	Learnership project	-	1 914
Xasa	Assessments	-	96
		-	81 576

FRUITLESS AND WASTEFUL EXPENDITURE

Management is not aware of any losses incurred through fruitless and wasteful expenditure

30. TAXATION

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

31. EVENTS AFTER THE REPORTING DATE

Management is not aware of any material events impacting the Annual Financial Statements after the reporting date.

32. 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."

The 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.

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

Key sources of estimation uncertainty

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

Useful lives of property and equipment

The MERSETA reviews the estimated useful lives of property and equipment at the end of each annual reporting period, refer to note 19 for the carrying values of property and equipment. The MERSETA is currently established until 31 March 2010 and in terms of the Act read with Government Notice No. R.1082 of 7 September 1999 a SETA is required to apply to the Minister for a renewal of its certificate of establishment by 1 April 2009.

In the light of the requirement to apply for a renewal of a SETA's certificate of establishment, management was required to consider how it impacts the period over which assets are expected to be available for use by the SETA. Management determined, consistent with the prior year, that the useful life of assets should not be limited by the MERSETA's establishment until 31 March 2010. Management's determination of useful life also impacts the determination of the residual value of assets.

The following useful lives are used in the calculation of depreciation

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

The MERSETA has reviewed the residual values used for the purposes of depreciation calculations in light of the amended definition of residual value. Residual values of certain IT equipment and motor vehicles were adjusted. Residual values will be reviewed annually in the future.

33. NEW ACCOUNTING PRONOUNCEMENTS

At the date of authorisation of these financial statements, there are Standards and Interpretations in issue but not yet effective. These include the following Standards and Interpretations that are applicable to the MERSETA and may have an impact on future financial statements:

		Effective date commencing on or after
GRAP 9	Revenue from Exchange Transactions	1-Apr-09
GRAP 12	Inventories	1-Apr-09
GRAP 13	Leases	1-Apr-09
GRAP 17	Property Plant and Equipment	1-Apr-09
GRAP 100	Non-current Assets held for Sale and Discontinued Operations	1-Apr-09
GRAP 102	Intangible Assets	1-Apr-09

"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. This date has not yet been published as at the date of this set of financial statements."



Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

GRAP 9

GRAP 9 - Revenue from Exchange Transactions. The Standard provides additional South African public sector specific examples of revenue transactions however it does not significantly differ from IAS 29 (AC 111) - Revenue. It is not expected that this Standard will significantly impact future disclosure due to the limited nature and volume of exchange transactions for which a SETA is expected to account.

GRAP 12

GRAP 12 - Inventories. The Standard provides additional guidance on the recognition and the initial measurement of inventories including recognising inventories acquired at no cost, or for nominal consideration, at fair value as at the date of acquisition. It is not expected that this Standard will significantly impact future disclosure due to the limited nature and volume of inventory for which a SETA is expected to account.

GRAP 13

GRAP 13 - Leases. The Standard clarifies that the leases standard should still be applied even where legislation may prohibit an entity from entering into certain types of lease agreements. It further adds an additional requirement to disclose the depreciation and finance charge relating to the leased asset under accounted for as a finance lease by the lessee.

GRAP 17

GRAP 17 - Property Plant and Equipment. On initial application the Standard requires that assets which were acquired at no cost, or for a nominal cost, is accounted for at its fair value as at the date of acquisition. This treatment is different to the current treatment which accounts for such assets at cost. We do not expect this to significantly impact the carrying value of assets.

GRAP 100

GRAP 100 - Non-current Assets held for Sale and Discontinued Operations. The Standard provides public sector specific examples and refer to non-cash-generating assets that are relevant to the public sector however it does not significantly differ from IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations. It is not expected that this Standard will significantly impact future disclosure due to the limited nature and volume of such transactions for which a SETA is expected to account.

GRAP 102

"GRAP 102 - Intangible Assets. This standard is drawn primarily from the International Accounting Standard on Intangible Assets (IAS 38). The Standard does provide additional public sector specific examples it also expands the identifiability criterion in the definition of an intangible asset to include contractual rights arising from binding arrangements, and to exclude rights granted by statute. The Standard will also require where an intangible asset is acquired at no cost or for a nominal consideration, that its cost is recorded as its fair value as at the date it is acquired.

Guidance on web site costs, together with an appendix to illustrate the relevant accounting principles, has been included in this Standard from SIC Interpretation 32 Intangible Assets – Web Site Costs."

Manufacturing, Engineering and Related Services Education and Training Authority

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

34. PRIOR PERIOD ERRORS

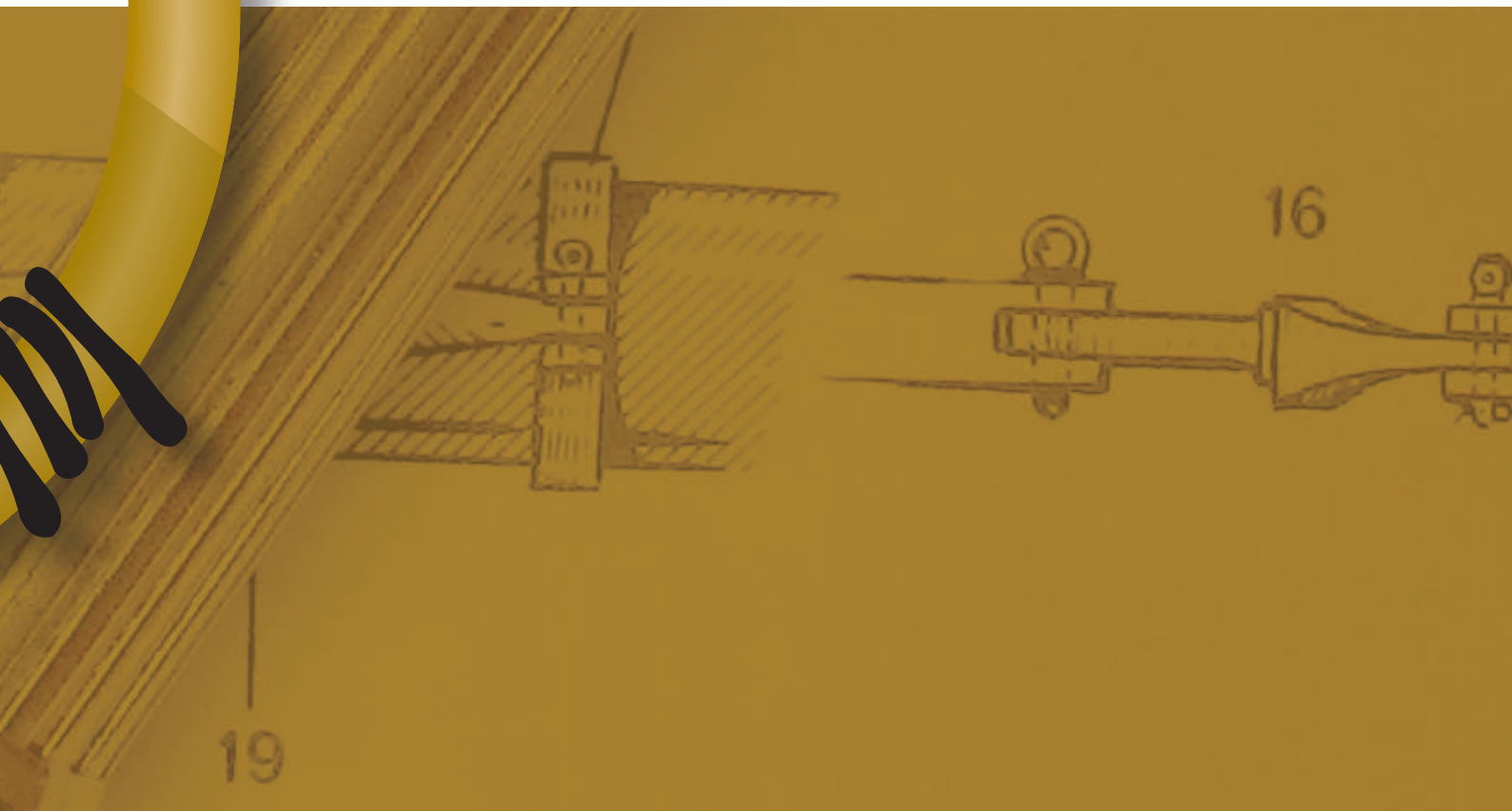
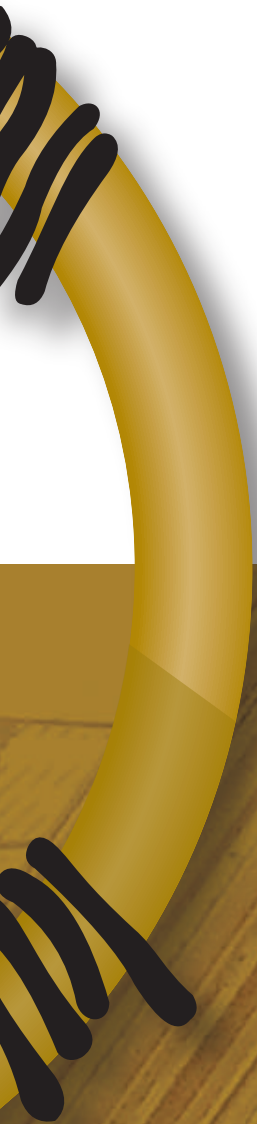
Collectively all the SETAs, The Department of Labour (DoL) and various stakeholders misinterpreted various legislation and accounting principles governing the recognition of Skills Development Levy in prior years. Previously levy income was recognised at the point employers submitted their return of tax/levy liability forms (EMP201). The correct treatment is that levy income should be recognised at the earlier of when DoL makes the allocation or payment is made into the MERSETA's bank account. (see policy note 1.3.1 on page xxx) The error has been corrected retrospectively in terms of GRAP 3.

The effect of the above on the prior period is as follows:

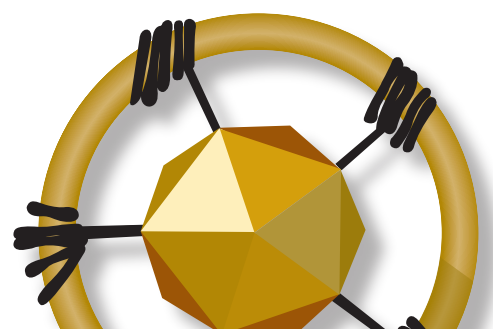
	Administra- tion reserve R'000	Employer grant re- serve R'000	Discretion- ary grant reserve R'000	Total R'000
Balance of reserves as previously reported	15 905	641	590 731	607 277
Adjustment to 2006/07 opening balance of reserves	(11 034)	(25 894)	(22 165)	(59 093)
Reversal of 2005/06 levy debtors / increase in levies received	(11 034)	(54 506)	(22 165)	(87 705)
Decrease in 2005/06 mandatory grant provision / decrease in mandatory grant expense	-	28 612	-	28 612
Adjustment to surplus in prior period	(2 054)	(1 593)	(4 827)	(8 474)
Increase in levies received in 2006/07 due to 2005/06 levy debtor reversal	11 034	54 506	22 165	87 705
Increase in mandatory grant expense in 2006/07 due to decrease in 2005/06 mandatory grant provision	-	(28 612)	-	(28 612)
Reversal of 2006/07 levy debtors / increase in levies received	(13 124)	(65 620)	(27 063)	(105 807)
Decrease in 2006/07 mandatory grant provision / decrease in mandatory grants expense	-	37 954	-	37 954
Reversal of 2005/06 levies received in advance	36	179	71	286
	2 817	(26 846)	563 739	539 710



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13 Glossary



Manufacturing, Engineering and Related Services Education and Training Authority

GLOSSARY DEFINITIONS

Act	The Skills Development Act No 97 of 1998 (as amended)
Administration costs	Means the costs contemplated in grant regulation 4(3) in terms of the Act
Audit Committee	The committee established in terms of sub-clause 13.1 of the constitution to monitor the Governing Board in discharging its duties relating to the management of the financial affair; of the MERSETA
Alternate	A person appointed to act on behalf of a member of the Governing Board in the absence of the latter
Chambers	The chambers established in terms of sub-clause 13.1 (c) of the Constitution, as provided under section 12 of the Act
Chairperson	The Chairperson of the Governing Board nominated in terms of clause 12 of the constitution
Chief Executive Officer	The Chief Executive Officer of the MERSETA who is appointed under clause 14 of the constitution.
CLO	Client Liaison Officer
Committee	Any permanent committee, ad hoc or sub-committee of the MERSETA, established in term: of the constitution
Constitution	Means the constitution of the MERSETA, in terms of section 13 of the Skills Development Act, No 97 of 1998 as amended)
Deputy Chairperson	The Deputy Chairperson of the Governing Board appointed in accordance with clause 12of the constitution
Director-General	Means the Director-General of Labour
Discretionary grants	Means grants contemplated in grant regulation 7, in terms of the Act
Education and training	Registered statements of desired education and training outcomes and their associated standards assessment criteria as defined in the SAQA Act
ETQA	Education and Training Quality Assurance Body
Executive Committee	The committee established in terms of sub-clause 13.1 (a) of the constitution which has oversight of the management of the operational affairs of the MERSETA
Financial year	Means the period contemplated in terms of the Act, which covers the period 1 April to 31 March
Governing Board	Accounting Authority of the MERSETA
Levies Act	The Skills Development Levies Act 1999 (Act No 9 of 1999)
Levy income	Means the total amount of money received by a SETA in terms of section 7(i) and 8(ii)(a) read with 8(iii)(b) of the Skills Development Act
LRA	The Labour Relations Act 1995 (Act No 66 of 1995)
Mandatory grants	Means grants contemplated in grant regulation 6 in terms of the Act
MERSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
Minister	Means the Minister of Labour
NSDS	National Skills Development Strategy
Qualification	The formal recognition of the achievement of the required number and range of credits and such other requirements at specific levels of the National Qualifications Framework as may be determined by the relevant bodies registered for such purpose by the South African Qualifications Authority
PFMA	Means the Public Finance Management Act, 1999 (Act No 1 of 1999) as amended, including Treasury Regulations
SAQA Act	The South African Qualifications Authority Act, 1995 (Act No 58 of 1995)
Sector	Means the Manufacturing, Engineering and Related Services Sector
Treasury Regulations	Means the regulations issued in terms of Public Finance Management Act, 1999, as amended

Manufacturing, Engineering and Related Services Education and Training Authority

GLOSSARY DEFINITIONS

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



