LOCAL GOVERNMENT SECTOR
EDUCATION AND TRAINING AUTHORITY

ANNUAL REPORT 2016/17

LGSETA
CREATING GREATER IMPACT

Dr Blade Nzimande

Minister of Higher Education and Training

PRESENTATION OF THE LGSETA 2016/17 ANNUAL REPORT TO THE MINISTER OF HIGHER EDUCATION AND TRAINING

Dr Blade Nzimande
Minister of Higher Education and Training

It is my privilege and honour to present, in terms of Section 65 of the Public Finance Management Act of 1999, the Annual Report of the Local Government Sector Education and Training Authority (LGSETA) to the Minister of Higher Education and Training, Dr Blade Nzimande.

Dr Michael Sutcliffe
Chairman of the Accounting Authority
Local Government SETA

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Corporate Information

Registered name of public entity	Local Government Sector Education and Training Authority
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Abbreviations and **Acronyms**

AA	Accounting Authority
AET	Adult Education and Training
AFS	Annual Financial Statement
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ATR	Annual Training Report
BBBEE	Broad-Based Black Economic Empowerment
CBO	Community-Based Organisation
CDW	Community Development Workers
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DHET	Department of Higher Education and Training
EPWP	Expanded Public Works Programme
ETQA	Education and Training Quality Assurance
FET	Further Education and Training
HEI	Higher Education Institutions
HET	Higher Education and Training
HRD	Human Resource Development
HRDSA	Human Resource Development South Africa
ICT	Information and Communication Technology
IMATU	Independent Municipal and Allied Trade Union
LGSETA	Local Government Sector Education and Training Authority
LGTAS	Local Government Turnaround Strategy
LLF	Local Labour Forum
MIS	Management Information System
MOU	Memorandum of Understanding
MTSF	Medium-Term Strategic Framework
NEHAWU	National Education Health and Allied Workers Union
NGO	Non-Governmental Organisation
NSA	National Skills Authority
NSDS III	National Skills Development Strategy III
NSF	National Skills Fund
NQF	National Qualifications Framework
OFO	Organising Framework for Occupations
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical and Academic Learning
QCTO	Quality Council for Trade and Occupation
RPL	Recognition of Prior Learning
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SCM	Supply Chain Management
SDA	Skills Development Act
SDF	Skills Development Facilitator
SDP	Skills Development Provider
SETA	Sector Education and Training Authority
SIC	Standard Industrial Classification
SLA	Service Level Agreement
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training
WIL	Work Integrated Learning
WSP	Workplace Skills Plan

Foreword by the **Chairman**

It gives me great pleasure, as the Chairman of the LGSETA Board, and on behalf of the Accounting Authority, to table this 2016/17 Annual Report in line with the applicable legislation.

MANDATE OF THE LGSETA

The LGSETA has continued to execute its mandate effectively as directed by the Skills Development Act and other applicable laws. In addition to this, the LGSETA also continues to implement directives of the Honourable Minister of Higher Education and Training, issued in his capacity as the Executive Authority, from time to time.

MANDATE AND PERFORMANCE OF THE BOARD

Throughout the 2016/17 financial year, the Board maintained a good focus on its fiduciary duties, ensuring that all required submissions to the Executive Authority are executed as expected by the Executive Authority. The meeting of the Board and Committees of the Board were effective in spite of some challenges experienced with the Board's support functions. Management has promised to improve this during the next financial year.

PERFORMANCE OF THE ADMINISTRATION

It is pleasing to report that there is a positive trend in the performance of the Administration of the LGSETA. This is the first year after the Administration period and I am pleased to report that our strategies are beginning to bear fruit. The achievement of our targets in Administration and Governance Programmes, was 100% for each of these programmes. The achievement in the Skills programme was also 100%. Our Learning and Quality Assurance programmes have had a marginal improvement in the year under review. The Learning and Quality Assurance programmes posted 83% and 73% achievement, respectively. We have advised management to focus on these two pillars in the next financial year.

Dr Michael Sutcliffe
Chairman

"It is pleasing to report that there is a positive trend in the performance of the Administration of the LGSETA."

STEPPING UP OUR PERFORMANCE

It is pleasing to report that in the year under review, the LGSETA has worked as a team, both internally and externally. The interaction that the Board has had with the stakeholders across the country, has given us as the Board hope that our strategic guidance to management is yielding the required results. Even though the local government elections took place in the year under review, no major challenges were seen, nor were there any disruptions in our programmes. Instead, as soon as the new leaders were in place, the LGSETA funded the Councillor Induction Programme, which was delivered by one of our stakeholders. This programme will evolve into an LGSETA Councillor Development Programme in future years. Other strategic projects of the Board also took shape in the year under review, signalling a positive delivery.

MOVING FORWARD

As we consolidate our gains from this current year, the Board plans to take bolder steps in its quest to develop and enhance the skills in the local government sector, especially in the context of the recent local government elections.

This work requires partnerships with institutions of higher learning and with our municipal leaders who must be on the alert to drive this training strategy with us across the land.

As the Board, we are excited that we are now stepping into a new phase at LGSETA where we will not only focus on the target numbers to be reached, but also on the quality of our training investments across our different qualifications. Some of our qualifications will be reviewed in the coming year so that the LGSETA can respond to the growing trends in the local government sector, as articulated in the LGSETA Sector Skills plans. We have endeavoured to make the LGSETA an agile organisation able to respond to critical capacity issues that arise from communities and our municipalities. We plan to look afresh at our programmes dealing with unemployment by working with other stakeholders to empower those who reside in municipal areas, but have no work.

I wish to express my appreciation for the support we have received from our Minister of Higher Education and Training and the Director-General of DHET and his officials. I wish to thank all municipalities for the co-operation and support in the work of the LGSETA.

I also wish to extend our gratitude to the LGSETA Executive Management and all our staff for their dedication and commitment to the work at hand in the year under review. Likewise, I would like to thank the LGSETA Board members for their dedication and hard work.

CONCLUSION

I am pleased to submit the 2016/17 Annual Report. We are on a journey and we are only in the early stages of seeing the fruits of our work. I am looking forward to report even better results in the next financial year.

Thank you

Dr Michael Sutcliffe
Chairman

Chief Executive Officer's Overview

Mrs Gugu Dlamini
Chief Executive Officer

"None of these positive trends would be possible without our staff. I would like to thank each and every one of them, for the contribution that they have made in their respective portfolios."

It is my pleasure to submit this annual report – one year after the Administration period. It is both exciting and encouraging that the LGSETA is moving in the right direction in all of its programmes. While we have not achieved all that we had hoped for as the Management Team, we are definitely seeing signs of vast improvement across the organisation.

Like all change management processes, it takes time to align the people and the systems with the ever-changing environment in which we operate. However, with the strategic leadership that was provided by our Board, it has been a lot easier to address both internal and external challenges head on. We are also grateful for the support we continue to receive from the Department of Higher Education and Training (DHET) and its various branches under the able leadership of the Director-General, Mr Gwebinkundla Felix Qonde. We have also learnt a lot from our colleagues in the SETA sector. This support has really humbled us and we hope that we will continue to bolster our relationships in the SETA industry. We would like to acknowledge our municipalities across the country for the great work that they have done. The Skills Development Facilitators (SDFs) in all our municipal structures deserve special mention.

BOLSTERING OUR CAPACITY

In the year under review, we have managed to consolidate our focus on governance. By achieving 100% of our targets in this area, we have turned the corner with our Board leading the change. By insourcing the internal audit function, we have established a great team helping the organisation to ensure that it has proper controls. In addition to this, as we reported in the previous financial year, the finance function is now also insourced and is headed by a very capable Chief Financial Officer.

These developments show the commitment of LGSETA to create decent jobs and play its role in the reduction of the number of contract workers. The organisation has also started to bolster its monitoring and evaluation functions. An annual impact report will be produced by December 2017. This document will lay the baseline for the LGSETA to review its training investment decisions now and into the future.

In the year under review, we have opened up offices in the Northern Cape, North West and Limpopo provinces in response to a request from our stakeholders. This means that the LGSETA now has a physical presence in eight out of the nine provinces, with the Mpumalanga office on the cards to be opened in the next financial year. We have also increased our staff complement to better serve our stakeholders. The LGSETA is now in the process of updating its systems to align with internal staff growth and to respond to the stakeholder requests.

PERFORMANCE IMPROVEMENTS

It is pleasing to note that we have met all our skills planning targets. We are very proud of our municipalities who, through the hard work of the Skills Development Facilitators and our Provincial Managers, managed to deliver 100% of the Workplace Skills Plans (WSPs) across the country. We hope that the municipalities will continue to invest in the SDFs. In the year under review, LGSETA began a process of providing feedback to municipalities on their WSPs, and this means that each municipality is given a report on how they can improve in the future. While much has been gained from this feedback, LGSETA is well aware that a lot more needs to be done.

One of the key output areas in our skills planning portfolio is research. LGSETA has started hosting seminars designed to build and enhance specialists in the different research areas, which are important in the local government sector. These seminars, which are attended by representatives from universities and post-school institutions, have added much impetus to the research portfolio of the LGSETA.

It is gratifying to report that our initiatives in the learning programme has also yielded fruit. A decision was taken in the past year to issue a national tender to enable the LGSETA to better plan its learning programmes. This decision has created much more certainty in the sector and the plan is to put in place a similar process for the 2018/2019 financial year. As a response to the #Fees-Must-Fall campaign, LGSETA's target in the year under review was to reach young people in South African universities and offer them bursaries. This target was achieved and we are aware that our learning programmes and quality assurance programmes still need a lot of focus for us to reach our dream of 100%. We are committed to drive the organisational change that is necessary to make this happen.

Finally, none of these positive trends would be possible without our staff. I would like to thank each and every one of them, for the contribution that they have made in their respective portfolios. It would have been impossible for me to lead the organisation if I did not have an outstanding Executive Management Team. I wish to thank all my colleagues for their support and for stepping in and leading whenever it was necessary.

We have chosen, as an organisation, to invest heavily in our staff, as well as in our Management Team, to ensure that the local government sphere is well serviced. While many people look at the staff expense line as having grown exponentially, it is because we undertook a process of reviewing some of the remuneration challenges in 2015. The full effect of these corrections is now seen in the year under review. This does not mean that we will allow costs to get out of hand; indeed LGSETA needs to ensure that it is aligned with the National Treasury directive to curb costs.

CONCLUSION

We will strive to proudly perform even better and to build on our accomplishments and successes in the years to come.

Gugu Dlamini
Chief Executive Officer

Part A
Strategic **Overview**

Strategic **Overview**

The Local Government SETA is responsible for skills development in the local government sector. As a public entity, LGSETA reports to the Minister of Higher Education and Training as the Executive Authority of the SETA. LGSETA is accountable to Parliament and operate under the oversight of National Treasury in terms of performance management and financial administration. SETAs are currently licensed for the period 1 April 2011 to 31 March 2018, with a further extension to 31 March 2020.

Service excellence
Passion
Integrity
Collaboration
Engagement
Empowerment

To build local government's ability to meet its development needs by engaging innovative training methods, effective capacity building frameworks and building strategic partnerships.

To be a SETA of excellence, facilitating skills development at local government level across South Africa.

Legislative **Mandates**

The LGSETA was established in terms of the Skills Development Act, No. 97 of 1998 with the mandate to promote skills development for the local government sector. The Minister of Higher Education and Training relicensed the SETAs for the period of April 2011 to March 2018 and extended it by a further two-year period until 31 March 2020, to operate within the skills development framework articulated in the National Skills Development Strategy III (NSDS III) framework and other policies and strategies presented below.

LEGISLATION/POLICY/ STRATEGY	DESCRIPTION
South African Constitution 1996	Section 29(1)(a) and (b) provides for the State to take reasonable measures to make adult and further education accessible to citizens as a human right.
	Section 152 and 153 of the Constitution outline the role of local government in promoting social and economic development, while maintaining and improving service delivery to all community members.
	Section 156 speaks of local government as the foundation for participatory democracy and service delivery.
	Section 195(1)(a)-(f) articulates the values and principles governing public administration.
Public Finance Management Act, No. 1 of 1999	The LGSETA is a public entity that falls under Schedule 3A of the Public Finance Management Act, No. 1 of 1999.
Skills Development Levies Act, No. 9 of 1999	The Act makes provision for leviable employers to pay 1% of their payroll to the South African Revenue Service (SARS).
Municipal Systems Act, No. 2 of 2000	Section 68(1) of the Municipal Systems Act requires that municipalities comply with the Skills Development Act, and the Skills Development Levies Act, to develop their human resource capacity, to perform its functions and exercise its powers in an economical, effective, efficient and accountable way.
National Qualifications Framework Act, No. 67 of 2008	The LGSETA employs the provisions of Chapter 5 of the National Qualifications Framework Act, No. 67 of 2008 (NQF) to design training programmes, to carry out quality assurance, assess learner achievement and accredit training providers.
Skills Development Act, No. 98 of 1998	To develop the skills of the South African workforce – to improve the quality of life of workers, their prospects of work and labour mobility; to improve productivity in the workplace and the competitiveness of employers; to promote self-employment; and to improve the delivery of social services.
Skills Development Amendment Act, No. 26 of 2011	To amend provisions relating to the establishment, amalgamation and dissolution of SETAs; to provide for the incorporation of a subsector of one SETA into another SETA; to provide for the composition of an Accounting Authority for each SETA; to regulate the eligibility to become a member of an Accounting Authority; to provide for a constitution for every SETA.

LEGISLATION/POLICY/ STRATEGY	DESCRIPTION
White Paper on Post-School Education and Training	The White Paper on Post-School Education and Training aims to establish a vision for the type of post-school education and training system that the Department of Higher Education and Training (DHET) desires by 2030 (DHET, 2013).
The 1998 White Paper on Local Government	The White Paper on Local Government explains developmental local government as to maximise social development and economic growth through the integrated co-ordination of development activities by empowering communities to participate meaningfully, as well as providing the necessary leadership that promote the building of social capital, learning and information sharing.
Local Government Turnaround Strategy (LGTAS)	Cabinet adopted the Local Government Turnaround Strategy (LGTAS) in 2009 that was designed to strengthen the ability of municipalities to perform their functions as enshrined in the constitution.
National Skills Development Strategy III (NSDS III)	The NSDS III is the key strategic guide to inform skills development interventions and sector skills planning in all SETAs to respond to skills development challenges in the country for the period 2011 to 2018. Furthermore, the NSDS III identifies seven key developmental and transformative imperatives of race, class, gender, geography, age, disability, and HIV and AIDS pandemic that will inform the nature and scope of skill development interventions by SETAs.
National Skills Accord	The National Skills Accord is a multi-constituency agreement between business, organised labour, community constituents at the National Economic and Development Labour Council (NEDLAC), and Government. It was signed to support the New Growth Path target of creating five million jobs by 2020. The Accord identifies eight commitments in relation to training and skills development that need to be implemented by the constituencies to achieve the New Growth Path.
National Human Resource Development Strategy of South Africa	The Strategy has several commitments designed to address the priorities of the South African Government in terms of skills development that supports economic and social development, facilitating greater access to education opportunities, as well as building a capable public sector to meet the needs of a developmental state.
National Development Plan 2030	Chapter 13 of the National Development Plan 2030.
Strategic Integrated Projects (SIPs)	The 18 SIPs focus on infrastructure development as a catalyst to facilitating the creation of five million jobs by 2020.
Youth Employment Accord	The Youth Empowerment Accord has six commitments that include education and training; access to work exposure; increase the number of young people employed in the public service; youth target set-asides; youth entrepreneurship and youth co-operatives; and to develop private sector youth absorption programmes. The LGSETA has and continues to support Government's drive to empower the youth by facilitating access to its skills development opportunities and programmes that include learnerships, internships, workplace learning and bursaries. The LGSETA has also facilitated access for the unemployed youth to such skills development opportunities.

LGSETA SCOPE OF COVERAGE

The scope of coverage for the SETA, as determined by the Minister of Higher Education and Training .

SIC CODE	SCOPE OF COVERAGE / DESCRIPTION
30101	Production, processing and preservation of meat products by Local Governments
41110	Production, collection and distribution of electricity
41117	Generation of electric energy by Local Governments
50223	Construction of pylons for electric transmission lines by Local Government
50493	Any utility or agency, wholly or partially owned by a municipality providing local government services under contractors or municipality
62520	Retail trade via stalls and markets
71213	Urban, suburban and inter-urban bus and coach passenger lines operated by Local Government
71220	Other non-scheduled passenger land transport
74132	Salvaging of distressed vessels and cargoes
74133	Maintenance and operation of harbour works, pilotage, lighthouses, etc., pilotage
74134	Operation of airports, flying fields and air navigation facilities
88217	Roads
88218	Municipal public works functions (specifically assigned)
88219	Municipal fencing and fences
8821A	Municipal Roads
8821B	Street Lighting
88930	Building and industrial plant cleaning activities
91200	Regional services council activities
91201	All functions, services and facilities provided by a metropolitan council as determined by 84(1); (2) and (3) of Act 117 of 1998 – Local Government Municipal Structure Act of 1998
91202	Category B Municipalities: All functions, services and facilities provided by local council as determined by 84(1), (2) and (3) of Act 117 of 1998
91203	Category C Municipalities: All functions, services and facilities provided by a district council and district area management as per Act 117 as determined by 84(1), (2) and (3) of Act 117 of 1998 local government municipal structures Act 1998

SIC CODE	SCOPE OF COVERAGE / DESCRIPTION
91204	Organised local government – any statutory or regulatory body assigned the function as per constitution of RSA, to deal with the matters at the executive level within local government
91300	Local government activities
91301	Metro Police
91302	Traffic management/law enforcement
91303	Air pollution
	Disaster Management
	Road Traffic Management
91304	Municipal planning
91305	Trading regulations
91306	Billboards and the display of advertisement in public places
91307	Control of public nuisances
91308	Control of undertakings that sell liquor to the public
91309	Licensing of dogs
9130A	Licensing and control of undertakings that sell food to the public
9130B	Noise pollution
9130C	Street trading
9130F	Land use planning
9200B	Pre-primary education and activities of after school centres by local authorities
93304	Social work in local governments
94001	Refuse and sanitation
94002	Health and community services
94005	Other community work in local governments
96001	Recreational, cultural and sporting activities by local governments
96191	Beaches and amusement facilities and fairs
96192	Pounds
96193	Public places
96313	Provision and operation of libraries of all kinds by local government
96321	Museum activities and preservation of historical sites and buildings by local governments
96331	Parks and gardens
96332	Zoos
96414	Local sports facilities
96493	Municipal parks
99001	Building regulations
99031	Cemeteries
99032	Facilities for the accommodation, care and burial of animals

Executive **Management**

MRS GUGU DLAMINI
CHIEF EXECUTIVE OFFICER

MR LWAZI KUSE
CHIEF FINANCIAL OFFICER

MR KHULEKANI MKHIZE
CHIEF OPERATIONS OFFICER

MR LWANDLE DYASI
CORPORATE SERVICES

MRS NONHLE MASHININI
STRATEGY AND PLANNING

MR DENZIL SAWMAN
HEAD OF INTERNAL AUDIT AND RISK

Management

PUMLA MKELE
Manager: ETQA

DEVIKA KISTNASAMY
Manager: Learning Programmes

SEGOFATSO THEPA
Manager: Project Management Unit

MATODZI RALUSHAI
Manager: Research

JOSIE SINGARAM
Manager: SSP

ODWA CHABULA
Manager: Human Resources Management

CLARA VILANKULU
Manager: Marketing and Communication

MANDLAKAYISE THABETHE
Manager: ICT

TAKALANI RAMOVHA
Manager: Supply Chain Management

THANDO NOGWAZA
Gauteng
Provincial Manager

MARGARET MARAKALALA
Limpopo Provincial Manager

LUXOLO MBINA
North West
Provincial Manager

LINDA BUDAZA
Eastern Cape
Provincial Manager

ZIPHO MAZIBUKO
KwaZulu-Natal
Provincial Manager

JERRY THOTHELA
Free State
Provincial Manager

IDANI KUDZINGANA
Mpumalanga
Provincial Manager

THANDUXOLO MOLELI
Northern Cape
Provincial Manager

ANEEKA JACOBS
Western Cape
Provincial Manager

Part B
Performance Information

Organisational **Performance Overview**

The National Development Plan aims to eliminate poverty and reduce inequality by 2030. South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the State, and promoting leadership and partnerships throughout society. Thus, the vision of the National Development Plan is that South Africa should have access to education and training. The education, training and innovation system should cater for different needs and produce highly skilled individuals. The graduates of South Africa's universities and Technical, Vocational Education, and Training (TVET) colleges should have the skills and knowledge to meet the present and future needs of the economy and society. Research and development should be significantly expanded to contribute towards building an inclusive society, providing equal opportunities and helping all South Africans to realise their full potential, in particular those previously disadvantaged. The Medium-Term Strategic Framework (MTSF) becomes a vehicle and catalyst to realise the goals and vision of the National Development Plan through various sectors.

In the year under review, the LGSETA has developed strategies and synergies in collaborating towards achieving the goals of the National Skills Development Strategy (NSDS lll), and the implementation of LGSETA's Annual Performance Plan (APP). In line with LGSETA's values, the LGSETA aims to continue to provide quality services to internal and external stakeholders, inclusive of maintaining good relationships with Government and provincial departments, public institutions, communities and special interest groups through a range of partnerships and other agreements.

The education and training emphasis of the mandatory and discretionary grants programmes and project areas is facilitated through learning programmes primarily based on critical and scarce skills, identified through the Sector Skills Plan (SSP) research. Integral to the implementation of contractual agreements is monitoring, evaluation and quality assurance, which includes provider accreditation and the registration of learners, assessors and moderators.

The LGSETA continues to have a national footprint through its provincial offices. During the current financial year, new offices were opened in the Limpopo, North West and Northern Cape provinces. These offices ensure that all stakeholders are holistically supported with the products and services the LGSETA offers, in line with the White Paper on Post-School Education and Training and related national guidelines. In the 2017/18 financial year, the LGSETA has prioritised the relocation and opening of the Mpumalanga provincial office, which is currently operating from Pretoria to the Mpumalanga province in order to ensure that we have footprints in all nine provinces.

During the year under review, the Quality Council for Trades and Occupations (QCTO), and the National Artisan Moderation Body (NAMB), continued with the implementation of their new policies and regulations. Some of the responsibilities of the QCTO, as delegated to NAMB, include processing and issuing trade-related certificates. The transfer of this function from the LGSETA to the QCTO initially resulted in a backlog of issuing trade certificates. Due to a number of interventions implemented to deal with the certification backlog, the situation has improved, but it still poses some challenges.

The LGSETA's achievements during the year under review showed a marked improvement signalling the effectiveness of the overall turnaround of the SETA since the Administration period. The Operations Division contributed significantly to the LGSETA performance achieving 29 out of the 38 planned indicators for the Learning Programme department, and 10 out of 13 planned indicators for ETQA department, and this has impacted positively on the lives of many young South Africans.

Legislation requires that municipalities submit their mandatory grant applications and PIVOTAL plans annually. This is to ensure credible information from our stakeholders, which contributes to LGSETA's research agenda, which assists with the identification of the current and future skills needs of the sector.

The mandatory grant information requirements were designed to go beyond the minimum compliance requirements. The new format supports the emphasis on high quality skills planning and reporting in relation to NSDS III. As a result of the constructive and well-directed advocacy campaign implemented in the various regions, the mandatory grant results were encouraging. The year under review saw a 100% submission of compliant workplace skills plans (WSP). NSDS lll clearly states that programmes contributing towards the revitalisation of vocational education and training, including the competency of lecturers and trainers to provide work-relevant education and training, as well as to promote occupationally-directed research and innovation, must be implemented.

During the year under review, the LGSETA entered into a new range of partnership agreements with TVET colleges, universities and universities of technology, as well as national and provincial governments. This extends LGSETA's national footprint in developing the skills of a new cohort of learners, whilst ensuring the progression of existing learners within the system. Our objective remained focused on supporting the notion of employability of learners and contributing to the professional development of TVET educators. The agreements supported localisation through networking with relevant municipalities and provincial departments, resulting in work-integrated learning opportunities being provided for many.

Strategic **Outcome-Oriented Goals**

STRATEGIC OUTCOME-ORIENTED GOAL 1	CREATE A SKILLED AND CAPACITATED LOCAL GOVERNMENT SECTOR THAT PERFORMS
Goal statement	Provide customised and quality training in priority skills for all categories of the local government workforce
Linkage	NSDS III: 4.3 – Increasing access to occupationally-directed programmes

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During the year under review, the performance has improved in terms of increasing access to occupationally-directed programmes, despite increase in the target from 14 200 learners to 16 350. However, the SETA continued experiencing great reluctance from the municipalities to recruit and place unemployed learners. Targets for both skills programmes entered and completed were not met. To this end, the SETA embarked on the roadshow to sensitise senior management in the municipalities to this challenge. The other corrective measure the SETA has taken is to sign a Memorandum of Understanding with the Department of Public Works and partner with the Department in terms of EPWP, which will see the recruitment of unemployed workers across nine provinces. Both initiatives are expected to yield results in the 2017/18 financial year.

In relation to promoting the growth of a public TVET college system that is responsive to sector, local, regional and national skills needs and priorities, the performance has decreased during the year under review. TVET colleges experienced administrative problems to such an extent that some of them closed down for a limited period. This curtailed their capacity greatly, resulting in delays in implementing the contracted programmes with the SETA.

In addressing the low level of youth and adult language and numeracy skills to enable additional training, which is NSDS III Goal 4, we saw an increase in the performance as far as this objective is concerned, in the year under review. The SETA still experiences problems with the implementation of AET programmes, in particular unemployed, due to the high dropout rate resulting from the fact that there is no stipend associated with the programme. To address this, the SETA has changed the approach to the implementation of AET programmes. Learners recruited for this programme will have to do another programme where a stipend is paid to discourage learners from abandoning class, purely because there is no stipend. The recruitment will also assume a dropout rate of 40%, which means the SETA, will recruit more learners than the planned target, subsequent to availability of budget in the next financial year.

During the year under review, the performance in terms of NSDSIII Goal 2 was improved. The improvement in performance was attributed to the change in the discretionary grant process that saw the SETA contracting with skills development service providers, resulting in the reduction of delays in terms of recruitment of learners and validation of learner documents. The second reason is that during the year under review, the SETA funded a councillor development programme that saw high numbers of councillors being inducted after the conclusion of local government elections.

Lastly, the NSDS III Goal 5 encourages support to co-operatives, small enterprises, worker initiatives, NGOs and community through training initiatives. The performance has improved in providing skills development initiatives to the above sectors in the year under review. To this end, the SETA signed MoUs with the National Development Agency (NDA) and the Department of Small Business, which saw the SETA supporting more training of CBOs, NGOs and SMMEs in the year under review.

STRATEGIES TO ACHIEVE GOAL 1 IN 2017/18

- The LGSETA will continue to forge new partnerships with state institutions, such as the Department of Public Works, in order to ensure recruitment of unemployed learners through the Expanded Public Works Programme (EPWP) in the next financial year.
- In enhancing AET completion and its enrolment, the LGSETA will adopt a new approach through ensuring that learners will also enrol in other programmes where a stipend is paid in order to encourage completion of and enrolment into the AET programmes in the 2017/18 financial year.

STRATEGIC OUTCOME-ORIENTED GOAL 2	STRENGTHEN THE GOVERNANCE SYSTEMS WITHIN THE LOCAL GOVERNMENT SECTOR FOR EFFECTIVE SERVICE DELIVERY
Goal statement	Implement efficient, effective and transparent governance systems across the LGSETA to ensure compliance with statutory requirements and reporting
Linkage	NSDS III: 4.7 – Increasing public sector capacity for improved service delivery and supporting the building of a developmental state

PROGRESS REPORT 2016/17

The LGSETA Board and board committees were successfully constituted and they have executed their fiducial responsibilities as outlined in the LGSETA constitution during the year under review. The LGSETA Board and board committees are fully functional and they are performing an oversight role over the administration of the LGSETA.

Amongst other priorities of the Board, the LGSETA Board focused on setting the right tone within the organisation, make effective decisions, as well as improve Board effectiveness. Both the LGSETA Board and board committees met at least four times during the year under review and ensured that Board resolutions are monitored and reported as required by the LGSETA constitution.

The LGSETA Board established the six strategic focus areas as outlined in the LGSETA Strategic Plan and Annual Performance Plan for 2017/18, which includes the Councillor Development Programme, Traditional Leadership Programme, Management Capacity Programme, Union Leadership Programme, Information and Data Systems, and Unique Strategic Initiatives (Special Projects). These Board strategic programmes were initially implemented in the year under review and full implementation will continue during the 2017/18 financial year. The Board Strategic Focus areas are strategic programmes that the LGSETA has established with the aim at delivering and facilitating skills development within the local government sector until 2020. To this end, the LGSETA Board has engaged stakeholders within the sector in sharing the strategy and strategic priorities of the SETA in delivering skills development.

STRATEGIES TO ACHIEVE GOAL 2 IN 2017/18

- The focus of the LGSETA Board in the 2017/18 financial year is to continue with the strategic engagement sessions with national departments, provincial departments, local government as well as all organs of state in collaborating to ensure realisation of the mandate of the LGSETA.
- To oversee the implementation of the Board's strategic focus areas in the next financial year.

STRATEGIC OUTCOME-ORIENTED GOAL 3	STRENGTHEN THE CAPABILITY OF LOCAL GOVERNMENT SETA TO PROVIDE EFFECTIVE LEADERSHIP AND DELIVER ON ITS MANDATE
Goal statement	Establish and apply functional management systems to meet operational and regulatory imperatives at all times
Linkage	NSDS III: 4.7 – Increasing public sector capacity for improved service delivery and supporting the building of a developmental state

PROGRESS REPORT 2016/17

The Corporate Services Division is entrusted with the responsibility of establishing functional management and support systems to enable LGSETA to achieve its strategic objectives and deliver on its mandate. This division delivers this strategic objective through the operational interventions of the Human Resources, Information and Communications Technology, and Marketing and Communication Departments. These three departments so far share the facilities management function. Below is an account of how the Information and Communications Technology Department has enabled the LGSETA operations to deliver on the mandate of facilitating skills development in the local government sector. The Marketing and Communication is accounted for under Strategic Outcome-Oriented Goal 5 and Human Resources Management constitutes Part D of this report.

Information and Communications Technology (ICT)

In line with the ICT mission of providing appropriate and cutting-edge information and communication technologies that will enable the organisation to be a SETA of excellence and facilitating skills development at local government level across South Africa, the ICT business unit is steadily moving away from being a cost centre which is inward looking into ICT to be a strategic partner and enabler of change within the organisation.

In the year under review, different ICT strategic initiatives were undertaken. These are categorised into ten themes, namely: infrastructure, people, processes, supplier management, delivery, business relationships, reliability, modernisation, innovation and architecture. For example, under the infrastructure theme, continual improvements were done on the ICT infrastructure and new ICT infrastructure was put in place for the three new provincial offices that were opened. The key vacancies within the ICT business unit were filled as part of the drive to recruit and retain skilled personnel that will help the organisation to improve its performance. The focus continued to be on the ICT foundation strategic programme, which is aimed at ensuring that a foundation for a high performance ICT business unit is in place.

STRATEGIES TO ACHIEVE GOAL 3 IN 2017/18

- The LGSETA ICT Business Unit will focus on different strategic initiatives in support of the Business Enablement Strategic Programme initiatives, aimed at ensuring that ICT moves from being a cost centre and inward looking into ICT to a strategic partner in the medium term, with an outward look to business and finally becoming a strategic enabler in the long term.
- These include initiatives such as the implementation of the Diligent Boards solution which will increase efficiency and effectiveness, eliminate the costly paper-based processes, improve data security and thus allow Board members to receive the most recent and accurate information. Furthermore, a workflow management solution will be implemented to continue the process of business processes automation.
- While some "housekeeping" issues remain an impediment to improved ICT operations, upgrades and continual improvements to different enterprise applications will also be done in line with the approved ICT strategy.

STRATEGIC OUTCOME-ORIENTED GOAL 4	BUILD AN INTEGRATED PLANNING SYSTEM THAT IS RESPONSIVE TO CURRENT AND FUTURE LOCAL GOVERNMENT NEEDS
Goal statement	Local government sector skills development information is researched, documented and communicated for effective planning and strategic projects in support of scarce skills, and Government priorities are implemented
Linkage	NSDS III: 4.1 – Establishing a credible institutional mechanism for skills planning

PROGRESS REPORT 2016/17

The research in the Local Government SETA responds to Goal 4.1 in the National Skills Development Strategy III, which is to establish a credible institutional mechanism for skills planning. The Local Government SETA research takes into account the National Government Imperatives, such as National Skills Accord, Green Economy, Youth Employment Accord, White Paper on Post-School Education and Training, National Development Plan 2030, Human Resources Development Strategy, Back-to-Basics and Schedule 4, Part B of the Constitution, which is a crucial piece in the local government systems. During the year under review, the Local Government SETA implemented research projects and, among others, were the following:

Vaal University of Technology (VUT) conducted a study on the 'Analysis of green occupations: the local government sector perspective'. This research project was aimed at identifying green occupations in the local government sector. Secondly, the research project was conducted through auditing green skills of employees in various wastewater treatment plants countrywide. The study brought into perspective the concept of green occupations in local government, with the focus on jobs in water and wastewater treatment within the local government sector.

Human Sciences Research Council (HSRC) implemented research on 'Challenges facing Adult Education and Training (AET) in the local government sector'. The findings of this study show that there are several challenges which are faced during the provision of AET in municipalities. Some of the challenges pertain to learners' attitudes and personal circumstances, while others are structural and institutional or peculiar to a specific municipality.

Enterprises University of Pretoria conducted a study on 'Technical skills challenges in the local government sector'. The overall finding is that significant challenges exist in the local government sector as far as training and development in general and technical skills is concern. From the empirical survey, it is evident that severe technical skills shortages exist – especially in rural districts and local municipalities. This significantly compromises the delivery of the four basic services, namely water management, refuse management, sanitation and sewerage, and electricity.

Stellenbosch University School of Public Leadership implemented a research project on 'Challenges facing the Skills Development Facilitators in the implementation of the skills development interventions'. The findings conclude that skills development is generally poorly practiced at municipalities, where not one of the statements tested scored above the 65% benchmark. According to surveys, skills audits are generally poorly conducted. In those cases, where skills audits are done, skills development interventions are not undertaken in line with these audits.

University of Fort Hare (UFH) conducted a research project on 'Local government middle management professional skills development'. The study explored that municipalities underutilised the skills of the middle management professionals obtained from training and were not afforded the opportunities to excel in their positions. A myriad of challenges in municipalities revealed that skills development is an ongoing necessity in local government to ensure excellent service delivery.

University of the Witwatersrand (Wits) implemented a study on 'Transport Planning in the Local Government Sector'. The findings of the study indicated that there is a shortage of skilled people across Government, to undertake transport planning. The scarcity of transport planners is evidently more acute in the local municipalities.

During the year under review, the LGSETA hosted Research Seminar Series on the research projects implemented, with a primary objective of soliciting views from the various experts from the institutions of higher learning, including traditional universities and universities of technology. In addition to this, the Research Seminar Series are also useful in communicating the research findings to the stakeholders in the local government sector. The Research Seminar Series are perceived as a reservoir of knowledge that strengthens partnership that the LGSETA forged through the signing of the Memorandum of Understanding with respective institutions of higher learning with expertise in the local government and public management disciplines. The emergence of the Research Seminar Series in the LGSETA is informed by a White Paper on Post-School Education and Training, a policy framework aimed at adding value to skills development in all the sectors through a sound and credible sectoral research.

By ensuring skills development in the Local Government Sector meets the needs of its beneficiaries, it is dependent on establishing a credible institutional mechanism for skills planning which is based on current and up-to-date information. A target of 278 Workplace Skills Plans and Annual Training Reports (WSPs and ATRs) was set for the 2016/17 financial year, which speaks to the total number of municipalities within and across South Africa. The LGSETA not only achieved this total, but an additional 11 municipal and traditional leaders-related entities submitted, to bring the total to 289 WSPs and ATRs received, which is the highest number of submissions received to date, as compared to 93% submission rate in the previous financial year.

However, there were three municipalities which did not meet the required criteria to be granted the approval for the mandatory grant. The main reason for non-compliance, related to inadequate consultation and the inability to furnish all the administrative documents to the LGSETA as required in the SETA Grant Regulations.

The Local Government SETA rolled out a capacity building programme to SDFs within municipalities across all nine provinces. The capacity building programme provided a customised programme developed by the Business Enterprises University of Pretoria which focused on the importance of skills planning, skills development legislation, completion of WSPs and ATRs and understanding the Organising Framework for Occupations (OFO) codes. The main aim of the capacity building was to enable accurate and up-to-date information to be submitted in the Workplace Skills Plan and Annual Training Report (WSP and ATR). By ensuring that quarterly Skills Development Facilitator (SDF) forums were conducted across all nine provinces, the result was that a total of 36 SDF forums were held during the year, as per the agreed target. The consistency and co-ordination of SDF forums conducted across all nine provinces, provides the platform for municipalities to engage on skills planning issues and skills development implementation, as well as participating in consultation processes.

STRATEGIES TO ACHIEVE GOAL 4 IN 2017/18

- The LGSETA will focus on the development of the Local Government handbook and mapping of occupations in the next financial year. The purpose of the local government handbook is to ensure that the local government sector has mapped its occupations and have a similar understanding of its occupations in line with the Organisational Framework for Occupations (OFO).
- In strengthening the research capacity in the local government system, a research repository will be established, as well as certain research papers will be published in the academic publications in the next financial year.
- A monitoring and evaluation framework and system will be established to enhance the delivery of learning interventions and assess the impact made by the LGSETA programmes.

STRATEGIC OUTCOME-ORIENTED GOAL 5	FACILITATE STRONG STAKEHOLDER RELATIONS TO DRIVE THE LOCAL GOVERNMENT SKILLS REVOLUTION
Goal statement	Continuously improve stakeholder relations and satisfaction with the Local Government SETA
Linkage	NSDS III: 4.7 – Increasing public sector capacity for improved service delivery and supporting the building of a developmental state

PROGRESS REPORT 2016/17

The Marketing and Communication Department consists of a very small and dedicated team of three members who are passionate about improving stakeholder relations and building brand equity. The team is responsible for the enhancement of the LGSETA's corporate reputation through measureable Integrated Marketing Communications (IMC) programmes and campaigns that grow corporate awareness, build brand equity, and address organisational objectives.

Career guidance

Career and vocational guidance are crucial to school leavers and unemployed youth wanting to gain access to the local government sector. The LGSETA has networked with learners from Grade 10 to 12 during various interactive career exhibitions and have shared information on available learning and career opportunities in the local government sector.

The planned target for the year under review was 22 000 career guides to be distributed to learners and teachers. The focus was on 12 events being hosted or attended by the LGSETA. A total of 22 006 career guides were distributed, which exceeded the target by a very small margin. Some of the exhibitions that the LGSETA participated in, include the Khetha/ Apply Now campaign, the annual Nelson Mandela Youth Development Festival hosted by DHET, the Integrated Youth Development Launch hosted in KZN and other career exhibitions in the Northern Cape, Eastern Cape, North West and Limpopo province. The LGSETA provincial teams also conducted school visits to engage and interact with the Grade 10 to 12 learners and life-orientation teachers on the various career options and learning programmes available.

The Marketing and Communication team co-ordinated LGSETA's first career exhibition in partnership with the Northern Cape Department of Education, where they hosted a career expo in Kimberley that was attended by eight high schools within Kimberley.

Publications

The Marketing and Communication team is responsible for the designing and printing of all LGSETA literature. The department produced publications such as the LGSETA Annual Report, Skills Development Handbook, the Learning Programmes Manual, the widely distributed Career Guide and the Scarce and Critical Skills Handbook. Publications are distributed widely to the relevant audience within the local government sector and are easily accessible from the LGSETA website.

Website

The LGSETA launched its new branding in 2015 and Marketing and Communication has been working on ensuring that the new brand is implemented throughout the organisation and on all marketing and promotional material. The LGSETA website is one of the marketing tools that was revamped so that it is user-friendly, informative, and partly interactive. The team continuously ensures that the website is updated with the most recent information and latest developments within the skills development sector.

Stakeholder management

The following activities were the highlights of the Marketing and Communication Department during the year under review.

- Annual General Meeting hosted in November which was well attended by the various municipalities and stakeholders within the local government sector.
- Stakeholder visits and presentations are proving to be an increasingly important means of communication. Towards the end of the year under review, LGSETA hosted provincial stakeholder

conferences with the aim of enlightening stakeholders on sector pertinent issues.
- Launch of the Limpopo (Polokwane), North West (Klerksdorp) and Northern Cape (Kimberley) provincial offices. This was in an effort to ensure visibility and accessibility of LGSETA to all stakeholders.

The Marketing and Communication Department also reviewed and developed various marketing and communication tools utilised to create awareness and promote the LGSETA. These included printed, electronic and face-to-face platforms. Printed media included the organisational brochures, annual report, career guide booklet and a range of promotional material, including banners. This was further supported by newspaper and magazine articles and advertisements published in the media. Electronic media included the website and electronic communication, such as e-mails.

A number of stakeholder engagement sessions were held in all provinces to share the strategic objectives and direction of the organisation with all the stakeholders. The stakeholders were very appreciative of this effort on the part of the organisation.

The organisation also conducted a stakeholder satisfaction survey to ascertain whether the LGSETA was delivering according to its expectations and the feedback received from the stakeholders was very encouraging as there was an improvement with regard to communication. The feedback received from the stakeholders also contributed to bridging the interaction between the organisation and its stakeholders and to improved performance and service delivery.

STRATEGIES TO ACHIEVE GOAL 5 IN 2017/18

- Strengthening the partnership with the current strategic stakeholders to ensure that programmes that are funded, have a direct impact to service delivery.
- Continue to collaborate with other SETAs and institutions of higher education and training to promote skills development and training.
- Work with key stakeholders that are implementing the LGSETA-funded programmes, to highlight the project impacts.
- Promote the organisation through radio broadcast and community media platforms.
- Establish more interactive methods of engaging with the youth, learners and municipalities on skills development matters.
- Reinforce the use of social media within LGSETA as a means of communicating with youth and distribute career guidance booklets and any other information targeting youth.
- Strengthen the relationship with key stakeholders in all provinces to advance the LGSETA programmes, including capacitation of career and vocational guidance.

PROGRAMME 1: ADMINISTRATION

Strategic goal: To strengthen the capability of Local Government SETA to provide effective leadership and deliver on its mandate.

Programme purpose: The purpose of this programme is to enable the delivery of the Local Government SETA mandate through the delivery of administration and support services.

STRATEGIC OBJECTIVE	NSDS 2011 – 2018 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2016/17	VARIANCE (%)	COMMENTS
To implement an efficient administration and governance in the LGSETA	Not in the NSDS III	1.1 Percentage complied with statutory reporting by the LGSETA to both internal and external stakeholders	100%	100%	0%	Target achieved
		1.2 Percentage complied with LGSETA policies and relevant regulations to promote good corporate governance	100%	100%	0%	Target achieved
		1.3 Approved Strategic Plan (SP) and Annual Performance Plan (APP)	Approved SP and APP	Approved SP and APP	0%	Target achieved
		1.4 Level of stakeholder satisfaction measured on LGSETA services to improve stakeholder relations and enhance performance of the SETA	70%	70%	0%	Target achieved
		1.5 Unqualified audit opinion at the end of the external audit by the Auditor-General	Unqualified audit outcome	Unqualified audit outcome	0%	Target achieved
		1.6 Percentage approved of the LGSETA ICT policies and plans	100%	100%	0%	Target achieved
		1.7 Number of new Local Government SETA offices opened in provinces	4	3	-25%	The Mpumalanga Provincial Office will be relocated in the 2017/18 financial year.
	Building career guidance and vocational guidance	1.8 Number of career guidance events per annum	12	93	+675%	LGSETA received numerous career guidance invitations from entities.
		1.9 Number of career guides distributed per annum	22 000	22 006	+0.03%	Due to the number of career guidance events attended, a high volume of career guides was distributed.

PROGRAMME 2: GOVERNANCE

Strategic goal: To strengthen the governance systems within the local government sector for effective service delivery.

Programme purpose: The purpose of this programme is to enable the Local Government SETA to deliver on its mandate and to comply with all governance imperatives. This comprises the following functions:

- Board (governance and oversight)
- Enterprise risk management
- Compliance and regulatory framework
- Stakeholder management.

STRATEGIC OBJECTIVE	NSDS 2011 – 2018 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2017/17	VARIANCE (%)	COMMENTS
To implement an efficient administration and governance in the LGSETA	Not in the NSDS III	2.1 Establishment of LGSETA Board in line with the LGSETA constitution	Annual Report	Annual Report	0%	Target achieved
		2.2Establishment of functional LGSETA Board committees to set the right tone and make effective decisions for the LGSETA	Annual Report	Annual Report	0%	Target achieved
		2.3 Establishment of fraud prevention plans and ethics programmes to promote good corporate governance in the LGSETA	Annual Report	Annual Report	0%	Target achieved
		2.4 Progress report on organisational risk management plan developed	Quarterly Report	Quarterly Report	0%	Target achieved
		2.5 Establishment of compliance framework to promote compliance with applicable regulations by the LGSETA	Quarterly Report	Quarterly Report	0%	Target achieved
		2.6 Convene annual general meeting for stakeholders	Annual	Annual General Meeting	0%	Target achieved
		2.7 Host stakeholder engagement seminars per annum	12	36	+200%	The overachievement was due to additional stakeholder engagements that were hosted by the Strategy and Planning unit to improve quality of submission of the Workplace Skills Plans.

PROGRAMME 3: STRATEGY AND PLANNING

Strategic goal: To build an integrated planning system that is responsive to current and future local government needs.

Programme purpose: The purpose of this programme is to ensure that planning activities are informed by the realities of the Local Government SETA context and accurate and up-to-date research information. Planning activities must meet and comply with all statutory prescripts. This programme comprises of the following sub-programmes:

- Research
- Sector Skills Planning
- Monitoring and Evaluation.

STRATEGIC OBJECTIVE	NSDS 2011 – 2018 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2016/17	VARIANCE (%)	COMMENTS
Establish a credible institutional mechanism for skills planning and encourage better use of workplace-based skills development	Establishing a credible institutional mechanism for skills planning	3.1 Number of workplace skills plans and training reports submitted per annum	278	289	+4%	Overachievement incurred due to increased number of submission of the WSP-ATR by municipal/traditional leaders.
		3.2 Number of Local Government SETA research projects commissioned	10	11	+10%	The overachievement was due to a RPL research project's lifespan as an additional research that was completed in December 2016.
		3.3 Submit an updated Sector Skills Plan to the DHET	1	1	0%	Target achieved
		3.4 Monthly performance reviews conducted	12	12	0%	Target achieved
		3.5 Number of skills development forums held in provinces per annum	36	36	0%	Target achieved
		3.6 Number of Skills Development Facilitators trained in skills development initiatives to improve skills planning in the local government sector	220	343	+56%	The overachievement was due to broadening the scope to include not only SDFs, but also unions, SALGA, COGTA, HR officials and LLF committee members in order to improve capacity in the sector.
		3.7 Number of monitoring and evaluation visits per annum	556	571	+3%	The target was exceeded through following up on certain projects.

PROGRAMME 4: LEARNING PROGRAMMES

Strategic goal: To create a skilled and capacitated Local Government sector that performs.

Programme purpose: The purpose of this programme is to improve the skilled workforce available in the local government sector through facilitating the provision of quality training. The programme comprises of the following functions:

- Learning intervention facilitation
- Learning intervention implementation and co-ordination
- Provincial operations.

STRATEGIC OBJECTIVE	NSDS 2011 – 2016 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2016/17	VARIANCE (%)	COMMENTS
Increasing access to occupationally direct programmes	Encouraging better use of workplace-based skills programmes	4.1 5 600 employees entered for skills programmes per annum	5 600	6 865	+23%	During the year under review, the SETA funded a councillor development programme that saw a high number of councillors being inducted after the conclusion of the local government elections.
		4.2 4 500 employees completing skills programmes per annum	4 500	9 644	+114%	During the year under review, the SETA funded a councillor development programme that saw a high number of councillors being inducted after the conclusion of the local government elections.
	Increasing access to occupationally directed programmes	4.3 4 200 unemployed individuals entered for skills programmes per annum	4 200	1 094	-73%	The SETA still experiences reluctance from the municipalities to recruit and place unemployed learners. Both targets for skills programmes entered and completed, were not met. To this end, the SETA embarked on roadshows to sensitise senior management in municipalities to this challenge. The other corrective measure the SETA has taken, is to sign a MoU with the Department of Public Works and partner with the department in terms of EPWP, which will see the recruitment of unemployed workers across nine provinces. Both initiatives are expected to yield results in the 2017/18 financial year.

STRATEGIC OBJECTIVE	NSDS 2011 – 2016 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2016/17	VARIANCE (%)	COMMENTS
		4.4 3 500 unemployed individuals completing skills programmes per annum	3 500	2 302	-34%	The SETA still experiences reluctance from the municipalities to recruit and place unemployed learners. Both targets for skills programmes entered and completed, were not met. To this end, the SETA embarked on roadshows to sensitise senior management in municipalities to this challenge. The other corrective measure the SETA has taken, is to sign a MoU with the Department of Public works and partner with the department in terms of EPWP, which will see the recruitment of unemployed workers across nine provinces. Both initiatives are expected to yield results in the 2017/18 financial year.
	Encouraging better use of workplace-based skills programmes	4.5 4 500 employees entered for learnerships per annum	4 500	1 728	-62%	The SETA still experiences reluctance from the municipalities to recruit and place unemployed learners. Both targets for skills programmes entered and completed, were not met. To this end, the SETA embarked on roadshows to sensitise senior management in municipalities to this challenge. The other corrective measure the SETA has taken, is to sign a MoU with the Department of Public Works and partner with the department in terms of EPWP, which will see the recruitment of unemployed workers across nine provinces. Both initiatives are expected to yield results in the 2017/18 financial year.
		4.6 2 500 employees completing learnerships per annum	2 500	2 489	0%	Target was met due to projects finishing on time without any delays.
	Increasing access to occupationally-directed programmes	4.7 3 500 unemployed individuals entered for learnerships per annum	3500	2 619	-25%	The SETA still experiences reluctance from the municipalities to recruit and place unemployed learners. Both targets for skills programmes entered and completed, were not met. To this end, the SETA embarked on roadshows to sensitise senior management in municipalities to this challenge. The other corrective measure the SETA has taken, is to sign a MoU with the Department of Public Works and partner with the department in terms of EPWP, which will see the recruitment of unemployed workers across nine provinces. Both initiatives are expected to yield results in the 2017/18 financial year.

STRATEGIC OBJECTIVE	NSDS 2011 – 2016 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2016/17	VARIANCE (%)	COMMENTS
		4.8 2 800 unemployed individuals completing learnerships per annum	2 800	2 481	-11%	The SETA still experiences reluctance from the municipalities to recruit and place unemployed learners. Both targets for skills programmes entered and completed, were not met. To this end, the SETA embarked on roadshows to sensitise senior management in municipalities to this challenge. The other corrective measure the SETA has taken, is to sign a MoU with the Department of Public Works and partner with the department in terms of EPWP, which will see the recruitment of unemployed workers across nine provinces. Both initiatives are expected to yield results in the 2017/18 financial year.
	Promoting the growth of a public TVET college system that is responsive to the sector, local, regional and national skills needs and priorities	4.9 350 individuals entered for candidacy programme per annum	350	495	+41%	The target was exceeded due to increased interest in the Candidacy programme by municipalities.
		4.10 Number of individuals completing candidacy programme per annum	0	41	+100%	The target was exceeded due to increased interest in the Candidacy programme by municipalities.
		4.11 20 TVET college lectures entered into the development programme per annum	20	20	0%	The target was met due to increased interest in the lecturer development programme by various TVET colleges.
		4.12 12 TVET college lectures completing the development programme per annum	12	15	+25%	The target was exceeded due to increased interest in the lecturer development programme by various TVET colleges.

STRATEGIC OBJECTIVE	NSDS 2011 – 2016 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2016/17	VARIANCE (%)	COMMENTS
	Addressing the low level of youth and adult language and numeracy skills to enable additional training	4.13 1 500 Employees entered in AET per annum	1500	1 531	+2%	The target was met due to municipalities implementing their AET programmes on time.
		4.14 1 500 employees completing AET per annum	1 500	2 273	+52%	The target was exceeded.
		4.15 1 500 unemployed individuals entered in AET per annum	1 500	1 531	+2%	The target was exceeded.
		4.16 1 600 unemployed individuals completing AET per annum	1 600	2 273	42%	The target was exceeded due to learners from previous years only completing the programme in the current year.
		4.17 5 e-AET programme developed per annum	5	0	-100%	The process to source the suitable service provider took longer than anticipated, resulting in the SETA relinquishing the process of sourcing the service provider.
	Encouraging better use of workplace-based skills programmes	4.18 250 employees entered as learner artisans per annum	250	1 608	+532%	The target was exceeded due to increased interest from municipalities.
	Increase access to occupationally directed programmes	4.19 190 learner artisans who qualify as artisans per annum	190	205	+7%	The target was met.
		4.20 100 unemployed individuals entered as learner artisans per annum	100	1 608	+608%	The target was exceeded due to increased interest from municipalities.

STRATEGIC OBJECTIVE	NSDS 2011 – 2016 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2016/17	VARIANCE (%)	COMMENTS
		4.21 200 employees awarded bursaries per annum	200	394	+99%	The target was exceeded due to increased interest from municipalities.
		4.22 700 unemployed individuals awarded bursaries per annum	700	939	+34%	The target was exceeded due to increased interest from municipalities.
		4.23 150 unemployed individuals entered as learner artisans who qualify as artisans per annum	150	398	+165%	The target was exceeded due to increased interest from municipalities.
		4.24 500 unemployed graduates placed for internship per annum	500	1 539	+207%	The target was exceeded due to increased interest from municipalities.
		4.25 320 placed graduates completing internships per annum	320	353	+10%	The target was exceeded due to increased interest from municipalities.

STRATEGIC OBJECTIVE	NSDS 2011 – 2016 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2016/17	VARIANCE (%)	COMMENTS
	Promoting the growth of public TVET college system that is responsive to the sector, local, regional and national skills needs and priorities	4.26 1 000 TVET graduates placed for work-integrated learning per annum (TVET N6)	1 000	1 201	+20%	The target was exceeded due to increased interest from municipalities.
		4.27 2 800 placed TVET graduates completing work-integrated learning per annum	2 800	667	-76%	TVET colleges experienced administrative problems to the extent that some of them closed down for a limited period. Due to these problems, the implementation of programmes started late.
		4.28 350 HEI graduates placed for work-integrated learning per annum	350	332	-5%	The target was achieved due to increased interest from universities.
		4.29 550 placed HEI graduates completing work-integrated learning per annum	550	361	-34%	Placement of graduates started later than planned such that at reporting date the WIL programme had not been completed.
	Encouraging and supporting co-operatives, small enterprises, worker initiatives, NGOs and community training initiatives	4.30 30 co-operatives supported through skills development initiatives per annum	30	47	+57%	The target was met due to SETA implementing its strategy to support NGOs, CBOs, SMMEs, NLPEs and trade unions.

STRATEGIC OBJECTIVE	NSDS 2011 – 2016 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2016/17	VARIANCE (%)	COMMENTS
		4.31 20 NGOs supported through skills development initiatives per annum	20	20	0%	The target was met due to SETA implementing its strategy to support NGOs, CBOs, SMMEs, NLPEs and trade unions.
		4.32 15 CBOs supported through skills development initiatives per annum	15	16	+6%	The target was met due to SETA implementing its strategy to support NGOs, CBOs, SMMEs, NLPEs and trade unions.
		4.33 20 SMMEs supported through skills development initiatives per annum	20	35	+75%	The target was met due to SETA implementing its strategy to support NGOs, CBOs, SMMEs, NLPEs and trade unions.
		4.34 15 NLPEs supported through skills development initiatives per annum	15	34	+126%	The target was met due to SETA implementing its strategy to support NGOs, CBOs, SMMEs, NLPEs and trade unions.
	Encouraging and supporting co-operatives, small enterprises, worker initiatives, NGOs and community training initiatives	4.35 2 trade unions supported through skills development initiative per annum	2	2	0%	The target was met due to SETA implementing its strategy to support NGOs, CBOs, SMMEs, NLPEs and trade unions.
		4.36 2 000 councillors entered for skills programmes per annum	2 000	3 731	+87%	During the year under review, the SETA funded a councillor development programme that saw a high number of councillors being inducted after the conclusion of local government elections.

STRATEGIC OBJECTIVE	NSDS 2011 – 2016 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2016/17	VARIANCE (%)	COMMENTS
		4.37 15 CBOs supported through skills development initiatives per annum	15	15	0%	The target was met due to SETA implementing its strategy to support NGOs, CBOs, SMMEs, NLPEs and trade unions.
		4.38 1 600 councillors completing skills programmes per annum	1 600	6 100	+281%	During the year under review, the SETA funded a councillor development programme that saw a high number of councillors being inducted after the conclusion of local government elections.
		4.39 500 traditional leaders entered for skills programmes per annum	500	1 731	+246%	During the year under review, the SETA funded a councillor development programme that saw a high number of traditional leaders being inducted after the conclusion of local government elections.
		4.40 400 traditional leaders completing skills programmes per annum	400	2 354	+488%	During the year under review, the SETA funded a councillor development programme that saw a high number of traditional leaders being inducted after the conclusion of local government elections.

PROGRAMME 5: QUALITY ASSURANCE

Strategic goal: To create a skilled and capacitated Local Government sector that performs.

Programme purpose: The purpose of this programme is to develop and assure quality of new occupational qualifications, build capacity through training provider accreditation and ensure certification of learners. This programme comprises the following functions:

- Development of occupational qualifications and quality assurance
- Accreditation of training providers
- Quality assurance of learner achievement and certification
- Recognition of prior learning.

STRATEGIC OBJECTIVE	NSDS 2011 – 2016 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2016/17	VARIANCE (%)	COMMENTS
To develop occupational qualifications, build quality skills development capacity and ensure certification of learners	Increase access to occupationally-directed programmes	5.1 Number of occupational qualifications developed and submitted to QCTO	5	4	-20%	The target was partially achieved due to the process of developing qualifications taking longer than expected and there were staff resignations during the year. The vacancies have been filled thus far.
		5.2 Number of skills development providers issued new accreditation (primary and secondary)	110	135	+23%	The target was exceeded due to improvement in compliance by Skills Development Providers.
		5.3 Number of skills development providers issued re-accreditation (primary and secondary)	100	314	+214%	The target was exceeded due to an increased number of Skills Development Providers (SDPs) requesting re-accreditation during the year.
		5.4 Number of assessors registered and re-registered	320	351	+10%	The target was exceeded due to an increased number of assessors registered during the year.

STRATEGIC OBJECTIVE	NSDS 2011 – 2016 OBJECTIVES	PERFORMANCE INDICATOR	ANNUAL TARGET 2016/17	ACHIEVEMENT 2016/17	VARIANCE (%)	COMMENTS
		5.5 Number of moderators registered and re-registered	110	114	+5%	The target was exceeded due to an increased number of moderators registered during the year.
		5.6 Number of new MoUs with SETAs, TVET, HEI and MTCs	5	6	+20%	The target was exceeded due to an increased interest from institutions wishing to work with LGSETA.
		5.7 Number of monitoring visits conducted	230	243	+6%	The target was exceeded due to additional monitoring visits conducted by the SETA.
		5.8 Number of verification audits conducted	230	143	-38%	The target was not met due to fewer verification requests received from SDPs during the year.
		5.9 Number of learners endorsed against unit standards	10 000	47 981	+380%	The target was exceeded due to a high number of uploads from SDPs during the year.
		5.10 Number of learners certified against full qualifications	2 200	5 904	+168%	The target was exceeded due to a high number of uploads from SDPs during the year.
		5.11 Number of RPL guidelines and toolkits developed	3	2	-33%	The target was partially achieved due to the 3rd toolkit being completed after the reporting period.
		5.12 Number of assessment/RPL centres established	2	1	-50%	There has been an improvement in compliance for establishing RPL centres. Awaiting approval by QCTO of the two other centres submitted.
		5.13 Number of RPL learners endorsed/certified	1000	669	-33%	The majority of the on-going RPL project will conclude in the current year.

Part C
Governance

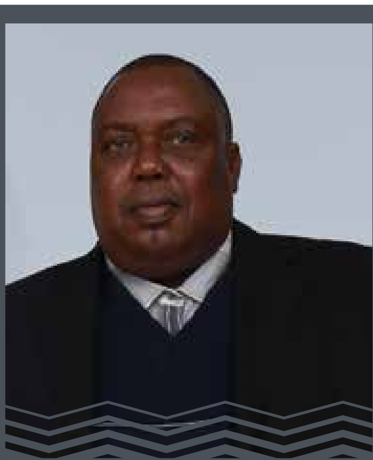
Members of the **Board**


DR MICHAEL SUTCLIFFE
CHAIRMAN


MRS GUGU DLAMINI
CHIEF EXECUTIVE OFFICER


MR RIO NOLUTSHUNGU
SALGA


MS NONCEBA MBILINI
SAMWU


MR NAKAMPE FRANCIS RATLHAGA
SALGA


MR TEBOGO MOTLASHUPING
COGTA


MR PULE MOLALENYANE
SAMWU


MR LERUMO MORULE
COGTA

MS STEPHANIE ANNA-LEIGH GRAY IMATU

MS VUYOKAZI NGWENYA
INDEPENDANT ATTORNEY

MR XOLILE GEORGE
SALGA

MS NOMAKHOSAZANA METH
SALGA

MS PORTIA LINDI
SAMWU

MR BAREND JOHANNES KOEN
IMATU

MR CROMWELL SIPHO NHEMO
SAMWU

Report by the **Accounting Authority**

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

Introduction

The Local Government Sector Education and Training Authority (LGSETA) is a juristic body, governed by the LGSETA constitution, the Skills Development Act, (Act No. 97 of 1998), the Skills Development Levies Act (Act No. 9 of 1999), the Public Finance Management Act (Act No. 1 of 1999) and Treasury Regulations.

Executive Authority

The Executive Authority for the LGSETA is the Minister of Higher Education and Training. The Minister has a responsibility to approve the Sector Skills Plan (SSP), Strategic Plan (SP) and Annual Performance Plans (APP) for the SETA. The Minister is also responsible for approving any deviations from the approved budget that may be warranted. During the year under review, the SETA complied with all PFMA and other compliance requirements and submitted its first draft SSP, SP and APP before 31 August 2016, followed by the subsequent drafts on 30 November 2016, and 31 January 2017, respectively. These were duly approved by the Minister. The SETA also submitted a request to the Minister to exceed the regulated 10.5% expenditure on Administration, to ensure that sufficient funds are available to fund the Administrator interventions necessary to support the mandate. This approval was duly given by the Minister.

Accounting Authority (the Board) and Board Committees

It is the responsibility of the Accounting Authority to prepare financial statements that fairly present LGSETA's financial position at 31 March 2017 and also the Financial Performance and Summary Cash Flow Activities for the year ending 31 March 2017.

The Accounting Authority is of the opinion that appropriate Accounting Policies, supported by reasonable and prudent judgement and estimates, have been applied on a consistent, going concern basis and the Annual Financial Statements comply with GRAP and the PFMA (1999) as amended.

The system of internal controls includes the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Further, the management of these financial affairs has been undertaken in accordance with the Financial and Procurement Policies which have been put in place and which comply with the King III Code on Corporate Governance. In addition, all necessary structures, policies and procedures are in place to ensure compliance with the requirements of the PFMA. These include an independent Audit and Risk Committee, the Risk Management Plan, a Fraud Prevention Plan and Internal Audit.

Board Committees

COMMITTEE	RESPONSIBILITIES
Audit and Risk Committee (ARC)	The Audit and Risk Committee assists the Board in carrying out its responsibilities with respect to financial management, internal controls, management of risks and monitoring of risk management policy and planning, compliance with laws, regulations and ethics, accounting and financial reporting, and responsibilities related to the internal and external audit function.
Finance and Operations Committee (FINCO)	The Finance Committee's primary responsibilities include monitoring and reporting on the financial operations, internal financial policies, budget performance, consolidating and recommending the annual budget, providing guidelines on reporting on levy collections and grant disbursements, receiving, considering and recommending the financial reports, and recommending plans for, and monitoring the progress of, project implementation.
Executive Committee (EXCO)	Exco's decision-making authority is delegated to the committee by the Board. Exco's primary role is to supervise the proper financial management of all financial matters; co-ordinate and supervise the implementation of the Board's policies; co-ordinate the functioning of committees and monitor their activities; and manage LGSETA's budgets and strategic plans.
Remuneration and Stakeholder Committee	The Remuneration Committee advises LGSETA management and makes recommendations to the Board on establishing and maintaining competitive, fair, equitable and market-related compensation as well as other HR-related matters to attract, motivate and retain talented people. It also monitors the implementation of the Stakeholder Management Plan. During the year under review, the committee approved and recommended to the Board a wide range of Human Resources (HR) organisational legacy issues, including: • Finalisation of the migration and placement process that started under Administration period; • Review and finalisation of the organisational structure; • Guided the process of drafting remuneration policy, pay scales and job grading; and • Guided the process of drafting the performance management system.

Management Committees

COMMITTEE	RESPONSIBILITIES
Management Committee (MANCO)	MANCO's primary role is to implement Board policies and strategic objectives as presented in the Annual Performance Plan (APP).
Risk Committee	The Risk Committee (comprised of MANCO) has been established as a subcommittee of the ARC to assist the Board in discharging its accountability for risk management by reviewing the effectiveness of the organisation's risk management systems, practices and procedures, and providing recommendations for improvement. For the year under review, the Committee compiled the significant risk register and conducted an annual review of the entire risk universe. Monitoring and reporting to the ARC and Board was also done periodically on the work undertaken by management.

COMMITTEE	RESPONSIBILITIES
ICT Steering Committee	ICT Governance forms part of the broader governance function within LGSETA, but with its own specific focus. Oversight for this function is provided by ARC and reports to the Board on a quarterly basis. This includes the management of IT risks and the reporting thereon as well as ensuring compliance with the necessary standards and framework. The ICT Steering Committee is in place, spearheaded by management, and reports to the ARC with roles and responsibilities of this committee outlined in the committee's terms of reference. A key focus area for this committee is to ensure the operationalisation of IT as a strategic enabler in the organisation and that the necessary strategies, policies and procedures are in place, ensuring the effective governance of IT. In the year under review, the committee ensured that the necessary governance processes were in place. The committee also ensured that the following governance processes are in place: • Oversee the alignment of ICT strategy to the business strategy; • Updating the IT policy and procedure as part of the annual organisation-wide process of reviewing policy documents; • Completion of the readiness status for the Corporate Governance of Information and Communication Technology Policy Framework (CGICT) as required by the Department of Public Service and Administration (DPSA); an IT governance framework was also developed during the last year to inform and align any decision-making for IT planning, policy and operations that meet business objectives, ascertain that risks are managed appropriately and also verify that IT resources are being used responsibly and strategically.
Supply Chain Committees: Bid Specification (BSC); Bid Evaluation (BEC); Bid Adjudication (BAC)	Section 51(1)(a) of the PFMA prescribes that the Accounting Authority must ensure that LGSETA has an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective. The Supply Chain Management (SCM) is in line with the functions, on behalf of LGSETA, in an honest, fair, impartial and accountable manner, in accordance with the Board's delegated powers.
Quality Assurance and Compliance Committee	This committee fulfils its obligation as an ETQA in terms of the SAQA Act No. 58 of 1995.

Going concern

The Accounting Authority has reviewed LGSETA's financial budgets for the period 1 April 2016 to 31 March 2017 and is satisfied that adequate resources exist to continue as a going concern for the foreseeable future. The Accounting Authority confirms that it has assessed key sustainability risks and there is no reason to believe the SETA will not be a going concern in the year ahead.

Subsequent events

LGSETA has submitted to the Minister of Higher Education and Training an application for the rollover of surplus funds. At the time of preparation of the annual financial statements the feedback was still outstanding. To this effect a contingent liability has been disclosed in the annual financial statements.

Audit and Risk Committee

INTERNAL AUDIT AND RISK MANAGEMENT

The Audit and Risk Committee reviewed the LGSETA's overall approach to risk management and control. These included management strategies and initiatives in managing the risks facing the LGSETA; periodic and year-end reports on the status of risk management within the LGSETA; compliance with laws and regulations and the review of the Fraud and Corruption Prevention Plan.

During the year under review, the LGSETA had an internal audit function that was assisted by outsourced audit firms. The Committee approved the following:

- The internal audit three-year rolling strategic and annual plans and reviewed the quarterly reports.
- The reviewed and updated Internal Audit Charter.
- The Audit and Risk Committee Charter.
- The Enterprise Risk Management Framework.
- The risk policy which sets out the plan to implement the LGSETA's Risk Management philosophy and the process and practices in place by identifying, mitigating, communicating and managing risks across the organisation to assist management and employees of the LGSETA in understanding and managing risk and monitoring accountabilities and responsibilities and to provide certainty with respect to risk management within the organisation.

Fraud and Corruption Prevention Plan

During the year under review (1 November 2016), the LGSETA implemented a fraud hotline. The fraud line is an anonymous service that allows employees and the general public to report suspected fraudulent behaviour by LGSETA employees, management and service providers. The line is managed by the independent audit firm KPMG.

External Audit

Audit findings raised by the Auditor-General in the previous financial year were sufficiently addressed in the current year.

AUDIT AND RISK COMMITTEE

The Audit and Risk Management Committee comprises six (6) non-executive members and one alternative non-executive member. Four (4) of the members are independent members, including its Chairperson.

The Audit and Risk Management Committee assisted the Accounting Authority in overseeing:

- The quality and integrity of the financial statements and the disclosure thereof;
- The scope and effectiveness of the internal audit function; and
- The effectiveness of the organisation's system of internal control and risk management processes.

The Audit and Risk Committee met at least four times during the year under review. The breakdown of meetings attended follows:

NAME		NUMBER OF MEETINGS ATTENDED
Michael Mamotheti	Chairperson	6 of 6*
Nontokozo Gxumisa	Member	6 of 6*
Belese Majova-Nkomo	Member	6 of 6*
Thomas Kgokolo	Member	5 of 6**
Stephanie Gray	Member (New)	1 of 1***
Rio Nolutshungu	Member (New)	1 of 1***
Portia Lindi	Member (New)	1 of 1***

* 4 Normal and 2 Special ARC meetings
** 4 Normal and 1 Special ARC meetings
*** 1 Normal ARC meeting

Audit and Risk Committee Report

It is with pleasure that we present this report for the financial year ended 31 March 2017.

Audit and Risk Committee Members and Attendance

The Audit and Risk Committee consists of members listed on page 43 of the annual report, and is required to meet at least four times per annum as per its approved terms of reference. The Committee members' meeting attendance is disclosed on page 43 of the annual report.

Responsibilities of the Audit and Risk Committee

The Audit and Risk Committee complied with its responsibilities arising from Section 51(1) (a) of the Public Finance Management Act (Act No. 1 of 1999) and Treasury Regulation 27.1. The Committee has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Committee's main duties and activities during the year under review is summarised as follows:

Effectiveness of Internal Control

The Audit and Risk Committee provides an oversight function of the system of internal control. In line with the PFMA requirements, Internal Audit provides the Audit and Risk Management Committee and management with the assurance that the internal controls are appropriate and effective. This is achieved through a quarterly reporting process to both management and the Audit and Risk Committee, as well as the identification of corrective actions and recommended by means of enhancements to the controls and processes.

Controls over financial management and operations were adequate, effective and efficient. However, controls over performance management and monitoring, require further enhancement to detect inaccuracies, invalidity and incompleteness of data or evidence thereof. Such control deficiencies are being addressed by management. The Committee will monitor the effectiveness and efficiency of measures put in place to improve performance management and reporting thereof in the new financial year.

Evaluation of Financial Statements

The Committee has:

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

The Committee concurs with, and accepts the Auditor-General of South Africa's report on the annual financial statements and the opinion thereon.

Internal Audit

The Audit Committee is responsible for overseeing the internal audit function. The Committee approved the internal audit three-year rolling strategic and annual plans and reviewed the internal function performance on a quarterly basis.

The head of internal audit had direct access to the chairpersons of both the Audit and Risk Committee and the Board of Directors. The Committee evaluated the Internal Audit function during the year and is satisfied with the performance of the internal audit activity in assisting to address the risks pertinent to the LGSETA.

Enterprise-Wide Risk Management

The Committee reviewed the LGSETA's overall approach to risk management and control, as well as the risk management processes and practices. Risk management reporting continues to be a standing agenda item for the Audit and Risk Management Committee to ensure effective risk management oversight. There is, however, room for improvement in the risk management area.

Performance Information

The Committee reviewed quarterly performance reports. Controls to prevent or detect inaccuracies, incompleteness, invalidity of data reported and evidence thereof require improvement. The Committee concurs with the results of the Auditor General South Africa in this regard.

Compliance with Legal and Regulatory Provisions

The Audit and Risk Committee provides an oversight function of compliance with legal and regulatory provisions by LGSETA. This is achieved through reviewing internal audits, quarterly reports, Auditor-General South Africa reports and management reports to identify any indication of non-compliance with any Act and regulations relevant to LGSETA. Nothing was brought to the committee's attention that suggested non-compliance with legal and regulatory provisions.

Corporate Governance

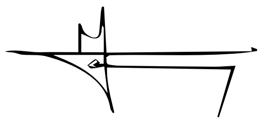
The Audit and Risk Committee provides an oversight function of corporate governance and nothing came to our attention that suggest that principles of good governance were compromised.

Auditor-General of South Africa

The Audit and Risk Committee has met and discussed with the Auditor-General South Africa their report, to ensure that there are no unresolved issues.

Assessment of the Audit and Risk Committee

The Accounting Authority evaluated the performance of the Committee during the year under review.



Michael Mamotheti
Chairperson of the Audit and Risk Committee - LGSETA

Part D
Human Resource Management

INTRODUCTION

The year 2016/2017 has been characterised by a new strategic direction within the LGSETA. One of the strategic objectives for the year was to open new provincial offices in North West, Northern Cape and Limpopo. The Internal Audit and Financial Management functions were fully sourced from within. These changes have led to a significant growth in the staff complement and employee-related costs.

Performance Management and Remuneration Framework

The Performance Management System was implemented with the Executive Management being the first level of employees to enter into performance contracts with the organisation. The Remuneration Policy and Strategy that is aligned to the Performance Management Policy with the intention of migrating LGSETA to a fully-fledged performance-oriented organisation, was also approved by the Board. This Remuneration Policy introduced a transitional phase of a hybrid remuneration system made up of negotiated cost of living adjustment and a performance-based salary progression and cash bonus for those who achieve a certain level of performance. This hybrid system will lapse in March 2020. Thereafter all adjustments will be performance-based.

Highlighted achievements and challenges faced by the entity

During the year under review, membership of the Provident Fund and Medical Aid was enforced and the organisation implemented the employer contribution as part of the fringe benefits to the employees. All employees are now members of the Provident Fund and Medical Aid. As part of ensuring that legacy issues related to employees are fully addressed, job evaluations were conducted and these were followed by corresponding salary adjustments, where warranted. Long service awards were introduced as part of the retention strategy. A succession planning policy was also approved as part of the career progression mechanism, skills retention and business continuity planning.

To support the performance management function, an Information Technology application, Premier HR, was implemented. This system was customised to be in line with the LGSETA Performance Management Policy and it also allows for self-assessment and moderation. A biometric time-and-attendance system was implemented to manage the approved flexi-time system and for field workers to account for the time they spend out of office.

Employee Relations

The year under review ends with four industrial relation cases. Three emanate from the Administration period, with two of those being at the Labour Court. There has also been an improvement in the relationship between management and National Education Health and Allied Workers Union (NEHAWU) with the reintroduction of the bilateral meetings.

Human Resources Statistics

PERSONNEL COSTS BY PROGRAMME

Programme	Total expenses for the Entity (R'000) 2016/17	Personnel expenses (R'000) 2016/17	Personnel expenses as a % of total expenses (R'000) 2016/17	Number of employees 2016/17	Average personnel cost per employee (R'000) 2016/17
Board	1 505	1 365	91%		
CEO	6 243	5 999	96%	5	1 200
Finance	20 650	8 021	39%	15	535
Corporate Services	21 556	7 223	34%	14	516
Operations	45 995	26 942	59%	57	473
Strategy and Planning	2 977	2 871	96%	5	574
Total	**100 289**	**52 421**		**96**	

PERSONNEL COST BY SALARY BAND				
Level	Personnel expenditure (R'000) 2016/17	% of personnel expenditure to total personnel cost 2016/17	Number of employees 2016/17	Average personnel cost per employee (R'000) 2016/17
Board	1 365	3%		
Top Management	6 729	13%	5	1 346
Senior Management	17 760	34%	18	987
Professional Qualified	15 268	29%	29	526
Skilled	9 262	17%	34	272
Semi-skilled	2 037	4%	10	204
Total	**52 421**	**100%**	**96**	

TRAINING COSTS (BURSARIES FOR 2016/2017)					
Programme	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	Number of employees	Average training cost per employee (R'000)
CEO	5 999	0	0%	5	1200
Finance	8 021	51	0,6%	15	535
Corporate Services	7 223	29	0,4%	14	516
Operations	26 942	296	1,1%	57	473
Strategy and Planning	2 871	26	1,0%	5	574
Total	**51 056**	**402**		**96**	

Performance rewards

No performance rewards were paid in the year under review.

EMPLOYMENT AND VACANCIES (AS AT 31 MARCH 2017)					
Programme	2015/2016 Number of employees	2016/2017 approved posts	2016/2017 Vacancies	2016/2017 Number of employees	% of vacancies
CEO Office	3	7	2	5	29%
Finance	13	15	0	15	0
Corporate Services	12	15	1	14	7%
Operations	46	66	9	57	14%
Strategy and Planning	4	7	2	5	29%
Total	**78**	**110**	**14**	**96**	**13%**

Employment changes

The list includes all staff movements, including positions that were additional to the establishment, but excludes the interns*:

Salary bands	Employment at the beginning of period	Appointments	Terminations	Employment at the end of the period
Top Management	*4	2	1	5
Senior Management	14	6	2	18
Professional Qualified	23	10	4	29
Skilled	31	9	6	34
Semi-skilled	6	4	0	10
Unskilled	0	0	0	0
Total	**78**	**31**	**13**	**96**

*Moved Senior Manager: Monitoring and Evaluation to the Senior Management band; One Chief Operations Officer left at the beginning of the financial year and was replaced in the same financial year.

REASONS FOR STAFF LEAVING		
Reason	Number	% Total number of employees leaving
Death	1	7%
Resignation	9	70%
Dismissal	2	16%
Retirement	0	0
Ill Health	0	0
Expiry of contract	1	7%
Other	0	0
Total	**13**	**100%**

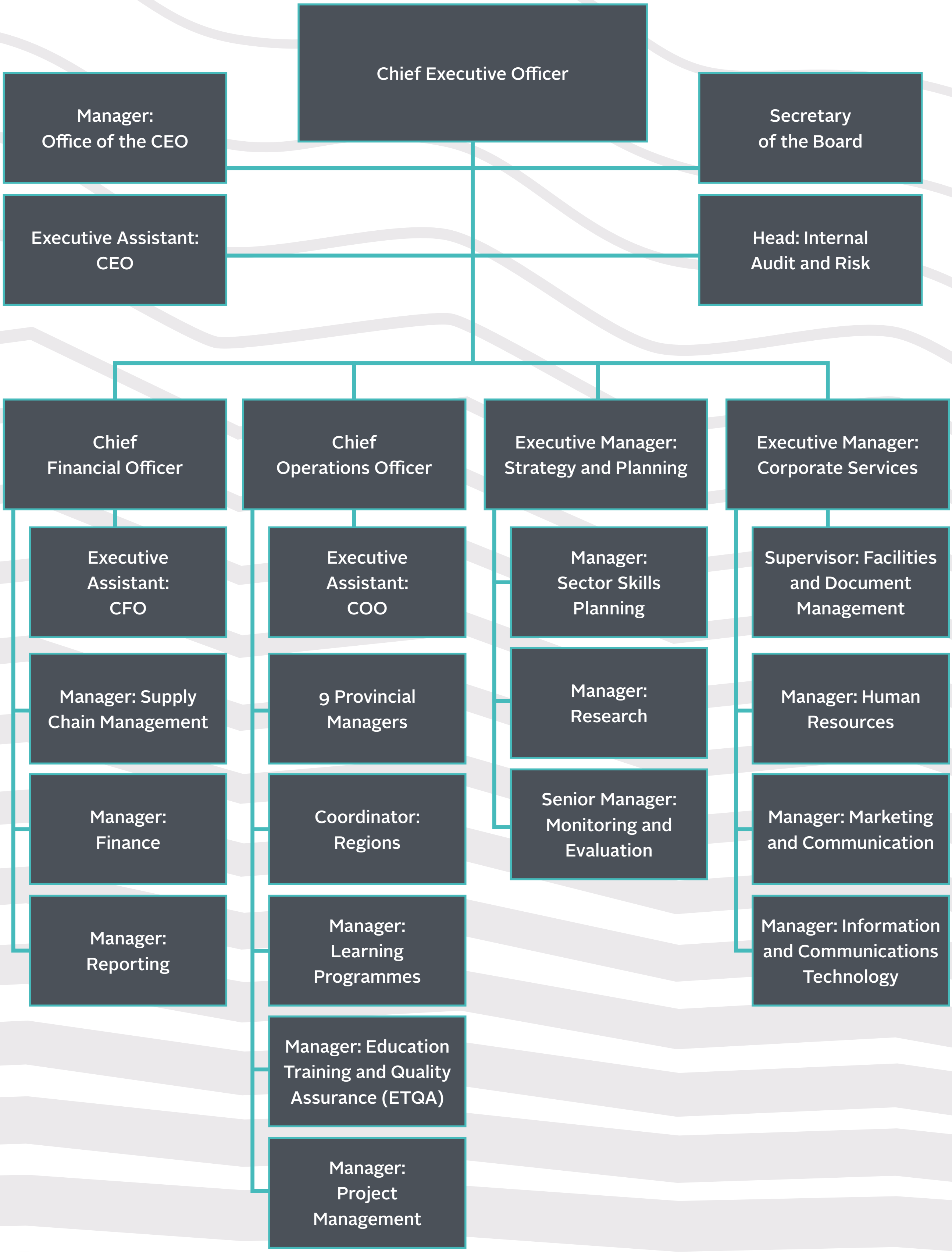
LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION*	
Verbal warning	0
Written warning	0
Final written warning	0
Suspensions	3
Dismissal	1
Total	**4**

The list includes all staff movements, including positions that were additional to the establishment

EQUITY TARGETS AND EMPLOYMENT EQUITY STATUS AS AT 31 MARCH 2017				
LEVEL	AFRICAN	COLOURED	INDIAN	WHITE
	Current	Current	Current	Current
MALE				
Top Management	3	0	0	0
Senior Management	12	0	0	0
Professional Qualified	15	0	1	0
Skilled	8	1		0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	**38**	**1**	**1**	**0**
FEMALE				
Top Management	2	0	0	0
Senior Management	5	1	1	1
Professional qualified	10	1	0	0
Skilled	20	3	0	1
Semi-skilled	10	1	0	0
Unskilled				
Total	**47**	**6**	**1**	**2**

EMPLOYEES LIVING WITH A DISABILITY		
LEVEL	MALE	FEMALE
	Current	Current
Top Management	0	0
Senior Management	0	0
Professional qualified	0	0
Skilled	0	0
Semi-skilled	0	0
Unskilled	0	0
Total	**0**	**0**

Organogram

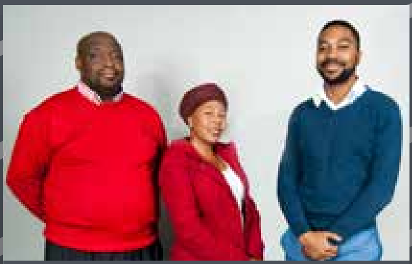

Chief Executive Officer
Manager: Office of the CEO
Secretary of the Board
Executive Assistant: CEO
Head: Internal Audit and Risk
Chief Financial Officer
Chief Operations Officer
Executive Manager: Strategy and Planning
Executive Manager: Corporate Services
Executive Assistant: CFO
Manager: Supply Chain Management
Manager: Finance
Manager: Reporting
Executive Assistant: COO
9 Provincial Managers
Coordinator: Regions
Manager: Learning Programmes
Manager: Education Training and Quality Assurance (ETQA)
Manager: Project Management
Manager: Sector Skills Planning
Manager: Research
Senior Manager: Monitoring and Evaluation
Supervisor: Facilities and Document Management
Manager: Human Resources
Manager: Marketing and Communication
Manager: Information and Communications Technology

Our Teams

FINANCE

ETQA

GENERAL SERVICES



HUMAN RESOURCES

INFORMATION TECHNOLOGY

INTERNAL AUDIT AND RISK

LEARNING PROGRAMMES

MARKETING AND COMMUNICATIONS

OPERATIONS

PROJECTS OFFICE

STRATEGY AND PLANNING

SUPPLY CHAIN MANAGEMENT

Provincial Offices

EASTERN CAPE

FREE STATE

GAUTENG

KWAZULU-NATAL

LIMPOPO

MPUMALANGA

NORTH WEST

NORTHERN CAPE

WESTERN CAPE

Part E
Financial Information

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

The Annual Financial Statements for the year ended 31 March 2017, set out on page 60 to 103 have been approved by the Accounting Authority on 31 March 2017 and are signed on their behalf by:

Dr M. Sutcliffe
Chairman
Local Government SETA

G. Dlamini
Chief Executive Officer
Local Government SETA

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines for the annual report, as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity.

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

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

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2017.

Yours faithfully

Dr. M Sutcliffe
Chairman
Date: 31 March 2017

Report of the **Auditor-General**

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON LOCAL GOVERNMENT SECTOR EDUCATION AND TRAINING AUTHORITY

Report of the auditor-general to parliament on Local Government Sector Education and Training Authority

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Local Government Sector Education and Training Authority (LGSETA) set out on pages 60 to 103, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the LGSETA as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no. 1 of 1999) (PFMA) and the Skills Development Act, 1998 (Act no.97 of 1998) (SDA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 21 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2017.

Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 Act no. 1 of 1999) (PFMA) and the Skills Development Act, 1998 (Act no.97 of 1998) (SDA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the LGSETA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect

a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

OBJECTIVES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Programme 3: Strategy and Planning	26
Programme 4: Learnership programme	27 - 34
Programme 5: Quality Assurance	35 - 36

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. The material findings in respect of the reliability of the selected programmes are as follows:

Programme 4 – Learning programme

Various indicators

17. The public entity did not have an adequate performance management system to maintain records to enable reliable reporting on achievement of targets. Sufficient appropriate audit evidence could not be provided in some instances while in other cases the evidence provided did not agree to the recorded achievements. This resulted in a misstatement of the target achievement reported as the evidence provided in the table below. I was also unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements.

INDICATOR	REPORTED ACHIEVEMENT
4.1 5600 employees entered for skills programmes per annum	6865
4.2 4500 employees completing skills programmes per annum	9644
4.3 4200 unemployed individuals entered skills programmes per annum	1094
4.4 3500 unemployed individuals completing skills programmes per annum	2303
4.5 4500 employees entered for learnerships per annum	1729
4.6 2500 employees completing learnerships per annum	2489
4.7 3500 unemployed individuals entered for learnerships per annum	2619
4.8 2800 unemployed individuals completing learnerships per annum	2481
4.9 350 individuals entered for the candidacy programme per annum	495
4.10 Number of individuals completing candidacy programme per annum	41

INDICATOR	REPORTED ACHIEVEMENT
4.11 TVET college lecturers entered on the development programme per annum	20
4.12 TVET college lecturers completing the development programme per annum	15
4.13 1500 Employees entered in AET per annum	1531
4.14 1500 Employees completing AET per annum	2273
4.15 1500 Unemployed individuals entered in AET per annum	1531
4.16 1600 Unemployed individuals completing AET per annum	2273
4.17 5 e-AET programmes developed per annum	0
4.18 250 Employees entered as learner artisans per annum	1608
4.19 90 Learner artisans who qualify as artisans per annum	205
4.20 100 Unemployed individuals entered as learner artisans per annum	1608
4.21 150 Unemployed individuals entered as learner artisans who qualify as artisans per annum	205
4.22 200 Employees awarded bursaries per annum	398
4.23 700 Unemployed individuals awarded bursaries per annum	943
4.24 500 Unemployed graduates placed for internships per annum	1539
4.25 320 Placed graduates completing internships per annum	353
4.26 1000 TVET graduates placed for work-integrated learning per annum (TVET N6)	1201
4.27 2800 Placed TVET graduates completing work-integrated learning per annum	667
4.28 350 HEI graduates placed for work-integrated learning per annum	332
4.29 550 HEI graduates completing work-integrated learning per annum	361
4.30 30 Co-operatives supported through skills development initiatives per annum	47
4.31 20 NGO's supported through skills development initiatives per annum	51
4.32 15 CBO's supported through skills development initiatives per annum	15

INDICATOR	REPORTED ACHIEVEMENT
4.33 20 SMME's supported through skills development initiatives per annum	35
4.34 15 NLPE's supported through skills development initiatives per annum	34
4.35 2 Trade unions supported through skills development initiatives per annum	0
4.36 2000 Councillors entered for skills programmes per annum	3731
4.37 1600 Registered councillors completing skills programmes per annum	6100
4.38 500 Traditional leaders entered for skills programmes per annum	1731
4.39 400 Registered traditional leaders completing skills programmes per annum	2354

Programme 5 – Quality Assurance

Indicator 5.13: Number of RPL learners endorsed/ certified

18. I was unable to obtain sufficient appropriate audit evidence about the completeness and validity of the performance achievement reported in the annual performance report as a result the indicator might be misstate. I was unable to confirm the reason for the adjustment made by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement in the annual performance report.

19. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programme:
    - Programme 3 – Strategy and Planning

Other matters

I draw attention to the matters below:

Achievement of planned targets

20. Refer to the annual performance report on pages 24 to 36 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 4: Learning

programme and Programme 5: Quality Assurance. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation.
23. I performed procedures to identify findings but not to gather evidence to express assurance. We did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

24. LGSETA accounting authority is responsible for the other information. The other information comprises the information included in the annual report CEO's report, the audit committee's report and human resource management section. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

27. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report included in this report.

Leadership

28. Through our audit process we identified that leadership oversight responsibility for reliable performance reporting was not fully effective. Specific controls relating to performance information and monitoring of performance reporting in the annual performance report were not adequate. There was no adequate review or verification of the information collected by management to ensure that the information being reported is valid, accurate and complete. As a result, numerous findings were identified with regard to performance information. We further noted that these matters on performance reporting was internal control deficiencies that existed in the prior year and gives an indication that the entity's action plan was not fully effective to resolve the matters from the prior year.

Financial and performance management

29. Inadequate record keeping regarding performance reporting was identified throughout the audit process. This resulted in various control deficiencies being reported during the audit process and also gave rise to numerous matters being reported on the performance report submitted for auditing.

Auditor - General

Pretoria

31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE: AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the LGSETA ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note(s)	2017 '000	2016 Restated* '000
ASSETS			
Current assets			
Cash and cash equivalents	5	588 093	608 062
Receivables from non-exchange transactions	6	1 923	3 109
Receivables from exchange transactions	7	4 169	5 077
Inventories	8	153	174
		594 338	616 422
Non-current assets			
Property, plant and equipment	3	5 661	3 127
Intangible assets	4	540	329
		6 201	3 456
Total assets		600 539	619 878
Liabilities			
Current liabilities			
Operating lease liability	9	101	135
Trade and other trade payables from exchange transactions	10	5 617	5 713
Trade and other payables from non-exchange transactions	12	125 848	134 416
Provisions	11	3 173	20 236
		134 739	160 500
Total Liabilities		134 739	160 500
NET ASSETS		465 800	459 378
Reserves			
Discretionary Grant Reserve		459 599	455 925
Administrative reserve		6 201	3 453
Total Net Assets		465 800	459 378

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2017

	Note(s)	2017 '000	2016 Restated* '000
REVENUE			
Revenue from exchange transactions			
Other income	13	756	858
Interest received	14	40 525	33 815
Total revenue from exchange transactions		41 281	34 673
Revenue from non-exchange transactions			
Transfer revenue			
Skills Development Levy (SDL) Revenue	15	549 910	509 099
SDL penalties and interest income	16	10 612	14 419
Total revenue from non-exchange transactions		560 522	523 518
Total revenue		601 803	558 191
EXPENDITURE			
Employee related costs	17	(51 056)	(31 614)
Depreciation and amortisation		(1 746)	(2 584)
Employer grant and project expenses	18	(494 709)	(429 887)
General Expenses	19	(47 870)	(43 745)
Total expenditure		(595 381)	(507 830)
Surplus for the year		6 422	50 361

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2017

	Employer Grant Reserve '000	Discre-tionary Grant Reserve '000	Admin-istrative reserve '000	Total reserves '000	Accumu-lated surplus '000	Total net assets '000
Balance at 01 April 2015	-	404 546	4 470	409 016	-	409 016
Changes in net assets						
Surplus for the year	-	-	-	-	50 362	50 362
Transfer to Discretionary Reserve	-	(9 452)	9 452	-	-	-
Tranfer to discretionary reserves: Excess funds	(14 999)	14 999	-	-	-	-
Allocation of Net Surplus	14 999	45 832	(10 469)	50 362	(50 362)	-
Total changes	-	51 379	(1 017)	50 362	-	50 362
Balance at 31 March 2016	-	455 925	3 456	459 381	-	459 381
Changes in net assets						
Surplus for the year	-	-	-	-	6 422	6 422
Allocation of unappropriated surplus	1 231	(3 526)	8 717	6 422	(6 422)	-
Tranfer to discretionary reserves: Excess funds	(1 231)	7 200	(5 972)	(3)	-	(3)
Total changes	-	3 674	2 745	6 419	-	6 419
Balance at 31 March 2017	-	459 599	6 201	465 800	-	465 800

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note(s)	2017 '000	2016 Restated* '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Stakeholders			
Levies, Interest and Penalties received		560 522	523 518
Interest income		42 775	32 550
Other income		811	858
		604 108	556 926
Payments			
Grants and project payments		(519 501)	(345 646)
Compensation of employees		(50 093)	(32 219)
Payments to suppliers and other		(50 085)	(41 942)
		(619 679)	(419 807)
Net cash flows from operating activities	22	(15 571)	137 119
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(4 081)	(1 256)
Proceeds from sale of property, plant and equipment	3	-	34
Purchase of other intangible assets	4	(317)	(372)
Net cash flows from investing activities		(4 398)	(1 594)
Net increase/(decrease) in cash and cash equivalents		(19 969)	135 525
Cash and cash equivalents at the beginning of the year		608 062	472 537
Cash and cash equivalents at the end of the year	5	588 093	608 062

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget '000	Adjust-ments '000	Final Budget '000	Actual amounts on compa-rable basis '000	Difference between final budget and actual '000	Refer-ence
Statement of Financial Performance						
Revenue						
Total Revenue						
Administration levy income (10,5)	69 543	(543)	69 000	72 118	3 118	
Mandatory grant levy income (20%)	132 463	-	132 463	135 624	3 161	
Discretionary grant levy income (49,5%)	327 847	-	327 847	342 168	14 321	
Penalties and Interest	-	5 000	5 000	10 612	5 612	30.1
Other Income	-	800	800	756	(44)	
Investment income	-	25 000	25 000	40 525	15 525	30.2
Total revenue from exchange transactions	529 853	30 257	560 110	601 803	41 693	
Administration Expenditure						
Personnel	(36 165)	14 031	(22 134)	(23 292)	(1 158)	30.3
Internal Audit Fees	(2 129)	1 129	(1 000)	(463)	537	30.7
Remuneration of members of the audit committee	(326)	(174)	(500)	(388)	112	
Staff Training	(305)	(495)	(800)	(545)	255	
QCTO expenses	(2 646)	-	(2 646)	(2 646)	-	
Travel and accomodation	(4 713)	(2 787)	(7 500)	(3 818)	3 682	30.6
External Audit Fees	(2 855)	(2 145)	(5 000)	(3 647)	1 353	30.7
Lease rentals on operating lease	(7 361)	(2 639)	(10 000)	(7 530)	2 470	30.4
Advertising	(1 854)	(1 146)	(3 000)	(2 778)	222	
Repairs and maintenance	(168)	(232)	(400)	(110)	290	
Consultancy and Service Provider	(4 161)	(339)	(4 500)	(6 231)	(1 731)	
Legal Fees	(822)	2	(820)	(1 111)	(291)	30.5
Printing	(1 442)	442	(1 000)	(1 591)	(591)	
Telephone and Internet	(1 451)	(549)	(2 000)	(1 511)	489	
Other expenses including asset purchases	-	(5 000)	(5 000)	(2 548)	2 452	30.8
General expenses	(1 657)	(1 043)	(2 700)	(5 947)	(3 247)	30.9
Mandatory Grant Disbursement	(132 463)	-	(132 463)	(134 393)	(1 930)	
Total Discretionary Grant expenditure	(327 847)	(30 800)	(358 647)	(396 832)	(38 185)	30.10
Total expenditure	(527 713)	(31 397)	(559 110)	(595 381)	(35 495)	
Surplus before taxation	2 140	(1 140)	1 000	6 422	5 422	
Actual amount on comparable basis as presented in the budget and actual comparative statement	2 140	(1 140)	1 000	6 422	5 422	

ACCOUNTING POLICIES

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the entity and rounding has been made to the nearest thousand (R'1000).

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including leasehold improvements) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost and subsequently using the cost model.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

ACCOUNTING POLICIES (CONTINUED)

the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Office furniture and fittings	Straight line	5 years
Computer Software	Straight line	3 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Leasehold improvements	Straight line	Over lease term

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.
The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	Licence period

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

Definitions

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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ACCOUNTING POLICIES (CONTINUED)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:
`

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables: exchange	Financial asset measured at amortised cost
Trade and other receivables: non-exchange	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:
`

Class	Category
Trade and other payables: exchange	Financial liability measured at amortised cost
Trade and other payables: non-exchange	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value (if subsequently measured at fair value).

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets are measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses, are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expired or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial

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FOR THE YEAR ENDED 31 MARCH 2017

ACCOUNTING POLICIES (CONTINUED)

liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-Exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Tax

No provision has been made for taxation, as the SETA is exempt from income tax in terms of Section 10 of the Income Tax Act.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Inventory primarily comprise of consumables and office stationery that is not used at year end.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.
Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the entity; or

(b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.10 Reserves

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

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

- Administration reserve
- Employer grant reserve
- Discretionary reserve

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

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ACCOUNTING POLICIES (CONTINUED)

Purpose of total SDL payments from employer	% Allocation 15/16	% Allocation 16/17
Administration costs of the SETA	10.50 %	10.50 %
Mandatory grants	20.00 %	20.00 %
Discretionary grants and projects	49.50 %	49.50 %
	80.00 %	**80.00 %**

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

Interest and penalties received from SARS are utilised for discretionary grants. Other income received is utilised in accordance with the original source of the income.

The net surplus/(deficit) is allocated to the administration reserve, the mandatory grant reserve and the discretionary fund reserve based on the above. The amount retained in the administration reserve equates to the net book value of property, plant and equipment and intangible assets. Excess cash reserves are transferred to the discretionary reserve.

Surplus funds in the employer grant reserve are transferred to the discretionary reserve at the end of the financial year. An amount is retained in the employer grant reserve to pay for projects that are committed at year end as per the commitments register.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.12 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements and these include discretionary grant contracts that are non-cancellable or only cancellable at significant cost.

The commitment value is calculated using the contract value less any payments or adjustments. Contracts are removed in the commitments register when the LGSETA has no contractual obligation to another party due a cancellation, expiry of contract or discharge of contractual obligations under the contract.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

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 SETA pay a skills development levy (SDL) of 1% of the total payroll cost to the South African Revenue Services (SARS).

80% of SDL are paid over to the SETA (net of the 20% contribution to the National Skills Fund).

SDL income is recognised on the accrual basis.

The SETA refunds amounts to employers in the form of grants, based on information received from SARS. Where SARS retrospectively amends the information on SDL collected, it may result in grants that have been paid to certain employers that are in excess of the amount the SETA 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 over payment, net of bad debts and provision for irrecoverable amounts.

Revenue is adjusted for inter SETA transfers due to employers changing SETAs. Such adjustments are separately disclosed as inter SETA transfers. The amount of the inter SETA adjustment is calculated according to the Standard Operating Procedures issued by the Department of Higher Education & Training (DHET) on 15 May 2007.

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ACCOUNTING POLICIES (CONTINUED)

When a new employer is transferred to the SETA, the SDL transferred by the former SETA are recognised as revenue and allocated to the respective category to maintain its original identity. The SDL transfer is measured at the fair value of the consideration received.

SDL income is recognized when it is probable that future economic benefits will flow to the SETA and these benefits can be measured reliably. This occurs when the DHET either makes an allocation or payment, whichever comes first, to the SETA, as required by Section 8 of the Skills Development Levies Act, 1999 (Act No. 9 of 1999).

Penalties and Interest

Interest and penalties on SDL is recognised on the earlier of the time the DHET makes the allocation or payment of the funds in the bank account of the SETA.

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 received are recognised when the amounts have been received.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in Section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury Practice Note no. 4 of 2008/2009 which was issued in terms of Sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year-end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.21 Budget information

The entity are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/04/01 to 2016/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.22 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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FOR THE YEAR ENDED 31 MARCH 2017

ACCOUNTING POLICIES (CONTINUED)

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.24 Grants and project expenditure

Grants and project expenditure

A registered company may recover its total SDL payment by complying with the grant criteria in accordance with the Skills Development Regulations issued in terms of the Skills Development Act 1999 (Act No 9 of 1999).

Mandatory grants

The grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed form within the agreed upon cut-off period and the application has been approved as the payment then becomes probable. The grant is equivalent to 20% of the total SDL paid by the employer during the corresponding financial period for the skills grant.

Discretionary grants

A SETA may out of any surplus monies determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period. The grant payable and the related expenditure are recognised when the application has been approved to the extent that the conditions of the grant have been met and the services have been rendered (substance over form is applied to ensure that minor administrative compliance deliverables do not result in a deviation from the accrual principle to which these financial statements are prepared).

1.25 Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by LGSETA. The major classifications of activities identified in budget documentation will usually reflect the segments for which LGSETA reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of LGSETA that provides specific outputs or achieves particular operating objectives that are in line with LGSETA's overall mission. LGSETA's service segments are mandatory, discretionary and adminstration activities. Geographical segments relate to specific outputs generated, or particular objectives achieved, by LGSETA within a particular region.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

Amendments to the following standards of GRAP became effective for financial periods commencing on or after 1 April 2016:

- GRAP 16 – Investment property(not Applicable)
- GRAP 17 – Property, plant and equipment(Applied dueing the financial period)

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The standard is unlikely that the standard will have a material impact on the LGSETA's annual financial statements.

GRAP108: Statutory receivables

The objective of this standard is: To prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The standard is unlikely that the standard will have a material impact on the LGSETA's annual financial statements.

IGRAP 17: Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time.

The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance. The standard is unlikely that the standard will have a material impact on the LGSETA's annual financial statements.

GRAP 109: Accounting by principals and agents:

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance. The standard is unlikely that the standard will have a material impact on the LGSETA's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.
This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

The effective date of the standard is not yet set by the Minister of Finance This starndard will has a material impact to the LGSETA as it is applicable and relevant.

3. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture and fittings	4 137	(2 135)	2 002	3 688	(1 914)	1 774
Office equipment	1 322	(697)	625	954	(633)	321
Computer equipment	6 119	(3 266)	2 853	3 853	(2 821)	1 032
Leasehold improvements	234	(53)	181	-	-	-
Total	**11 812**	**(6 151)**	**5 661**	**8 495**	**(5 368)**	**3 127**

Reconciliation of property, plant and equipment - 2017

	Opening Balance	Additions	Disposals	Depreciation	Impairment loss	Total
Office furniture and fittings	1 774	754	(119)	(394)	(13)	2 002
Office equipment	321	412	(18)	(82)	(8)	625
Computer equipment	1 032	2 680	(37)	(816)	(6)	2 853
Leasehold improvements	-	235	-	(54)	-	181
	3 127	**4 081**	**(174)**	**(1 346)**	**(27)**	**5 661**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Office furniture and fittings	2 593	91	(15)	(895)	1 774
Office equipment	1 025	229	(512)	(421)	321
Computer equipment	1 085	937	(36)	(954)	1 032
	4 703	**1 257**	**(563)**	**(2 270)**	**3 127**

Other information

The following assets were written off during the financial year:

Assets with a cost price of R232 768.00 and an accumulated depreciation of R205 488.80 were identified as not working during the asset count that was conducted during the current financial year and an impairment loss of R27 279.27 was recognised in profit and loss.

Assets costing R2 726 483.88 (2016: R 2 726 483.88) that have a zero carrying value are still in use.

Refer to note number 31 for changes in accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

4. INTANGIBLE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Software licence	-	-	-	-	-	-
Computer software	2 595	(2 055)	540	2 228	(1 899)	329
Total	**2 595**	**(2 055)**	**540**	**2 228**	**(1 899)**	**329**

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	329	317	(106)	540

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	206	372	(249)	329

5. CASH AND CASH EQUIVALENTS

	2017 R'000	2016 R'000
Cash and cash equivalents consist of:		
Petty cash on hand	1	4
Bank balances	233 234	156 120
Short-term deposits and call accounts	354 858	451 938
	588 093	**608 062**
Current assets	588 093	608 062
Current liabilities	-	-
	588 093	**608 062**

As required in terms of the LGSETA investment policy banks acounts are held limited to the financial institutions that are approved by National Treasury.

Cash and cash equivalents comprise of cash on hand, bank balances and short term fixed deposits held on call with banks.

6. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2017 R'000	2016 R'000
Mandatory grant receivables/recoveries	1 923	2 749
Bad debt provision	(360)	-
Discretionary grant receivables	360	360
	1 923	**3 109**

Receivables from non-exchange transactions impaired

As of 31 March 2017, other receivables from non-exchange transactions of R360 000.00 (2016: R0) were impaired and provided for.

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	-	-
Provision for impairment (increase) decrease	360	-
	360	**-**

7. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Staff debtors	14	-
Deposits - Lease Agreement	674	492
Prepaid expenses	419	153
Other Receivables	1 778	434
Interest Receivable	1 748	3 998
Allowance for uncolectable debts	(464)	-
	4 169	**5 077**

Trade and other receivables impaired

As of 31 March 2017, trade and other receivables of R464 397.97 - (2016: R0.00 -) were impaired and provided for. The amount of the provision was R464 397.97 - as of 31 March 2017 (2016: R0.00 -).

The ageing of these loans is as follows:

3 to 6 months	-	-
Over 6 months	464	-

Reconciliation of provision for impairment of trade and other receivables

Opening balance	-	-
Provision for impairment	464	-
Amounts written off as uncollectible	-	-
Unused amounts reversed	-	-
	464	**-**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 19).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

8. INVENTORIES

	2017 R'000	2016 R'000
Stationery and other consumables	153	174
Inventories recognised as an expense during the year		
Printing and stationary cost expense	1 591	1 713

Inventory comprises of office stationary, printing paper and other consumables.

	2017 R'000	2016 R'000
Inventories reconciliation		
Opening carrying amount	174	152
Purchases	1 570	1 735
Amount utilised	(1 591)	(1 713)
	153	**174**

9. OPERATING LEASE LIABILITY

	2017 R'000	2016 R'000
Non-current liabilities	-	-
Current liabilities	(101)	(135)
	(101)	**(135)**

The operating lease liability is the differnce between the actual lease instalments, as per the lease agreement, and the equalised lease instalment as per GRAP 13: Leases.

10. TRADE AND OTHER TRADE PAYABLES FROM EXCHANGE TRANSACTIONS

	2017 R'000	2016 R'000
Trade payables	4 374	4 763
Accrued expense: Administrative expenses	891	692
Employee cost payables	352	258
	5 617	**5 713**

11. PROVISIONS

Reconciliation of provisions: 2017

	Leave pay	Levies from exempt companies	Contract provision	Total
Opening balance	2 299	437	17 500	20 236
Amount utilised in profit and loss	(1 600)	(88)	(17 500)	(19 188)
Additions	1 944	182	-	2 126
	2 643	**531**	**-**	**3 174**

Reconciliation of provisions: 2016

	Leave pay	Levies from exempt companies*	Contract provision	Total
Additions	2 299	437	17 500	20 236

Leave provision: This provision is based on the number of leave days that are due to the employee at reporting date.

Contract provision: LGSETA has acknowledged the liability of R17 500 000 in the court papers arising from the dispute between Joint Venture Partners (Wits Business School and Hlaniki Investment Holdings CC). The SETA entered into an agreement with the Joint Venture for the training of Municipality Officers. The joint venture partners have agreed to settle the matter out of court and the LGSETA paid the final settlemet value of R17 500 000 in 2016/17 finacial year.

Exempt Levy payer provision: During the financial year the SETA received SDL income from companies whose gross salary cost is less than R500 000.00. DHET issued guidiance to all SETA's indicating that these funds must continue to be accounted for a liabilities for a period of 5 years unless if the related companies claim back these funds during this 5 year period.

Thereafter the SETA can recognise these funds as income if they are not claimed. At 31 March 2017 the amount claimable is R 530 782(2016: R 437 209)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

12. TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS

Trade payables from non- exchange transactions relate to mandatory and discretionary grant liabilities.

	2017 R'000	2016 R'000
Non-exchange payables are as follows:		
Discretionary payables	2 950	14 555
Discretionary grant accruals	56 268	18 813
Project Creditors	25 195	82 659
Inter-SETA payables - non-exchange	22	22
Mandatory Grants payables	41 413	18 368
	125 848	**134 417**

13. OTHER INCOME

Tender documents and other income	**756**	**858**

14. INTEREST RECEIVED

Interest revenue		
FInance Income for the period	**40 525**	**33 815**

LGSETA generates its investment income from approved banks in line with Treasury Regulation 31.2, National Treasury (ABSA and Rand Merchant Bank).

15. SKILLS DEVELOPMENT LEVY (SDL) REVENUE

Administration - SDL income	72 089	66 812
Mandatory grant - SDL income	135 661	127 812
Discretionary grants - SDL income	342 160	314 475
	549 910	**509 099**

16. SDL PENALTIES AND INTEREST RECEIVED

Skills development levy interest income	4 164	6 275
Skills development levy penalty income	6 449	8 144
	10 613	**14 419**

17. EMPLOYEE RELATED COSTS

	2017 R'000	2016 R'000
Basic	42 636	27 471
Bonus	724	242
Medical aid - company contributions	1 281	470
UIF	171	118
SDL	434	302
Leave pay provision charge	165	251
Defined contribution plans	4 745	1 938
Leave adjustment	350	807
Relocation costs	550	15
	51 056	**31 614**

18. EMPLOYER GRANT AND PROJECT EXPENSES

Discretionary Grant Expenses		
Non-pivotal skills project costs	36 769	48 461
Non-pivotal skills project expenses	6 358	21 894
Pivotal skills administrative expenses	7 445	6 748
Pivotal skills project expenses	309 745	240 632
	360 317	**317 735**
Mandatory grant expenditure		
Mandatory grant to employers	134 393	112 814
Employer grant and project expenses for the period	**494 714**	**429 887**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

19. GENERAL EXPENSES

	2017 R'000	2016 R'000
Internal audit fees	463	1 936
Advertising	925	480
Auditors remuneration	3 647	5 357
Bank charges	268	56
Audit committee remuneration	388	399
Legal expenses	1 111	977
Consumables	110	85
Board fees and expenses	1 404	620
Staff Study Fees	517	290
Provision for bad debts	824	-
Insurance	320	428
Conferences, venue hire and catering	1 528	1 754
Parking	757	470
IT expenses	222	42
License costs	694	166
Marketing and communications	2 213	2 109
Repairs and maintenance	110	124
Consultant fees	6 325	10 047
Postage and courier	324	414
Printing and stationery cost	1 591	1 713
Staff recruitment costs	492	126
Staff welfare	151	195
Telephone and fax	1 506	1 828
Staff training and development costs	545	131
Travel costs	8 136	5 521
Accomodation	3 853	1 128
Water, electricity, rates and taxes	1 051	760
Other expenses	80	322
QCTO costs	2 646	1 656
Operating lease costs	5 667	4 612
	47 868	**43 746**

20. RELATED PARTIES

Relationships

Controlling Entity	Department of Higher Eduacation and Training
Entities with a representative serving on LGSETA's Accounting Authority	**Members of the Accounting Authority**
COGTA	Mr. Lerumo Morule
	Mr. Tebogo Motlashuping
IMATU	Ms. Stephanie Anna-Leigh Gray
	Mr. Barend Johannes Koen
SALGA	Mr. Rio Nolutshungu
	Mr. Xolile George
	Ms. Nomakhosazana Meth
	Mr. Nakampe Francis Ratlhaga
SAMWU	Mrs. Portia Lindi
	Mr. Cromwell Sipho Nhemo
	Mr. Pule Molalenyane
	Ms. Nonceba Mbilini
Independent	Dr. Michael Sutcliffe (Chairman)
	Ms. Vuyokazi Ngwenya
Other SETAs	Parent entity is the Department of Higher Education and Training therefore all SETAs are under same control
QCTO	Entity under same control
NSF	Entity under same control

Related party balances

Transactions with other SETAs

During the year members of the accounting authority and employees were required to disclose their interest in any contracts that the LGSETA is entering into with an outside party. As a result the LGSETA entered into the following transactions with organisations represented by the following Accounting Authority members and other related party entities:

	2016 R'000	2016 R'000
Administration expenses		
PIC	3 954	3 696
ETDP SETA(Salary expense)	1 124	-
QCTO	2 646	1 656
SAQA	-	7 500
Other Income		
ETDP SETA Mandatory Grant	38	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

20. RELATED PARTIES (CONTINUED)

Related party	Transaction type	Expenditure 2017	Commitment 2017	Expenditure 2016
COGTA	Discretionary grants	1 242	4 458	990
SAMWU	Discretionary grants	1 109	9 981	975
IMATU	Discretionary grants	140	1 650	400
SALGA	Discretionary and Mandatory grants	1 567	35 127	10 133
DHET	Admnistration	-	-	92
SAQA		-	-	8
ETDP SETA	Staff Training	-	-	136
Subtotal	-	4 058	51 216	12 734
		4 058	**51 216**	**12 734**

*P/L is the transaction value recognised in profit and loss

The above transactions occurred under terms that were no less favourable than those available in similar arm's length dealings.

Key management information

Board and committee remuneration

2017	Attendance fee	Total
Board members		
Dr MO Sutcliffe (Chairman)	241	241
Mrs TP Lindi	47	47
Ms NA Mbilini	162	162
Mr PS Molalenyane	58	58
Mr CS Nhemo	16	16
Mrs V Ngwenya	139	139
Ms SA Gray	212	212
Mr BJ Koen	214	214
Ms N Meth	35	35
Mr PR Nolutshungu	141	141
Mr NF Ratlhaga	135	135
Mr XC George	90	90
Audit Committee		
Mr M Mamotheti	177	177
Ms N Gxumisa	79	79
Mr T Kgokolo	45	45
Mrs B Majova-Nkomo	63	63
	1 854	**1 854**

20. RELATED PARTIES (CONTINUED)

2016	Attendance fee	Total
Board members		
Dr MO Sutcliffe (Chairman)	78	78
Mrs TP Lindi	45	45
Ms NA Mbilini	64	64
Mr PS Molalenyane	45	45
Mr CS Nhemo	38	38
Mrs V Ngwenya	45	45
Ms SA Gray	68	68
Mr BJ Koen	61	61
Ms N Meth	23	23
Mr PR Nolutshungu	53	53
Mr NF Ratlhaga	61	61
Mr XC George	38	38
Audit Committee	165	165
Mr M Mamotheti		
Ms N Gxumisa	90	90
Mr T Kgokolo	54	54
Mrs B Majova-Nkomo	90	90
	1 018	**1 018**

Executive management

2017	Basic salary	Allowances	Company contributions	Total
Chief Executive Officer	1 612	32	324	1 968
Chief Finance Officer*	1 065	30	136	1 231
Chief Operations Officer*	669	5	112	786
Corporate Services Executive	1 074	28	135	1 237
Strategy and Planning Executive	1 327	12	135	1 474
Senior Manager: Monitaring and Evaluation	780	12	163	955
	6 527	**119**	**1 005**	**7 651**

* Appointed during the 16/17 financial year.

2016	Basic salary	Allowances	Company contributions	Total
Chief Executive Officer	1 548	-	-	1 548
Chief Operations Officer	921	42	-	963
Corporate Services Executive	887	-	-	887
Strategy and Planning Executive	899	-	-	899
Senior Manager: Monitaring and Evaluation	753	-	86	839
	5 008	**42**	**86**	**5 136**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

21. PRIOR PERIOD ERRORS

The following prior period errors were identified and corrected retrospectively in the period affected by the error:

1. Provision for leave(R2 298 000.00) and the provision exemt grant levy payers (R437 000.00) were re-clasified from trade payables non-exchanges to provisions to ensure compliance with GRAP.
2. Prepayments and advances, amounting to R152 710.00, were previously disclosed as a seperate line item on the face of the statement of financial position in the prior and have now been restated and disclosed as part of trade and other receivables- exchange.
3. The cash flow statement for the prior year was re-stated to correct the values disclosed and ensure compliance with GRAP. These corrections were neccesary when taking into account that payments to suppliers was previously disclosed as a net inflow of R41 695 743.00 when the correct value is a net outflow of R41 942 000.00

All these errors were corrected retrospectively and the impact of the correction is as follows:

	2017 R'000	2016 R'000
Statement of Financial Position		
Increase in provision	-	(2 735)
Decrease in non-exchange trade payables	-	437
Increase in trade payables: Non-exchange	-	2 298
	-	-
Cash flow statement		
Cash flow from operating activities		
Interest income	-	(1 265)
Grants and project payments	-	84 902
	-	**83 637**
Payments to suppliers and other	-	**(83 637)**

22. CASH (USED IN) GENERATED FROM OPERATIONS

	2017	2016
Surplus/ (deficit)	6 422	50 361
Adjustments for:	1 746	
Depreciation and amortisation		2 584
Movements in operating lease assets and accruals	(35)	-
Changes in working capital:		
Inventories	21	-
Receivables from exchange transactions	908	881
Other receivables from non-exchange transactions	1 185	4 427
Trade and other trade payables from exchange transactions	(99)	4 492
Trade and other payables from non-exchange transactions	(25 719)	74 374
	(15 571)	**137 119**

23. ALLOCATION OF NET SURPLUS

2016/17	Administration reserve	Employer reserve mandatory grants	Discretionary reserve	Total per statement of performance
Total income				
SDL revenue	72 118	135 624	342 168	549 910
SDL penalties and interest received	-	-	10 613	10 613
Other revenue	756	-	-	756
Finance income	-	-	40 525	40 525
Total income	72 874	135 624	393 306	601 804
Total expenses				
Other administrative expenses	(39 337)	-	(8 531)	(47 868)
Depreciation and amortisation	(1 745)	-	-	(1 745)
Employer grants and project expenses	-	(134 393)	(360 320)	(494 713)
Employee related costs	(23 075)	-	(27 981)	(51 056)
	8 717	**1 231**	**(3 526)**	**6 422**

2015/16	Administration reserve	Employer reserve mandatory grants	Discretionary reserve	Total per statement of performance
Total income				
SDL revenue	66 811	127 813	314 475	509 099
SDL penalties and interest received	-	-	14 419	14 419
Other revenue	-	-	858	858
Finance income	-	-	33 815	33 815
Subtotal	66 811	127 813	363 567	558 191
Total Expenses				
Administration expenses	(45 062)	-	-	(45 062)
Employer grants and project expenses	-	(112 814)	(317 735)	(430 549)
Employee related costs	(32 219)	-	-	(32 219)
	(10 470)	**14 999**	**45 832**	**50 361**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

24. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

	At amortised cost	Total
2017		
Financial assets		
Trade and other receivables from exchange transactions	4 169	4 169
Trade and other payables from non-exchange transactions	1 923	1 923
Cash and cash equivalents	588 093	588 093
	594 185	**594 185**
Financial liabilities		
Trade and other payables from exchange transactions	(5 616)	(5 616)
Trade and other payables from non-exchange transactions	(125 848)	(125 848)
	(131 464)	**(131 464)**
2016		
Financial assets		
Trade and other receivables from exchange transactions	5 077	5 077
Other receivables from non-exchange transactions	3 109	3 109
Cash and cash equivalents	608 062	608 062
	616 248	**616 248**
Financial liabilities		
Trade and other payables from exchange transactions	(5 713)	(5 713)
Taxes and transfers payable (non-exchange)	(134 416)	(134 416)
	(140 129)	**(140 129)**
Financial instruments in statement of financial performance		
2017		
Interest income (calculated using effective interest method) for financial instruments at amortised cost	**40 525**	**40 525**
2016		
Interest income (calculated using effective interest method) for financial instruments at amortised cost	**33 815**	**33 815**

25. RISK MANAGEMENT

Financial risk management

In the course of the SETA operations it is exposed to interest rate, credit, liquidity and market risk. The SETA has developed the Investment Policy to ensure that we manage the financial risk related to financial intruments and investments. The risk management process relating to each of these risks is discussed under the headings below.

Liquidity risk

The SETA manages liquidity risk through proper management of working capital, capital expenditure. Adequate reserves and liquid resources are maintained.

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	More than 2 years
2016/17					
Trade and other trade payables from exchange transactions	(5 616)	(5 616)	(5 616)	-	-
Trade and other payables: Non-exchange	(125 848)	(125 848)	(125 848)	-	-
	(131 464)	**(131 464)**	**(131 464)**	**-**	**-**
2015/16					
Trade and other trade payables from exchange transactions	(5 713)	(5 713)	(5 713)	-	-
Trade and other payables: Non-exchange	(134 416)	(134 416)	(134 416)	-	-
	(140 129)	**(140 129)**	**(140 129)**	**-**	**-**

Credit risk

Financial assets, which potentially subject the SETA 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, investments and accounts receivable. The maximum exposure to credit risk is equal to the carrying amount of the financial instruments.Trade receivables have been adequately assessed for impairment.

Financial assets exposed to credit risk at year-end were as follows:

Financial instrument	2017	2016
Receivables from exchange transactions	4 169	5 077
Cash and cash equivalents	588 093	608 062
Receivables from non-exchange transactions	1 923	3 109

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

25. RISK MANAGEMENT (CONTINUED)

	Current	30 to 60 days	60 - 90 days	90 to 120 days	More than 120	Carrying Amount
2016/17						
Age Analysis						
Receivables from exchange transactions	3 062	-	-	-	1 107	4 169
Cash and cash equivalents	588 093	-	-	-	-	588 093
Receivables from non- exchange transactions	-	-	-	-	1 923	1 923
Gross before impairment	591 155	-	-	-	3 030	594 185
	591 155	**-**	**-**	**-**	**3 030**	**594 185**
2015/16						
Age Analysis						
Receivables from exchange transactions	-	-	-	-	5 077	5 077
Cash and cash equivalents	608 062	-	-	-	-	608 062
Receivables from non- exchange transactions	-	-	-	-	3 109	3 109
Gross before impairment	608 062	-	-	-	8 186	616 248
	608 062	**-**	**-**	**-**	**8 186**	**616 248**

The SETA limits its counter-party exposure by only dealing with well-established financial institutions approved by National Treasury and in terms of the LGSETA Investment policy. In terms of this policy all investments are monitored by the LGSETA Finance and Operation Committee(FINCO) on a continouse basis. Credit risk with respect to SDL paying employers is limited due to the nature of the income received. The SETA does not have any material exposure to any individual or counter-party. The SETA's concentration of credit risk is limited to the industry in which the SETA operates.

No significant events occurred in the 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 allowance for doubtful debt.

Interest rate risk

The SETA manages its interest rate risk by investing in the financial institutions approved by National Treasury. The SETA's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

	Interest bearing amount	Effective interest rate	Non-interest bearing amount
2016/17			
Financial assets			
- Receivables from exchange transactions	-	- %	2 234
- Cash and cash equivalents	588 093	6.77 %	-
- Receivables from non-exchange transactions	-	- %	1 923
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	- %	(5 616)
- Trade and other payables (non-exchange)	-	- %	(125 848)
	588 093	**6.77 %**	**(127 307)**
2015/16			
Financial assets			
- Receivables from exchange transactions	-	- %	5 077
- Cash and cash equivalents	608 062	6.00 %	-
- Receivables from non-exchange transactions	-	- %	3 109
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	- %	(5 713)
- Trade and other payables (non-exchange)	-	- %	(134 416)
	608 062	**6.00 %**	**(131 943)**

25. RISK MANAGEMENT (CONTINUED)

Fair value and market risk

Market risk

The SETA 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 SETA is aware of.

Fair values

The SETA's financial instruments consist mainly of cash and cash equivalents, account and other receivables, and account and other payables. No financial instruments were carried at an amount in excess of its fair value.

No financial asset 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: The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets.

Accounts receivable: The carrying amount of accounts receivable, net of allowance for impairment, approximates fair value due to the relatively short-term maturity of these financial assets. Interest is levied at the prescribed rate as determined by the Act should employers pay SDL late. This interest is then transferred to the SETA via DHET.

Accounts payable: The carrying amount of account and other payables approximates fair value due to the relatively short-term maturity of these financial liabilities.

26. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of Fruitless and Wasteful Expenditure

	2017 R'000	2016 R'000
Opening Balance	162	949
Incurred during the year	-	162
Correction adjustments(amounts revoked by SARS)	(149)	-
Amount condoned	(13)	(949)
	-	**162**

Interest and penalties amounting to R147 000.00 were revoked by SARS due to incorrect billing and this was reversed from the balance of fruitless and wasteful expenditure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

27. IRREGULAR EXPENDITURE

	2017 R'000	2016 R'000
Opening balance	-	2 396
Less: Amounts condoned operations 2014/15	-	(2 396)
	-	-

No irregular expenditure has been incured during the 16/17 financial year.

28. CONTINGENCIES

Labour matters

At 31 March 2017 the LGSETA had 4 outstanding labour disputes with its employees. These matters are before the CCMA and the Labour Court and the total exposure to these matters is R5.6m. Due to the sensitivity of these matters further details of these matters is available from the LGSETA registered office.

Surplus funds

In terms of section 53 (3) of the PFMA, public entities listed in Schedule 3A and 3C to the PFMA may not retain cash surpluses that were realized in the previous financial year without obtaining the prior written approval of National Treasury. During September 2015, National Treasury Issued Instruction No. 6 of 2017/18 which gave more detail to the surplus definition. According to this instruction, a surplus is based on the cash flow from operating activities and net investing activities in financial assets.

As of the 31st March 2016 the LGSETA has a net deficit, calculated as follows:

Calculation of surplus		
Cash and cash equivalents at year end	588 093	-
Add Receivables	6 092	-
less liabilities	(131 464)	-
Less commitment	(477 552)	-
Cash flow from net investing Activities in Financial Assets	-	-
	(14 831)	**-**

29. COMMITMENTS

2016/17 Intervention	Closing Balance 2016 R	Prior Year Adjust-ments 2015/16 R	Restated Balance 2016 R	Adjust-ments/ Addendums 2016/17 R	New Contracts 2016/17 R	Project Expenses 2016/17 R	Cancelled/ Closed 2016/17 R	Closing Balance as at 31 March 2017 R
AET	9 869	-	9 868	2 377	6 315	(5 041)	(85)	13 434
Apprenticeship	132 272	-	132 272	7 503	45 762	(71 283)	(587)	113 667
Bursaries	20 615	(497)	20 118	40 380	36 825	(38 361)	(4 019)	54 943
Education and Training Quality Assurance	4 061	-	4 061	213	12 578	(9 225)	-	7 627
Internships	7 051	-	7 051	2 328	13 218	(9 754)	(630)	12 213
Learnerships	156 671	16 147	172 818	67 105	106 032	(145 846)	(12 931)	187 178
Sector Skills Planning	4 650	350	5 000	559	1 688	(6 247)	-	1 000
WIL	64 890	-	64 890	11 202	19 522	(44 432)	(571)	50 611
Skills Programme	51 330	(16 000)	35 330	358	17 021	(18 843)	(949)	32 917
Policy and Research	1 448	-	1 448	39	11 286	(12 320)	-	453
RPL Assessment	-	-	-	-	2 650	(330)	-	2 320
Candidacy Programme	-	-	-	-	2 400	(1 200)	-	1 200
Totals	**452 856**	**-**	**452 856**	**132 063**	**275 287**	**(362 882)**	**(19 772)**	**477 552**

The balance of the commitments as at 31 March 2017 is R477 552 000.00 and the balance of the commitments will be funded from the Discretionary Grant Reserves, which at 31 March 2017, have a balance of R459 599 000.00. As per Discretionary Grant regulations, more than 95% of the Discretionary Grant Reserve has been contracted as at 31 March 2017.

2015/16 Intervention	Closing Balance 2015	Adjustments / Addendums 2015/16	New Contracts 2015/16	Project Expenses 2015/16	Cancelled/ Closed in March 2015/16	Closing Balance as at 31 March 2016
AET	20 739	-	2 875	(10 484)	(3 262)	9 868
Apprenticeship	138 086	-	38 537	(40 192)	(4 159)	132 272
Bursaries	145	1	47 301	(24 704)	(2 128)	20 615
Education and Training Quality Assurance	1 884	5 160	770	(2 557)	(1 196)	4 061
Internships	19 288	874	12 566	(17 598)	(8 078)	7 052
Learnerships	248 093	13 640	166 127	(161 283)	(109 907)	156 670
Sector Skills Planing	9 328	-	7 559	(9 438)	(2 809)	4 640
WIL	29 255	151	90 654	(29 877)	(25 294)	64 889
Skills Programme	-	-	59 718	(2 458)	(5 930)	51 330
Policy and Research	7 626	-	6 516	(12 694)	-	1 448
Totals	**474 444**	**19 827**	**432 632**	**(311 284)**	**(162 763)**	**452 856**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

29. COMMITMENTS (CONTINUED)

29.1 Split between Pivotal and Non Pivotal Projects

The Discretionary Grant regulations require that at least 80% of the Discretionary budget be allocated to Pivotal Projects. In 2015/2016, LGSETA had allocated 80% of projects to pivotal and 20% to non pivotal.

29.2 Operating leases - as lessee (expense)

	2017 R'000	2016 R'000
Minimum lease payments due:		
- within one year	5 628	1 856

Operating lease payments represent rentals payable by the entity are office buildings for the Head Office and the 9 provincial offices accross the country. All the lease agreements of the LGSETA expire within 12 months from the end of the financial year(31 March 2017). No contingent rent is payable.

30. BUDGET DIFFERENCES

Variances between the approved budget amounts and actual amounts can be analysed as follows:

30.1 SDL penalty and interest income (Favourable)

Income from penalties and interest arise when employers fail to submit their returns as required by legislation. These amounts typically vary significantly year-on-year. The full balance is made available for Discretionary Grant projects and the LGSETA received more income in this regard than was budgeted by R5.6m

30.2 Investment Income (Favourable)

Investment income increased significantly during the financial year despite the decline in cash equivalent balances. The increase is mainly due to better management and investment of cash surpluses and thus resulting to an increased effective interest rate of return. Refer to the note on financial instruments.

30.3 Employee Cost (Unfavourable)

Employee costs increased significantly during the financial year and this was largely due to the following:

- All executive positions and other key positions were filled in the current financial year
- 3 new provincial offices were opened during the financial year
- The Internal Audit function as well as the Finance Department were previously outsourced in the prior year and for 6 months of the current financial period. At the end of 31 March 2017, both these functions were fully insourced.

The overall variance in the salary cost is R12m (Actual expenditure: R51.2m less Budget: R39.2m)

30. BUDGET DIFFERENCES (CONTINUED)

30.4 Operating Lease (Favourable)

A favourable variance of R2.5m is mainly due to the cost savings in our lease agreements together with offices that were opened for during the financial year and thus expensed for less than 12 months. 3 Provincial offices were opened during the financial year and the cost of these lease agreements was less than budgeted.

30.5 Consulting costs (Unfavourable)

Consulting services for the outsourced Finance Department services terminated during the financial year. The contract was extended to allow for the completion of the 15/16 audit as well as to ensure that there is a handover process.

30.6 Travel and accommodation cost (Unfavourable)

The overall travel, accommodation and venue hire cost reflects an Unfavourable variance of R3.4m. The main reason for the increase in travel costs are:

- Increased stakeholder engagement initiatives to drive the LGSETA strategy and plan
- The new LGSETA Board conducted stakeholder roadshows in all the 9 provinces to improve visibility of the LGSETA, create awareness of the new priority areas and encourage participation by stakeholders on LGSETA training programmes and initiatives. These Board interventions were mainly focused on Municipal Managers and Mayors of Municipalities as well as other provincial leadership structures in Government.
- Internal stakeholder and staff meetings were also increased to ensure that the new strategy is communicated and shared with all employees of the LGSETA.
- Improved monitoring of projects was also maintained throughout the financial year.

Despite all these factors that contribute to the overall increase of travel cost, the LGSETA management has implemented internal controls and policies (including the National Treasury instructions) on cost containment and positive benefits have been realised.

30.7 Audit fees (Favourable)

The overall cost saving in internal (R0.5m) and external audit services (R1.4m) is mainly due to improvement to the audit process and outcomes as well a re-strutting of the audit fee. The internal audit function was also insourced during the financial year.

30.8 Other Expenses (Favourable)

Depreciation and other accounting expenses were less than expected resulting to a favourable variance of 31% against budget of R5m. Actual asset additions amounted to R4.4m and these were capitalised as property, plant and equipment and intangible assets.

30.9 General expenses (Unfavourable)

General expenses include staff recruitment and welfare costs, Board fees and venue hire costs. The unfavourable variance of R2.5m is mainly due to venue hire costs due to the Stakeholder Strategic sessions as well as improved staff welfare initiatives (bursaries) and also the recruitment costs that increased due to the filling of key vacancies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

30. BUDGET DIFFERENCES (CONTINUED)

30.10 Discretionary Grant (Favourable)

Total discretionary grant spending remained within budget and reflected a favourable variance of 6%. Project administrative costs administrative costs reflect a negative variance of R9.6m and this is largely due to increased employee cost for employees directly involved in Grant administrative functions. Refer to note on salary variance above.

31. CHANGE IN ESTIMATE PROPERTY, PLANT AND EQUIPMENT

The estimated useful life and the residual values of property and plant assets was revised by management during the year taking into account the physical condition and expected usage of the asset. The residual values of assets was revised to Rnil as past pactice has provided objective evidence that the selling values of our assets at the end of their useful life is norminal. The impact of the change is a decrease in depreciation for the current year amounting to R490 367.34 and the depreciation expense for future periods is expected to increase by the same amount.

32. EVENTS AFTER THE REPORTING DATE

Management considered events that occured after reporting date and is satisfied that there are no material events that affected the LGSETA or the reported transactions and disclosures in these financial statements.

33. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Minister of Higher Education and Training has approved a Government Gazette, notice number 1570 dated 15 December 2016, to extend SETA licence until 31 March 2020.

34. SEGMENT INFORMATION

Segment surplus or deficit, assets and liabilities

LGSETA reports to management on the basis of three functional segments namely; administration, mandatory and discretionary. Management uses these segments in determining strategic objectives and allocating resources.

The reporting of these segments is also appropriate for external reporting purposes.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The geographical segments have not been disclosed as the necessary information required is not readily

34. SEGMENT INFORMATION (CONTINUED)

available and the cost to develop would be excessive.

2017				
Revenue	Administration	Mandatory	Discretionary	Total
Revenue from non-exchange transactions				
SDL: Income	72 118	135 624	342 168	549 910
SDL: Penalties and interest	-	-	10 613	10 613
Revenue from exchange transactions				
Other income	756	-	-	756
Interest revenue	-	-	40 525	40 525
Total segment revenue	**72 874**	**135 624**	**393 306**	**601 804**
Entity's revenue				**601 804**
Expenditure				
Employee cost	23 075	-	27 981	51 056
Deprecation and amortisation	1 745	-	-	1 745
Other administration expenses	39 337	-	8 531	47 868
Employer grant and project expenditure	-	134 393	360 320	494 713
Total segment expenditure	**64 157**	**134 393**	**396 832**	**595 382**
Total segmental surplus/(deficit)				**6 422**
Assets				
Non-current assets	6 201	-	-	6 201
Consumables	153	-	-	153
Receivables from exchange transactions	4 169	-	-	4 169
Receivables from non-exchange transactions	-	1 923	-	1 923
Cash and cash equivalents (unallocated asset)	588 093	-	-	588 093
Total segment assets	**598 616**	**1 923**	**-**	**600 539**
Total assets as per statement of financial position				**600 539**
Liabilities				
Trade and other payables from non-exchange	12	41 413	84 423	125 848
Trade and other payables from exchange transactions	5 616	-	-	5 616
Provisions	3 173	-	-	3 173
Operating Lease Liability	101	-	-	101
Total segment liabilities	**8 902**	**41 413**	**84 423**	**134 738**
Total liabilities as per statement of financial position				**134 738**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

34. SEGMENT INFORMATION (CONTINUED)

2016				
Revenue	Administration	Mandatory	Discretionary	Total
Revenue from non-exchange transactions				
SDL: Income	66 811	127 813	314 475	509 099
SDL: Penalties and interest	-	-	14 419	14 419
Revenue from exchange transactions				
Other income	858	-	-	858
Interest received - Investment	29 230	4 343	242	33 815
Total segment revenue	**96 899**	**132 156**	**329 136**	**558 191**
Entity's revenue				**558 191**
Expenditure				
Employee cost	32 219	2 417	-	34 636
Deprecation and amortisation	2 519	-	-	2 519
Lease expense	5 842	-	-	5 842
Employer grant expenses	-	112 814	315 318	428 132
General Expenses	36 701	-	-	36 701
Total segment expenditure	**77 281**	**115 231**	**315 318**	**507 830**
Total segmental surplus/(deficit)				**50 361**
Assets				
Property, plant and equipment	3 127	-	-	3 127
Intangible assets	329	-	-	329
Inventory	174	-	-	174
Receivables from exchange transactions	5 077	-	-	5 077
Receivables from non-exchange transactions	-	3 109	-	3 109
Cash and cash equivalents	5 848	18 368	583 846	608 062
Total segment assets	**14 555**	**21 477**	**583 846**	**619 878**
Total assets as per Statement of financial Position				**619 878**
Liabilities				
Trade and other trade payables from exchange transactions	5 713	-	-	5 713
Operating lease liability	135	-	-	135
Trade and other payables from non-exchange transactions	-	18 368	116 048	134 416
Provisions	2 736	-	17 500	20 236
Total segment liabilities	**8 584**	**18 368**	**133 548**	**160 500**
Total liabilities as per statement of financial position				**160 500**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

35. SURPLUS FUNDS TRANSFERABLE TO NATIONAL TREASURY & NSF

	2017 R'000	2016 R'000
Transfers of excess funds from:		
Accumulated Discretionary reserve	459 599	455 925
Less Commitments as at 31 March 2017	(477 552)	(452 856)
	(17 953)	**3 069**
Deficit on commuted funds		
Less closing balance of commitments	**(17 953)**	**3 069**
5% retention of total discretionary reserves	**22 980**	**22 796**

Based on the calculation the LGSETA does not have surplus funds as prescribed in the Grant Regulations.

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Berea	East London
East London, 5201	5200

LGSETA Free-State	
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LGSETA KwaZulu-Natal	
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Durban, 4000	

LGSETA Limpopo
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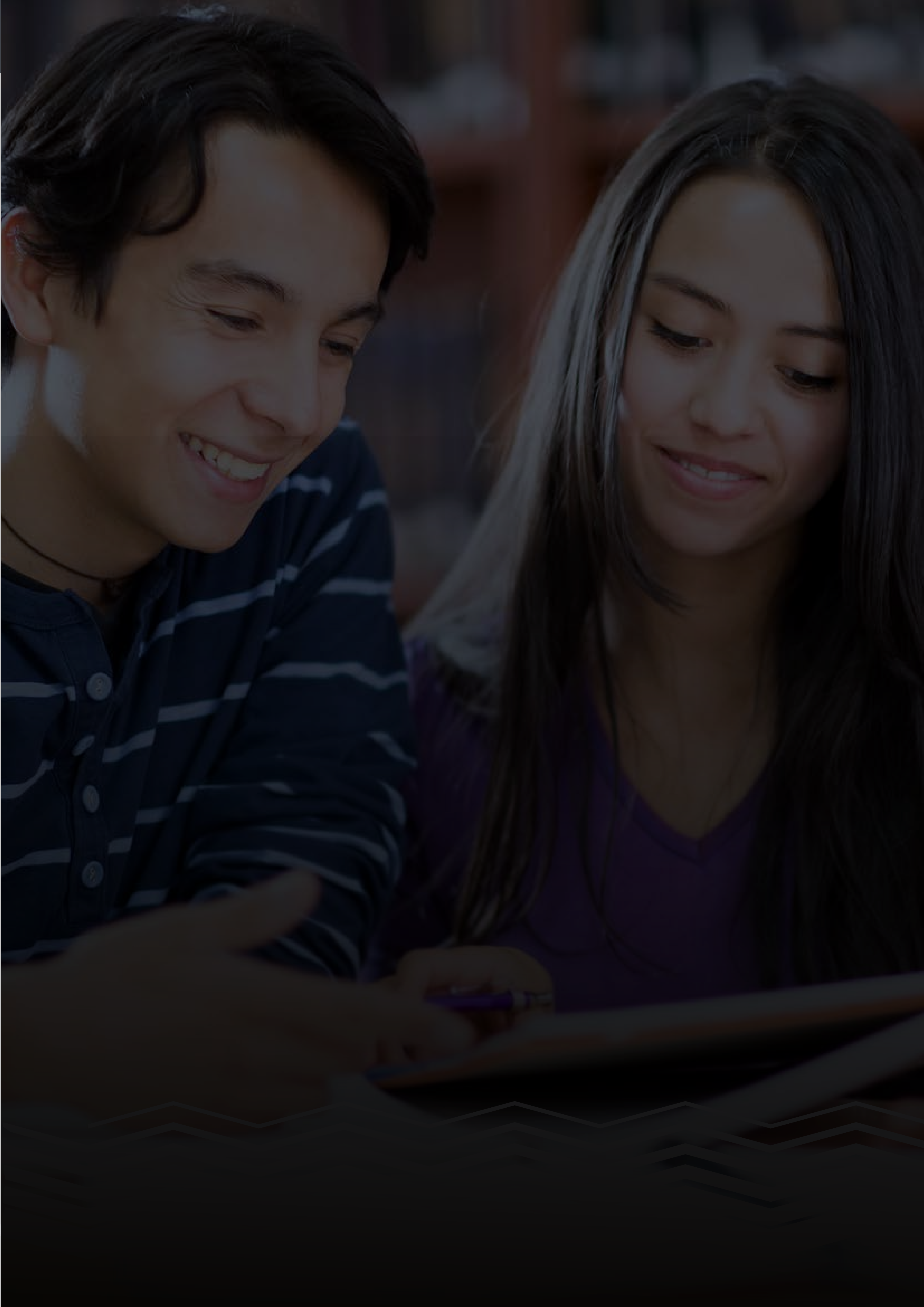

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