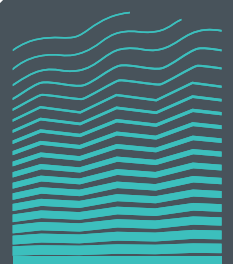




LOCAL GOVERNMENT SECTOR
EDUCATION AND TRAINING AUTHORITY

ANNUAL REPORT

2015/16



LGSETA
CREATING GREATER IMPACT

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CORPORATE INFORMATION

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ABBREVIATIONS AND ACRONYMS

AA	Accounting Authority
AET	Adult Education and Training
AG	Auditor-General
APP	Annual Performance Plan
ATR	Annual Training Report
CDW	Community Development Workers
COGTA	Cooperative Governance and Traditional Affairs
DHET	Department of Higher Education and Training
ETQA	Education and Training Quality Assurance
FET	Further Education and Training
HEI	Higher Education Institutions
HRD	Human Resource Development
HRDSA	Human Resource Development South Africa
ICT	Information and Communications 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
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
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 Services
SCM	Supply Chain Management
SDA	Skills Development Act
SDF	Skills Development Facilitator
SETA	Sector Education and Training Authority
SIC	Standard Industrial Classification
SSP	Sector Skills Plan
WSP	Workplace Skills Plan



DR BONGINKOSI EMMANUEL NZIMANDE

MINISTER OF HIGHER EDUCATION AND TRAINING

Presentation of the

Local Government Sector Education and Training Authority 2015/16 Annual Report to the Minister of Higher Education and Training

In accordance with the Public Finance Management Act, No. 1 of 1999, it is an honour to submit the Local Government Sector Education and Training Authority Annual Report for the financial year ended 31 March 2016.

This report represents the affairs of the Local Government SETA in terms of the operations, financial performance and developments across all performance targets, as set out in the predetermined objectives with the Department of Higher Education and Training (DHET).



Dr Michael Sutcliffe
Chairman
Local Government SETA



FOREWORD BY THE CHAIRMAN

Submitting this annual report of the LGSETA to the executive authority after taking up the position of the chairman of the LGSETA Board in September 2015 is both a challenging and an exciting opportunity.

It is a challenging task because the current Board took over from the Administrator who had the responsibilities of the Board until September 2015.

The handover process from the Administrator was a seamless process. The Board requested him to attend a Board meeting where he presented a report, which he provided to the Department of Higher Education and Training (DHET) as a document which concluded the work that he had undertaken during his period at LGSETA.

I wish to thank the former Administrator, Mr Nqandela for his leadership and management of the LGSETA up until now.

A PERIOD OF TRANSITION

The new Board was established when the LGSETA was on the verge of submitting the Annual Performance Plan (APP), the Sector Skills Plan (SSP), the LGSETA Strategic Plan (SP) and the Cross-over Plan to the Department. The latter plan was designed to assist the current management and the Board to focus on those matters that needed to be concluded from the administration period. These were both internal issues which resulted from the migration and placement of staff, as well as legacy

projects, that had to be either closed or revived as part of LGSETA's operational performance process.

INTERNAL LEGACY ISSUES

I am pleased to report that the Board has concluded on the migration and placement issues as mentioned above. The salary corrections done in December 2015, were just one of the steps we needed to address. We plan to ensure that fair and equitable remuneration policies and strategies exist at the LGSETA in the next financial year. This process will also be aligned with putting in place a performance management system so that our staff can be accountable. An organisation with a performance culture is needed to be responsive to municipalities. The national imperatives must also find their way in the day-to-day operations of the LGSETA. Much work remains to be done in rebuilding the organisation.

EXTERNAL LEGACY ISSUES

Municipalities are our major stakeholders. Other stakeholders include IMATU, SAMWU, SALGA and COGTA. As a Board, we are in the process of aligning our plans and funding to ensure that these stakeholders receive a fair share of the discretionary funding.

We are excited about the new developments that we will be implementing in the next financial year to align

“The organisation is beginning to turn the corner with our performance for the year under review, now exceeding 80%. This is a good performance for an organisation that is moving out of the administration period.”

the work of the LGSETA with national imperatives, as well as municipal interests. Management will be addressing current capacity shortfalls, until then, the appointment of consultants has been approved. A robust staff development programme aligned with the strategic direction of the LGSETA needs to be developed.

CAPABILITY OF THE BOARD

The exciting part of taking on the position of Chairman of the LGSETA Board is that the Board is constituted by members who have vast experience in the local government sphere and who understand the challenges that municipalities across the land face. The transformational work that the Board has started to do in terms of the allocation of resources enables LGSETA not only to comply with the law but shape the capacity of skills in municipalities across the country in line with the National Development Plan and other national precepts.

It gives me great pleasure to report that we have approved over 700 bursaries in addition to the APP targets for the next financial year. This initiative was a response of the Board to the national crisis of the “Fees must Fall” campaign.

PARTICIPATION IN STRATEGIC CONVERSATIONS

The Board also played a key role in discussions with regards to the SETA landscape. Various provincial consultations were attended to ensure that the SETA landscape takes into account the needs of the municipalities and other stakeholders, including our union partners. The views of the service providers were also taken into consideration. It was pleasing to see the patience of people with the changes, which must be effected through this process so that tertiary education advances their future and gives them the opportunities that will enable them to participate in the economy.

GOVERNANCE IN LGSETA

This Board has also played a key role in the year under review in aligning its work with the proper system and governance of the LGSETA Constitution. All committees, as required by the Constitution, were appointed. Given the size, time and resources of the organisation, some of these committees were consolidated.

The organisation is beginning to turn the corner with our performance for the year under review, now exceeding 80%. This is a good performance for an organisation that is moving out of the administration period. We are still a long way from where we need to be, but with the support of the DHET, the LGSETA will reach its vision of being the lead SETA by facilitating skills development at municipal level across South Africa.

OUR GRATITUDE

Let me take this opportunity to thank the Minister for trusting us as a Board with such a strategic assignment, especially on the eve of the local government elections. We are giving our utmost best to create an institution that will ensure that our municipalities have the capabilities for effective and efficient service delivery in line with the back to basics programme of Government.

Let me also take this opportunity to thank the Director-General of the Department of Higher Education and Training as well as his Deputy. Your guidance in the course of the year, as well as exposure to other activities of the DHET which influence our work, are appreciated.

Let me take this opportunity to thank my Board colleagues, especially the chairpersons of the different committees, for the hours they have spent in assisting the LGSETA management with the task at hand. Thank you to all our stakeholders' support during this transition period. I look forward to working with you in the years ahead.

Lastly, let me thank the LGSETA management for steering the ship while they were also trying to address legacy issues. This has not been an easy task and the challenges continue, but as a Board, we are pleased with the work that the LGSETA management is achieving.

The setting-up of a performance system has gained momentum and this will be up and running in the next financial year. The Board will also be assessed.

THE YEAR AHEAD AND OUR PROGRAMME OF ACTION

The next financial year is an important year in the calendar of the local government system as the country holds its local government election against a background of very high expectations from the communities. This means that the LGSETA needs to be ready and ensure

that both the administrative and political arm of the new incoming leadership is able to steer local government in the next five years. To this end, the Board has approved a framework that includes a counsellor programme, and a management and capability programme designed to ensure that the top ten leaders in the municipality, both administratively and politically, are well capacitated.

In addition to this, LGSETA will intensify its visibility in the provinces in projects. As a Board, we have now approved the opening of offices in the North West and Northern Cape. The early indications are that this decision was a good one as we are seeing an increase of projects that are being implemented in these provinces now. Both these offices should be fully functional in the next financial year.

Finally, I am pleased that in the year under review we have begun to strengthen the monitoring and evaluation unit in the LGSETA. We as a Board plan to challenge management to ensure that there is an impact on the ground, just meeting the targets alone is not sufficient to help the nation with the unemployment problem the country has. To this end, the LGSETA management has studied those jobs that are needed by the market in line with its mandate and in the next financial year, LGSETA will begin the alignment process. As a Board, we are excited about the future work of the LGSETA and we are looking forward to work with all our stakeholders to enhance the capabilities of local government in South Africa.

Yours sincerely,



Dr Michael Sutcliffe

Chairman



OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

INTRODUCTION

The LGSETA embraced a number of approaches to the delivery of services to its stakeholders placing emphasis on efficiency. The annual report provides an account of the extent to which programme objectives were achieved, the challenges that were experienced and information of financial performance. This report will cover a portion of the period managed by the Administrator (May 2015 to September 2015) as well as the remaining period October 2015 to March 2016.

MANAGEMENT CHANGES DURING THE PERIOD UNDER REVIEW

The CEO was the last Executive Manager to be appointed in the LGSETA by the Administrator and she began her duties in May 2015 with the purpose of facilitating a proper handover process from the Administrator. The transition between the Administration period and normalcy has not been an easy one. The transition was ably and effectively facilitated by the Director-General of the Department of Higher Education and Training.

CAPACITY CHALLENGES WITHIN LGSETA DURING THE TRANSITION

The LGSETA was placed under Administration on 20 March 2013 by the Director-General of the Department of Higher Education and Training, as directed by the Minister of Higher Education and Training. The Administration period was aimed, amongst other issues, to facilitate the process of repositioning the organisation to make it more relevant and responsive to the needs of the local government sector. The Administration period ended in September 2015.

When the CEO took over the organisation, there were glaring challenges which needed to be focused upon before a change management programme would be put in place. It must be said that the change management programme in the LGSETA would actually result in the increase of jobs and in the strengthening of the management capacity across board but with specific reference to the lower levels of the organisation.

Due to capacity issues that the LGSETA experienced as well as a high level of turnover of staff during the Administration period of around 81%, capacity was a huge issue in the organisation in the year under review. This unfortunately meant that the organisation had to rely heavily on both consultants and new staff members who themselves had to take some time to understand how the organisation actually worked. The institutional memory loss at the LGSETA during the Administration period has

put the organisation on a back foot. However, in spite of this, for an organisation which was under administration, LGSETA has risen as a phoenix from its ashes with a performance that far exceeded its own expectations.

The organisation began to turn the corner when management began to drive the operations of the LGSETA after the departure of the Administrator. The Board added the much needed impetus to the work of the LGSETA. Below is the evidence of how the new management has begun to lay the foundation for a turnaround in the LGSETA. It should be clear that it would be impossible to expect the benefits of these steps to bear fruit immediately, however, progress can be tracked as indicated.

STARTING TO TURN THE CORNER - THE BUILDING BLOCKS

The CEO led the organisation through a strategic review during the year under review. During this strategic session the deficiencies of the organisation were revealed. The result of this process was the development of the “Cross over Plan” designed to be the bridge between the Administration period and the new financial year. The Cross-over Plan addressed both internal and external stakeholder issues. It resulted principally from the issues that the stakeholders had raised with the new Management team in the provincial visits that were undertaken as well as internal discussions with staff.

The reality was that the organisation was limping. Some work was being done but it was not effective nor efficient. A quick fix solution was not going to work as capacity building of the staff was necessary and yet the budget was limited and already fixed in terms of the previous financial year. The strategic session process also revealed that the organisation had weak management systems in place. Junior and middle management was inadequate and needed a concerted effort in order to drive performance in the organisation. This was particularly clear when the CEO engaged with each division to understand how they each understood their roles and responsibilities. The decision by the management team was then to bridge the gap of the evident issues during the Administration period before embarking on a new plan of action which would be implemented in the next financial year. The space to make drastic and profound changes in the organisation in the year under review was minimal.

The bridging programme became known as the “Cross-over Plan.” The targets in this Cross-over Plan were substantially achieved except for the following:

1. The Succession plan was not completed during this period. This plan will be concluded in the next financial year.
2. The Skills Audit was also not completed due to some challenges experienced with service providers, this too will be concluded in the next financial year. The organisation did not want to rush this because this had to be aligned with the newly adopted strategic plan of the LGSETA, so that the staff would be equipped to conform to the requirements of the LGSETA of the future, and
3. The reality in the organisation is that the culture of a Performance Management System has not been driven. This required time and a conversation with the internal stakeholders and the newly appointed Board. Although this was raised as one of the critical issues by the Auditor-General, the capacity of the LGSETA in the HR environment was a challenge to drive this process, until the matter was brought to the office of the CEO and will sit for review at the Committee of the Board responsible for it in May 2016.

LGSETA BEGINS TO INSTITUTE STRATEGIC INITIATIVES FOR THE TURNAROUND

The LGSETA's performance under the Administration period began to show signs of improvements. However, the municipalities' relationship with the LGSETA had reached a very low level and the annual targets were not achieved. The new executive management team engaged the municipalities directly across the country to understand the nature of their concerns. Needless to say that the municipalities felt their needs were not being addressed by the LGSETA. The executive management requested stakeholders for a second chance to improve the situation. At the time that the new executive management team took over the reigns from the Administrator, no project existed in the Northern Cape Province and the organisation had no footprint in the North West, Limpopo and Mpumalanga. I am pleased to report that these provinces have seen an increase in projects and the Board also approved the opening up of new offices in the provinces where the LGSETA had no presence.

A number of strategic decisions had to be made in the year under review to address the inefficiencies in order to turn around the state of the organisation into an effective and efficient one. These decisions would have far reaching implications and they included the following in order to unlock performance in the organisation and service the municipalities better:

1. **Skills Development Facilitator Forums.** The organisation strives to strengthen the capacity of the Skills Development Facilitator Forums across South Africa. These are sessions that the LGSETA hold with the skills development facilitators to enhance their capacity and support them in their work. Often these positions are junior within the organisation and hardly get the attention they deserve. Discussions are currently underway to request municipalities to position these positions more visibly in the office of the Municipal Manager and or the Mayor due to the critical work that they do. LGSETA provincial managers are now tasked with ensuring that these sessions also include relevant information to empower the skills development facilitators in their work. In addition, these forums act as benchmarking sessions where municipalities learn from each other.
2. **Legacy Issues.** The organisation appointed a consulting team to address the legacy issues given the capacity issues in the organisation as already alluded above. This intervention resulted in the increase of learner completions which have never been recorded in the organisation before. Although the organisation had to pay a dear price for this intervention (due to internal capacity constraints and institutional memory loss), the gains far outweighed the costs. This intervention had the added benefit of restoring the relationship between the LGSETA and the municipalities. While this is not at the ideal level as yet, the relationship between the LGSETA and the municipalities is improving as a result of this intervention.
3. **Project Augmentation.** Using the special projects to augment the short-falls in the municipal projects as well as ensure that matters of national importance were driven. This intervention assisted the LGSETA to drive certain projects which plugged into the gaps of non-delivery and increased the learners across the full categories of the Service Level Agreement with DHET. This has resulted in a performance level that is above 89% for the year under review. Within each of the learnership programmes there remain challenges, but the trend is upward and positive.
4. **The signing of the MOUs.** Signing with the institutions of Higher learning also facilitated better delivery in the year under review. The LGSETA met its research targets. This relationship with the universities and TVET colleges will be reviewed in the coming financial year to enable proper allocations of work and support between the LGSETA and these institutions.
5. **Executive Management Provincial Visits.** This intervention has created an impetus for proper communication and alignment between the municipalities across the land with the management team at the LGSETA resulting in better performance all around. LGSETA is grateful to the municipalities for their frank discussions that they have held with the management team. In the next financial year the management team will gain visibility in the appointment of provincial managers in the three provinces where the LGSETA has no presence.
6. **Opening of provincial offices.** Up to now the LGSETA has not had an office in each province. This has made its work very challenging. In the year under review, three offices were approved to be opened in the 2016/2017 financial year. This could not be done in the current year because the administrative budget was already exceeded. There is no doubt that this intervention brings a number of benefits. Firstly the LGSETA will be closer to the municipalities that it serves. Secondly, this intervention is creating new positions (jobs) at the LGSETA itself incidentally this also increases our intake of young people as interns in the organisation which is exciting. Thirdly, this can enhance the LGSETA's succession programme in the future as the organisation will now have depth in management across all provinces enabling operations to be more effective.
7. **Aligning Operations.** One of the best decisions made under the Administration period, was to procure an online application system for the mandatory grant process in an effort to align operations within the organisation. Although this was a challenge in the year under review, the completion rate of these online application has improved significantly. The internal team to support the municipalities was also strengthened. This again began to tilt favour with the municipalities to the LGSETA. There is still a long

way to go but there is definitely improvement in the systems operational between the LGSETA and the municipalities.

8. **Investment into the ICT environment.** It has also marginally improved the operations of the organisation significantly in the year under review. While this is still a long way to go, the investments that will be made in the next financial year will allow LGSETA to operate optimally. Major ICT policies, which were a concern to the Auditor-General in the past financial year, have been finalised and approved during this year under review.
9. **Staff Issues.** A number of staff remuneration issues were addressed in the year under review, resulting in an increased staff budget. This correction was designed to deal with the uncompleted migration and placement programme during the Administration period. However, these changes were but the first phase of the changes that are necessary to ensure that the LGSETA applies a fair and equitable remuneration system in the organisation. The Board is due to revise the remuneration strategy and policy of the organisation in the next financial year.
10. **Staff Engagement.** Quarterly staff information sharing sessions has also been instituted which has resulted in better staff alignment across divisions and across the organisation and provinces. This is an expensive exercise as all staff members have to come to head office for these sessions, but it has had the positive effect of starting to build a team at the LGSETA. This too is a long way away but based on the staff survey conducted recently, there is an improvement in the staff engagement at the LGSETA although this is still sitting below 60%.
11. **"Fees must Fall".** Response to the "fees must fall" campaign that had the nation under siege in the year under review. The Board approved an additional 700 students to receive bursaries in the next financial year. While this is applicable to the next period, it is necessary to cite it here to demonstrate how the LGSETA is beginning to be responsive to the needs on the ground and become a more agile organisation.
12. **Financial reporting and accountability.** It is probably the best functioning division in the organisation at the moment. Robust debates in the Audit and Risk Committee of the Board has ensured that the organisation is building a strong culture of accountability and high standard of ethics.

THE WAY AHEAD

There is no doubt that the LGSETA is turning the corner. A lot of work remains to be done. The plan ahead is not only to meet the annual performance targets of the next financial year, but to also ensure that the strategic plan of the organisation comes to life. This means that the LGSETA must perform above the APP and also ensure that it is putting in place proper foundations for the Strategic Plan to be implemented in a proper way.

Let me take this opportunity to thank my executive management Team for their hard work, commitment and dedication, sometimes at the face of severe criticism. Driving performance is a tall ask in South Africa today. Fortunately, we have been given the responsibility to manage the organisation on a day to day basis. As the executive management of the LGSETA, we remain resolute to serve the nation in line with our mandate, even if it means having robust debates. However, for us, the outcomes of these debates must lead to the production of a capable local government system that is helping our people to be participators in the economy of South Africa. Unfortunately, we do not have the time for endless discussion. The people on the ground are now militant and we need to become a responsive and agile organisation. We pledge our commitment as the executive management to the ideals of the post-schooling education system and we will do our best to serve our nation.

Let me thank the Board for their leadership and passion for the work that we do at the LGSETA. Thank you to all our stakeholders for the robust engagements we have had and which enriched us. A big thank you to my staff for the hard work and commitment.

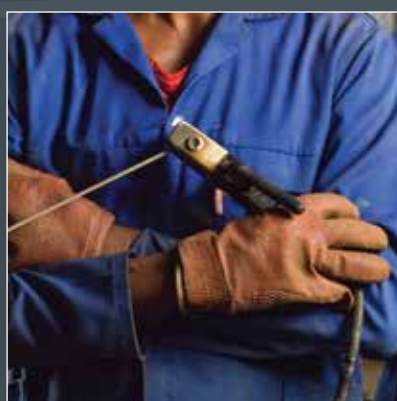
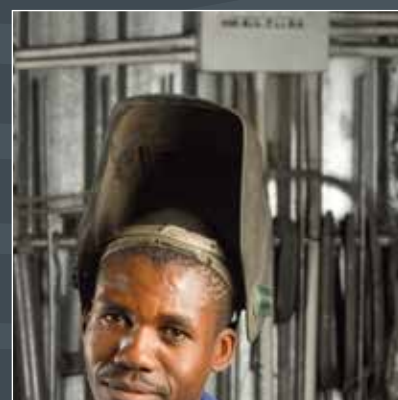
Our gratitude goes to the Department of Higher Education and Training for trusting us with this assignment. Thank you to the Director-General and his team for their ongoing support and their interventions whenever needed.

Yours sincerely,



Ms Gugu Dlamini
Chief Executive Officer

PART 1 GENERAL 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 operates 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 2016, with a further extension to 31 March 2018.

VISION

To be the lead SETA by facilitating skills development at municipal level across South Africa.

MISSION

To partner with strategic stakeholders to create a pool of local government skills, relevant for effective and efficient service delivery and economic prosperity of our local communities across South Africa.

VALUES

- Service excellence
- Passion
- Integrity
- Collaboration
- Engagement
- Empowerment



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 LGSETA for the period of April 2011 to March 2016 and extended it by a further two-year period until 31 March 2018, to operate within the Skills Development Framework, articulated in the National Skills Development Strategy III (NSDS III) and other policies and strategies presented below.

LEGISLATION/POLICY/STRATEGY	DESCRIPTION
SOUTH AFRICAN CONSTITUTION 1996	<p>Section 29(1)(a) and (b) provide for the state to take reasonable measures to make adult and further education accessible to citizens as a human right.</p> <p>Sections 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.</p> <p>Section 156 speaks of local government as the foundation for participatory democracy and service delivery.</p> <p>Section 195(1)(a)-(f) articulates the values and principles governing public administration.</p>
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 Services (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; and to provide for a constitution for every SETA.
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 coordination 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 2011–2018. Furthermore, the NSDS III identifies seven key developmental and transformative imperatives of race, class, gender, geography, age, disability, and the 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.

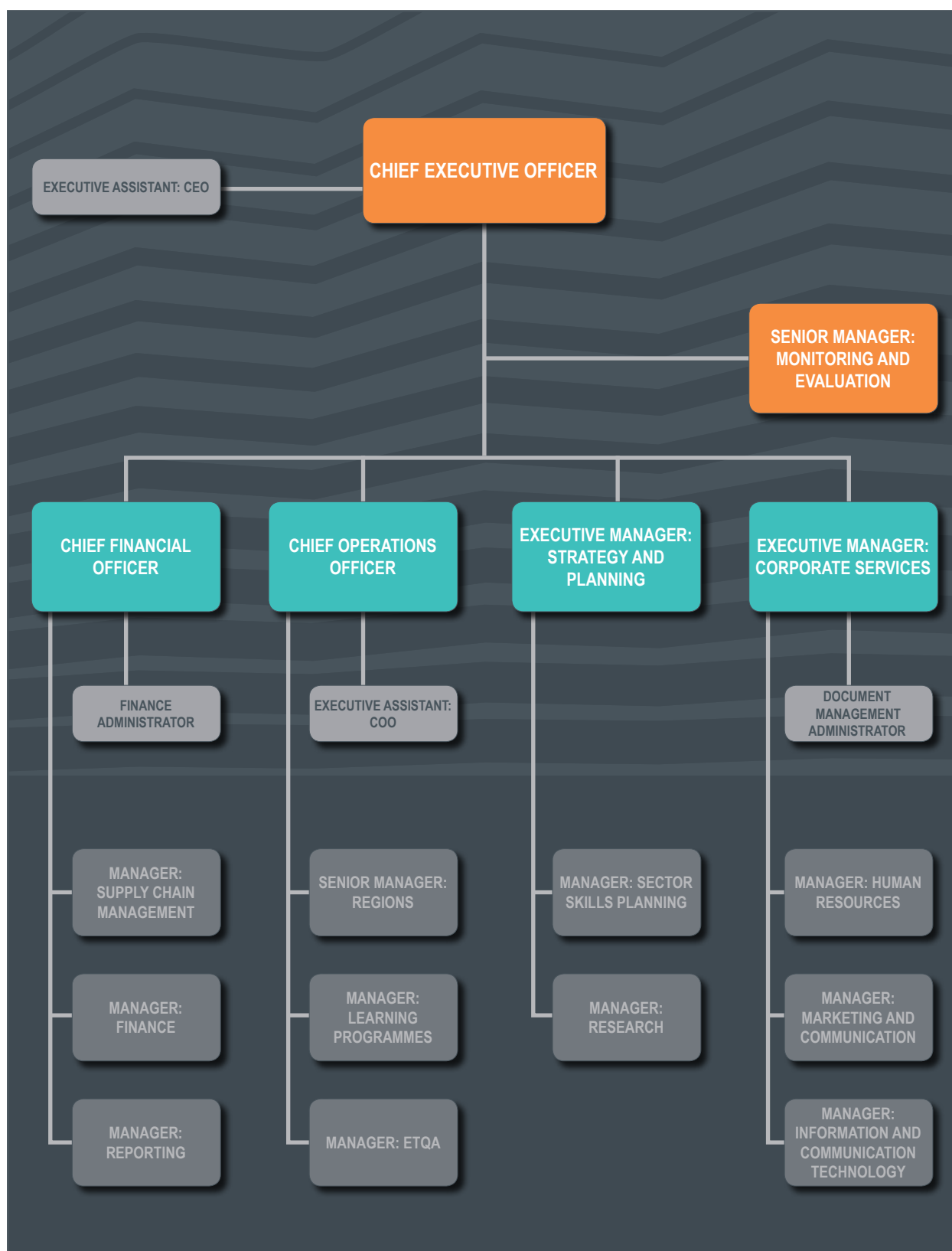
LEGISLATION/POLICY/STRATEGY	DESCRIPTION
NATIONAL HUMAN RESOURCE DEVELOPMENT STRATEGY OF SOUTH AFRICA	The Strategy has several commitments designed to address the priorities of the South African Government in terms of skills development that supports economic and social development, facilitating greater 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 facilitate 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 following table provides an overview of the scope of coverage of the LGSETA based on levy income received for the year under review.

SIC CODE	MAIN ACTIVITY
50493	Any utility or agency, wholly or partially owned by a municipality, providing local government services under contractors or a municipality
91201	Category A Municipalities: All functions, services and facilities provided by a metropolitan council as determined by 84(1)(2) and (3) of Act No. 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 No. 117 of 1998 – Local Government Municipal Structure Act, No. 117 of 1998
91203	Category C Municipalities: All functions, services and facilities provided by a district council and district area management as per Act, No. 117 as determined by 54(1), (2) and (3) of Act No. 117 of the Local Government Municipal Structure Act, No. 117 of 1998
91204	Organised Local Government: A statutory or regulatory body assigned the function as per the Constitution of the Republic of South Africa to deal with matters at an executive level within local government.
91300	Local authority activities
91304	Municipal planning
91306	Billboards and the display of advertisements in public places
9130F	Land use planning
93304	Social work in local government
94001	Refuse and sanitation
94002	Health and community services
94005	Other community work in local government
96001	Recreational, cultural and sporting activities by local government
96331	Parks and gardens
96414	Local sports facilities

ORGANISATIONAL STRUCTURE



MEMBERS OF THE BOARD



DR MICHAEL SUTCLIFFE
CHAIRMAN OF THE LGSETA BOARD



MS GUGU DLAMINI
CHIEF EXECUTIVE OFFICER



MR NAKAMPE FRANCIS RATLHAGA
SALGA



MR RIO NOLUTSHUNGU
SALGA



MS NONCEBA MBILINI
SAMWU



MR TEBOGO MOTLASHUPING
COGTA



MR PULE MOLALENYANE
SAMWU



MR LERUMO MORULE
COGTA



MS STEPHANIE ANNA- LEIGH GRAY
IMATU



MS VUYOKAZI NGWENYA
INDEPENDENT ATTORNEY



MR XOLILE GEORGE
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MS NOMAKHOSAZANA METH
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MR BAREND JOHANNES KOEN
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MR CROMWELL SIPHO NHEMO
SAMWU

EXECUTIVE MANAGEMENT



MS GUGU DLAMINI
CHIEF EXECUTIVE OFFICER



MR KHULEKANI MKHIZE
CHIEF FINANCIAL OFFICER



MR LWANDLE DYASI
CORPORATE SERVICES



MS NONHLE MASHININI
STRATEGY AND PLANNING

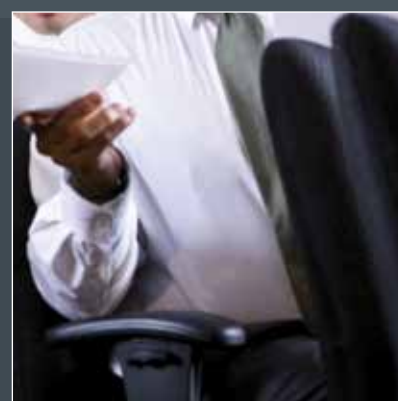


MR SABELO MPUNGOSE
MONITORING AND EVALUATION



PART 2

PERFORMANCE OVERVIEW



PERFORMANCE OVERVIEW

The National Development Plan's (NDP) vision is that, in 2030, South Africa should have access to education and training of the highest quality, leading to significantly-improved learning outcomes. 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 and 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.

The different parts of the education system should work together allowing students to take different pathways that offer high quality learning opportunities. There should be clear linkages between schools, Adult Education and Training (AET) Centres, TVET Colleges, universities and other providers of education and training. There should also be clear linkages between education and training and the world of work. Furthermore, all people from schooling onwards should have access to quality career information and receive appropriate and adequate career guidance and advice to pursue education and training opportunities leading to a career and ultimately employment.

To achieve the goals of the NDP, the following key strategic interventions and outputs have been identified:

- 1) A credible institutional mechanism for labour market and skills planning;
- 2) An increase in access to success in programmes leading to intermediate and high-level learning;
- 3) An increase in and access to, and efficiency of, high level occupationally-directed programmes in needed areas; and
- 4) An increase in and access to occupationally-directed programmes in needed areas, thereby expanding the availability of intermediate level skills with a special focus on artisan skills.

The vision of the National Skills Development Strategy III refers to a "skilled and capable workforce that shares in and contributes to the benefits and opportunities of economic expansion and inclusive growth path". In addition, the National Skills Development Strategy informs skills planning and development in all SETAs countrywide in order to respond to skills development challenges.

Challenges experienced within the skills development arena include current participation in the post-school education and training remains limited and insufficient for the skills needs of the economy and society. It is also skewed towards university education, which few students can attend. Three times as many students enter universities as enrolled in Technical Vocational Education and Training (TVET) colleges. This is not sustainable if South Africa's skills needs are to be met.

The Local Government Sector Education and Training Authority draws its mandate from the Skills Development Act, No. 97 of 1998, which stipulates that SETAs are expected to facilitate the delivery of sector-specific interventions that help to achieve the goals of the NSDS III. The LGSETA Strategic Plan was developed in cognisance of the broader national government policies and priorities including, but not limited to, the National Development Plan; vision 2030, Medium-Term Strategic Framework for Skills Development and Local Government outcome, National Skills Development Strategy III, as well as the White Paper for Post-School Education and Training of 2013.

The LGSETA has 8 strategic outcome-oriented goals for the period of 2011 to 2016 as per the LGSETA Strategic Plan. All the Strategic Outcome-Oriented Goals of the LGSETA shall be briefly described below and progress made in achieving the policy initiatives within the strategic-oriented goals will be outlined. Strategies and interventions needed for LGSETA in order to achieve the strategic outcome-oriented goals will be indicated.

STRATEGIC OUTCOME-ORIENTED GOALS

STRATEGIC OUTCOME-ORIENTED GOAL 1	A credible skills planning and implementation system for the local government sector.
GOAL STATEMENT	Local government sector skills development information is researched, documented and communicated for effective planning over the next four years 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 FOR 2015/16

An important aspect of establishing a credible institutional mechanism for skills planning entails building the research capacity internally as well as working with academics and research institutions. The LGSETA has made significant strides in establishing and strengthening partnerships with universities and research institutions for delivery of skills development and research purposes. In the year under review, the LGSETA established a National Research Forum that builds capacity within the research environment of the LGSETA by bringing expertise in various fields within the strategic focus areas in the local government sector. The aim of the national research forum is to develop a research agenda for a period of two years as in line with the SETA licence period, as well as to provide input to the sector skills planning.

In the year under review, a total of twelve research studies were conducted and completed. The LGSETA conducted a research in partnership with the Vaal University of Technology with the aim of providing an analysis on the critical skills required to respond to green economy skills requirements. The research outputs identified key skills that are required in the green economy which includes the development of new qualifications in areas of water and wastewater treatment processes, water and wastewater reticulation services and water and wastewater process control. The LGSETA will deliver this new qualification in partnership with the other stakeholders during the 2016/17 financial year.

The LGSETA commissioned research to the University of Venda to conduct a study on the approaches required for capacity building for Traditional Leadership. One of the findings of this research was that both soft and technical skills were identified as a skills gap within Traditional Leadership. The LGSETA will provide skills development interventions for traditional leadership for the 2016/17 financial year as a result.

A study on skills planning projection modeling for the local government sector was conducted in partnership with the Council for Scientific and Industrial Relations (CSIR) during the year under review. This study outlined new skills demand in the local economy, which includes developmental

economics, town and regional studies, asset management, marine studies, transport planning and green economy skills.

In relation to skills planning, there was a significant improvement in the submission of the Workplace Skills Plan (WSP) and Annual Training Report (ATR) as 93% was achieved. The LGSETA introduced the online submission of the WSP-ATR for municipalities and municipal/traditional entities in the year under review for the first time. Challenges were experienced in the submission of the WSP-ATR, which involved the usage of the online system whilst the LGSETA anticipates a better-coordinated approach in the 2016/17 financial year.

The Workplace Skills Plan and Annual Training Reports (ATR) form a larger part of the Sector Skills Plan development. The Sector Skills Plan was updated and it included the scarce skills guide that identifies the top ten skills in the local government sector. The SSP further proposed training interventions to address the scarcity of skills within the sector.

In supporting the work of the LGSETA, all quarterly skills development facilitator forums were held according to the annual target of the APP. In addition, the LGSETA further rolled-out the capacity-building programme for the Local Labour Forum in all 278 municipalities. This was implemented successfully as all 278 municipalities, including municipal entities, participated in this training workshop. The LGSETA has strengthened the role of stakeholders by emphasising on strategic engagement with stakeholders in key deliverables of the SETA, which includes consultation on the Sector Skills Plan, providing feedback on WSP-ATR submission and consultation on the new Skills Development Strategy V. Strategies to achieve Goal 1 in 2016/17 include the following:

- To strengthen the monitoring and evaluation function in ensuring that LGSETA projects and APP deliverables are monitored, reported and evaluated to inform decision-making in the organisation and,
- To continue strengthening partnerships with academics, institutions of higher education and research institutions to support the work of the LGSETA in research and skills planning.

STRATEGIC OUTCOME-ORIENTED GOAL 2	Increasing access to occupationally-directed programmes within the local government sector.
GOAL STATEMENT	Provide customised and quality training in priority skills for all categories of the local government workforce between 2012 and 2016.
LINKAGE	NSDS III: 4.3 Increasing access to occupationally-directed programmes.

PROGRESS REPORT FOR 2015/16

The LGSETA continued to support various learnerships, artisan development, skills and internship programmes for the local government sector in line with the NSDS III for the year under review. With respect to learnerships, LGSETA funded 2 991 unemployed individuals on various learnerships in environmental management, horticulture, water and sanitation, fire and rescue, road construction, municipal finance, OD-ETDP, LED, water process control, electricity, bricklaying and plumbing, amongst others.

In terms of skills programmes, the LGSETA supports a range of PIVOTAL skills programmes that include computing skills, municipal leadership, counsellor development, municipal finance and basic firefighting. In 2015/16, 2 392 unemployed individuals were funded to access skills programmes. The LGSETA supports artisan development in the areas of electrical, plumbing, bricklaying, fitter, millwright and boiler making. For the year under review, a total of 769 artisans began their artisan training. With the LGSETA focusing more on the unemployed; it is anticipated that the sector would benefit from the additional skills supply in the future.

The LGSETA funded the placement of 447 graduates on internships within the sector and other spheres of government as well as funded workplace-integrated learning for 1 752 TVET learners.

Strategies to achieve Goal 2 in 2016/17 include the following:

- Implement a new discretionary grant management process to improve turnaround time in the recruitment and implementation of projects;
- Review the current process of bursary application to enable the LGSETA to work directly and closely with higher education institutions and learners to access potential bursaries;
- Work with other SETAs to access information on certification to improve reporting on the completion rate on skills development programmes and learnerships funded by the LGSETA;
- Enhance quality assurance of accredited training providers through increasing human capacity to conduct quality assurance; and
- Explore the use of technology to support the monitoring of training providers.



STRATEGIC OUTCOME-ORIENTED GOAL 3	Promote the growth of a public FET college system that is responsive to sector, local, regional and national skills needs and priorities.
GOAL STATEMENT	Promote partnerships between the LGSETA, municipalities, private training providers and public FET colleges during the period 2012 to 2016.
LINKAGE	NSDS III: 4.3 Promoting the growth of a public FET college system that is responsive to sector, local, regional and national skills needs and priorities

PROGRESS REPORT FOR 2015/16

The LGSETA continued to strengthen partnerships with institutions of higher learning, academic institutions, training providers, research institutions and other SETAs in delivering the work of the Local Government SETA. Partnerships are being established in the form of a Memorandum of Understanding (MOU) between the LGSETA and the concerned institution guided by the following strategic focus areas of the LGSETA sector skills plan that is aligned with the municipal strategic focus areas:

- I. Infrastructure and service delivery
- II. Municipal planning and community-based participation and planning
- III. Financial Management
- IV. Research and skills planning
- V. Skills development and learning pathways
- VI. Qualification development
- VII. Management and leadership development

During the year under review, the LGSETA has established new partnerships with the following academic institutions for the purpose of research and skills planning which includes the University of the Witwatersrand, University Fort Hare and University of Venda. In addition, the Centre for Education Policy Development (CEPD) partnership was also established with a purpose of conducting research on Recognition of Prior Learning (RPL) with a focus on fire fighters within local government.

In relation to establishing new partnerships with other SETAs, the LGSETA signed Service Level Agreements (SLAs) with the Transport Education and Training Authority (TETA), Safety and Security Sector Education and Training Authority (SASSETA) and Mining Qualifications Authority (MQA) with a purpose of inter-SETA quality assurance. The LGSETA continued to strengthen partnerships with Goldfields TVET College and NCR TVET College. The Department of Higher Education and Training Authority continued to facilitate the ongoing process of improved and closer relations between different stakeholders in the post-school education and training space.

Strategies to achieve Goal 3 in 2016/17 include the following:

- The LGSETA will continue to forge new partnerships with research institutions such as the Human Science Research Council (HSRC), the Fiscal Financial Commission (FFC) and other research bodies for the 2016/17 financial year.
- To increase SETA's footprint throughout the country became one of the strategic focus areas in the 2016/17 financial year. This will be achieved through establishing new LGSETA offices in the North West, Northern Cape and Limpopo provinces, and
- The LGSETA will continue to forge new partnerships with other SETAs and TVET colleges in delivering the scarce and critical skills of local government, which includes green economy skills and other skills as outlined in schedule 4B of the constitution of the country.

STRATEGIC OUTCOME-ORIENTED GOAL 4	Address the low level of youth and adult language and numeracy skills to broaden access to further training, resulting in sustainable work opportunities.
GOAL STATEMENT	Creation of opportunities for young people leaving school and enhancement of adult education training to improve their career opportunities within the local government sector between 2012 and 2016.
LINKAGE	NSDS III: 4.4 Addressing the low level of youth and adult language and numeracy skills to enable additional training.

PROGRESS REPORT FOR 2015/16

The LGSETA funded employed learners on AET: 454 level 1, 225 level 2, 181 level 3 and 155 level 4, totalling to 1 015 learners in order to improve their career advancement opportunities within the local government sector.

Further-funded unemployed learners on AET: 387 level 1, 80 level 2, 60 level 3 and 191 level 4, totalling to 718 learners in order to improve the opportunities for young people leaving school.

Strategies to achieve Goal 4 in 2016/17 include the following:

- Identify AET ambassadors within communities to support AET interventions to encourage greater uptake of AET programmes for both workers and unemployed individuals, and
- Promote the innovative use of technology in the implementation of AET programmes across different municipality types through the roll-out of the e-AET programmes developed.

STRATEGIC OUTCOME-ORIENTED GOAL 5	Encourage better use of workplace-based skills development.
GOAL STATEMENT	Improvement of workplace training for the local government sector workforce for the overall productivity of the economy in the next four years.
LINKAGE	NSDS III: 4.5 Encouraging better use of workplace-based skills development.

PROGRESS REPORT FOR 2015/16

With respect to learnerships, LGSETA funded about 1 761 employees on various learnerships in environmental management, horticulture, water and sanitation, fire and rescue, road construction, municipal finance, OD-ETDP, LED, water process control, electricity, bricklaying and plumbing, amongst others. In terms of skills programmes, 5 039 employees were funded to access skills programmes, an improvement from 4 470 employees in the previous financial year.

Strategies to achieve Goal 5 in 2016/17 include the following:

- Establish information centres within all municipalities to disseminate information about LGSETA qualifications, bursaries and skills development opportunities to all employees and distribute career guidance for interns and WIL learners to access information about careers in the sector;
- Encourage the sharing of skills development best practices within municipalities through the profiling of interventions implementation; and
- Build the capacity of local labour forums/training committees to enable better identification of skills needs as well as to ensure implementation through oversight.

STRATEGIC OUTCOME-ORIENTED GOAL 6	Encouraging and supporting cooperatives, worker-initiated small enterprises, NGOs and community-training initiatives.
GOAL STATEMENT	Provide relevant capacity building programmes in order to maximise the economic role of the cooperatives, small businesses, NGOs and community-based organisations.
LINKAGE	NSDS III: 4.6 Encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO and community-training initiatives.

PROGRESS REPORT FOR 2015/16

The LGSETA entered into a partnership with 10 NGOs where a number of interventions are being implemented. These include the facilitation of skills programmes and training to people from rural communities. The partnership has provided a platform for the LGSETA to penetrate rural areas and maximise its interventions. Access to funding has enabled the NGO's to facilitate access to skills development opportunities that could potentially transform the lives of participants in the various interventions.

Strategies to achieve Goal 6 in 2016/17 include the following:

- Implement the SMME and the Cooperative Development Strategy to support the achievement of this outcome as well as rural and skills development needs; and
- Support the capacity-building of organised labour and employers for the sector through the provision of capacity-building grants/training.

STRATEGIC OUTCOME-ORIENTED GOAL 7	Build/Capacitate career and vocational guidance
GOAL STATEMENT	Develop and provide career guidance information to the youth between 2012 and 2016.
LINKAGE	NSDS III: 4.8 Building career and vocational guidance

PROGRESS REPORT FOR 2015/16

LGSETA participated in various youth and career development expos, these included the Decade of the Artisan Campaign, the Youth Development Expo, and the annual Nelson Mandela Day Career Expo.

These exhibitions were a platform for the LGSETA to attract and showcase the occupations available within the local government sector. The career guidance interventions also included the LGSETA provincial offices visiting schools in the urban and rural areas, where both learners and teachers were addressed. The school visits offered an interactive opportunity for the learners, life orientation teachers and the LGSETA team. The LGSETA successfully achieved the set target in building career and vocational guidance by distributing 20 473 career guide handbooks to learners at 67 events across the country.

The career guide handbook was reviewed to ensure that it provided current information about the sector, the various careers within the sector, the education and training institutions, the LGSETA learnerships and qualifications.

Strategies to achieve Goal 7 in 2016/17 include the following:

- Promote the LGSETA interventions to learners and stakeholders via television and radio broadcast, conferences, DVD recordings and regular inserts in the print media. The impact of distributing career guidance handbooks at career exhibitions has proven not to be the best method; hence the LGSETA provincial team ventured into visiting the schools where they had a captivated audience that was able to engage interactively in asking questions and gaining an understanding of what the local government sector was all about.
- Focus on strengthening communication with stakeholders with regards to the work and projects the LGSETA is implementing, ensures that information is provided timeously and keep our stakeholders informed of any changes pertinent to them.
- Continue to partner with other SETAs and the Department of Higher Education and Training, TVET Colleges and other education and training institutions to participate in career awareness and youth development events where the LGSETA does not have a physical presence.

STRATEGIC OUTCOME-ORIENTED GOAL 8	Position and capacitate the method of operation and quality of service for the LGSETA
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 FOR 2015/16

Corporate Services

During the year under review the Corporate Services Unit, due to cost-cutting measures and operational efficiency, was reduced in headcount by transferring all the stakeholder relationship management responsibilities to Marketing and Communication, and thereby creating a Marketing and Communication team that is made up of Marketing and Communication generalists. The operational departments were reduced to three, namely; Human Resources, Information and Communications Technology, and Marketing and Communication.

Marketing and Communication

As part of an effort to improve the LGSETA footprint and accessibility to the remote areas of our country, a new satellite office was opened at Umfolozi TVET college in Richards Bay. This office services most of the rural areas that make up the northern region of the KwaZulu-Natal province. As part of repositioning the LGSETA and improving its visibility and accessibility, the Board approved the establishment of three additional provincial offices in provinces where the LGSETA is not physically represented.

A Stakeholder Satisfaction Survey conducted during the year under review recorded a high improvement in satisfaction among the stakeholders with the way in which LGSETA engages and communicates with its stakeholders. With the clear Integrated Communication Strategy and Stakeholder Management Plan in place it is expected that stakeholder relations will be conducted and managed under clear and unambiguous guidelines.

Information and Communications Technology (ICT)

The vision is to “become a strategic enabler of change within the organisation, by enhancing productivity through the

innovative use of technology”. This vision, together with the mission and the ICT strategic objective are clearly defined in the ICT Strategy, which was developed and approved during the past financial year. The ICT team focused on creating the foundation, i.e. ensuring that a foundation for a high-performance ICT Department is in place in order for ICT to move away from operating technology inefficiently, to utilising business goals to drive technology and finally to initiate business changes through technology.

In the year under review, the ICT governance structures were established and are fully operational. The ICT team further completed the development and approval of all ICT policies and frameworks as per the approved ICT Policy Framework. Furthermore, both the Business Continuity Plan (BCP) and the Disaster Recovery Plan (DRP) were developed and approved. This was done in line with the DPSA Corporate Governance of ICT (CGICT) Policy Framework Implementation Guidelines. The Wide Area Network (WAN) was upgraded to improve connectivity between provincial offices and head office. Phase 1 of the enterprise applications upgrade was also completed. This included upgrading to the latest version of the financial system (Microsoft Dynamics GP 2015 R2), as well as the human resources management system (Sage VIP Premier Payroll and HRM).

Strategies to achieve Goal 8 in 2016/17 include the following:

- Focus on the implementation of the ICT strategic initiatives which have been categorised into ten themes (infrastructure, people, process, supplier management, delivery, business relationships, reliability, modernisation, innovation and architecture) in support of the two ICT strategic programmes (Foundation and Business Enablement) in order to transform the ICT department into being a strategic enabler of change within the organisation.
- Continue to address the outstanding “housekeeping” issues which remain an impediment to improved ICT operations.

PERFORMANCE INFORMATION BY PROGRAMME

PROGRAMME 1: ADMINISTRATION

Strategic Goal

To ensure overall strategic management and support for the SETA through systems, capacity, competence and resources.

Strategic Objectives

- To implement efficient, effective and transparent governance systems across the LGSETA to ensure compliance with statutory requirements and reporting,
- To develop and submit a Strategic Plan and Annual Performance Plan for approval to the DHET within the regulated timeframe,
- To continuously improve stakeholder satisfaction within the LGSETA,
- To implement business processes consistently throughout the LGSETA, to support compliance and better service delivery,
- To develop, implement and comply with a comprehensive set of Human Resource Management and Development strategies and systems to meet the needs of the LGSETA.
- To improve employee satisfaction within LGSETA.
- To improve information systems to optimise planning, implementation, monitoring and reporting across the LGSETA,
- To develop and implement project management procedures and standards to optimise service delivery,
- To communicate the sector skills priorities and skills development opportunities to new market entrants and learners.
- To manage all the operations of the LGSETA within the allocated budget and in accordance with the financial regulatory framework and financial management procedures and standards.

STRATEGIC OBJECTIVES	NSDS 2011-2016 OBJECTIVES	ANNUAL INDICATORS	TARGETS 2015-2016	ACHIEVEMENTS	VARIANCE (%)	COMMENTS
Implement an efficient, effective and transparent administration and governance in the LGSETA	Not in the NSDS III	Compliance with statutory requirements and reporting	100% compliance with statutory reporting	100%	0%	Target was achieved.
	Not in the NSDS III	Approved Strategic Plan and Annual Performance Plan	Approved Strategic Plan and Annual Performance Plan	100%	0%	SP and APP approved.
	Not in the NSDS III	Level of stakeholder satisfaction with the LGSETA	65%	97%	+32%	Target was exceeded due to positive response the SETA received from its stakeholders.
	Not in the NSDS III	Percentage compliance with organisational operational procedures and standards	100% compliance with organisational operational procedures and standards	100%	0%	Target was achieved.
	Not in the NSDS III	Percentage compliance with Human Resources Procedures and Standards	100% compliance with the Human Resources and Performance Management Strategy	100%	0%	Target was achieved.

STRATEGIC OBJECTIVES	NSDS 2011–2016 OBJECTIVES	ANNUAL INDICATORS	TARGETS 2015–2016	ACHIEVEMENTS	VARIANCE (%)	COMMENTS
Implement an efficient, effective and transparent administration and governance in the LGSETA	Not in the NSDS III	Employee satisfaction index	80%	60%	-20%	Target was not met due to limited participation of LGSETA employees in the survey.
	Not in the NSDS III	Performance Information Rating	100%	100%	0%	Target was achieved.
	Not in the NSDS III	Percentage compliance with project management procedures and standards	100%	90%	-10%	Target was partially achieved.
To develop occupational qualifications, build quality skills development capacity and ensure certification of learners	4.8 Building career and vocational guidance	Number of career guides distributed to new labour-market entrants and learners	20 000	20 473	+473	Target was achieved and exceeded due to growing interest in the LGSETA activities.
		Number of career guides events per annum	13	67	+54	Target was achieved and exceeded due to growing interest in the LGSETA activities.
To ensure an effective, efficient and transparent financial and risk management system and internal control		Unqualified Audit Opinion	Unqualified Audit Opinion		-	Subject to annual audit and report in Q1 of 2016/17.

LINKING PERFORMANCE WITH THE PROGRAMME BUDGET

2014/2015			2015/2016		
BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER-EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER-EXPENDITURE
60 736	78754	18018	67 295	77 281	(9 986)

The goal of the LGSETA Administration programme is to develop and implement a Strategic Plan and Annual Performance Plan as per regulations, as well as to ensure an efficient, effective and transparent governance and management system within the LGSETA.

Administration expenditure is limited to 10.5% of levies received. The legislative limit was exceeded during the 2015/16 financial year. However, permission to exceed the prescribed administration costs was granted by the Minister of Higher Education and Training. This amounted to R11 million, and was utilised to address outstanding organisational legacy issues.

PROGRAMME 2: SECTOR SKILLS PLANNING

Strategic Goal

A credible skills planning and implementation system for the local government sector.

Programme Purpose

The purpose of this Programme is to ensure that the LGSETA has relevant, updated information and analysis to allow it to perform the strategic skills planning function required within the local government sector. Its purpose also lies in maximising local government employer participation in the National Skills Development Strategy through the efficient use of resources available for training within the sector.

Strategic Objective

To ensure that the LGSETA has a credible skills planning and information system for the local government sector.

Programme 2 Performances against Planned Targets

Programme 2 seeks to address two NSDS III objectives: 4.1, Establishing a credible institutional mechanism for skills planning and 4.7, Increasing public sector capacity for improved service delivery and supporting the building of a developmental state where progress against each are presented in the following sections.

STRATEGIC OBJECTIVES	NSDS 2011–2016 OBJECTIVES	ANNUAL INDICATORS	TARGETS 2015–2016	ACHIEVEMENTS	VARIANCE (%)	COMMENTS
Facilitate and lead skills development and plan decision-making through sector research	4.1 Establishing a credible institutional mechanism for skills planning	Percentage of compliant workplace skills plans and annual training report submitted per annum	100%	93%	-7%	Submission and complaint rate improved from prior years
		Number of completed sectoral research studies per annum	12	12	0%	Target was achieved.
		Approved annual Sector Skills Plan update	100%	100%	0%	Target was achieved.
		Annual scarce and critical skills guide developed	1	1	0%	Target was achieved.
		Annual training for Human Resource Development Council per province	9	9	0%	Target was achieved.
	4.7 Increasing public sector capacity for improved service delivery and supporting the building of a developmental state	Annual local labour forum training per municipality	278	278	0%	Target was achieved.
		Number of skills development facilitators forums per province per annum	36	36	0%	Target was achieved.
		Number of monitoring and evaluation visits per municipality per annum	556	501	-55	One provincial office did not meet the planned targets.

LINKING PERFORMANCE WITH THE PROGRAMME BUDGET

2014/2015			2015/2016		
BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER-EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER-EXPENDITURE
4 000	3 784	216	21 200	22 132	(932)

The goal of the LGSETA Sector Skills Programme is to facilitate and lead skills development and planning through decision-making and sector research. The Sector Skills planning budget in the 2015/16 financial year has been based on skills development projects that were being implemented by the LGSETA in the previous financial year.

In the 2015/16 financial year, the actual expenditure relating to skills development projects exceeded the budget due to achieving of certain targets and over-achieving on others. In allowing the LGSETA to assist in achieving the NSDS III and related strategies for enhanced delivery of a skilled and a capable workforce supporting a responsive, accountable, efficient and effective local government sector, by focusing on its core purpose. It is expected that the Sector Skills Programme will continue to deliver on its mandate.

PROGRAMME 3: LEARNING PROGRAMMES

Strategic Goal

To improve the skilled workforce available in the local government sector through facilitating the provision of quality training.

Through this Programme, the LGSETA provides increased access to high quality and relevant education and training, and skills development opportunities in the local government sector. Funding of these initiatives are mainly informed by the key developmental and transformation imperatives of NSDS III, and our commitment to support government's drive to address poverty, unemployment and inequality in South Africa.

Strategic Objective

To coordinate the implementation of relevant occupationally-directed learning programmes and projects in the local government sector to:

- improve the skills levels of employees;
- increase access to learnerships programmes;
- increase work readiness of unemployed individuals;
- increase access to adult education and training programmes;
- promote artisan and technical skills development in the local government sector;
- facilitate access to further education opportunities that contribute to the professional development of employees as well as grow the skills supply for the sector;
- facilitate further professional development of skills development facilitators in municipalities;
- improve access for new labour market entrants through workplace experience;
- continuously encourage and support cooperatives, small enterprises, worker-initiated NGOs and community training initiatives; and
- support the deepening of democracy through civic education, counsellor training, ward education, community development, worker training and training of traditional leaders.

Programme 3 Performances Against Planned Targets

The table below presents the planned targets for the year under review and related achievements. Learning Programmes saw the implementation of significant increases to targets due to the realignment.

STRATEGIC OBJECTIVES	NSDS 2011–2016 OBJECTIVES	ANNUAL INDICATORS	TARGETS 2015–2016	ACHIEVEMENTS	VARIANCE (%)	COMMENTS
Coordinate the implementation of relevant programmes and projects to improve the skills of the local government sector	4.2 Increasing access to occupationally-directed programmes	Number of employees registered for skills programmes per annum	5 500	6 069	10%	The target was exceeded because of the higher demand for various skills programme from levy payers.
		Number of registered employees completing skills programmes per annum	4 000	1 676	-58%	The partial achievement is due to the delays in the completion of projects.

STRATEGIC OBJECTIVES	NSDS 2011–2016 OBJECTIVES	ANNUAL INDICATORS	TARGETS 2015–2016	ACHIEVEMENTS	VARIANCE (%)	COMMENTS
Coordinate the implementation of relevant programmes and projects to improve the skills of the local government sector (continued)	4.2 Increasing access to occupationally-directed programmes (continued)	Number of unemployed individuals registered for skills programmes per annum	4 000	2 392	-40%	The partial achievement is due to the SETA not being able to conclude funding agreements because of the submission of non-compliant documents within the financial year by approved training service providers.
		Number of registered unemployed individuals completing skills programmes per annum	3 000	1 339	-55%	The partial achievement is due to the delays in the completion of projects.
		Number of employees registered for learnerships per annum	4 000	1 789	-55%	The partial achievement is due to the SETA not being able to conclude funding agreements because of the submission of non-compliant documents within the financial year by approved training service providers.
		Number of registered employees completing learnerships per annum	2 000	586	-71%	The partial achievement is due to the delays in the completion of projects.
		Number of unemployed individuals registered for learnerships per annum	3 300	2 977	-9%	The partial achievement is due to the SETA not being able to conclude funding agreements because of the submission of non-compliant documents within the financial year by approved training service providers.
		Number of registered unemployed individuals completing learnerships per annum	2 200	586	-71%	The partial achievement is due to the delays in the completion of projects.
	4.4 Addressing the low level of youth and adult language and numeracy skills to enable additional training	Number of individuals registered for the candidacy programme per annum	300	282	-6%	The partial achievement is due to the training providers not being able to recruit all potential candidates within the financial year.
		Number of registered individuals completing candidacy programme per annum	No target	-		No target set as the programme runs for up to three years.
		Number of TVET College lectures registered on the development programme per annum	15	15	0%	Target was achieved.
		Number of TVET College lectures completing the development programme per annum	12	0	-100%	The target was not achieved due to a delay in project implementation.
		Number of employees enrolled in AET level 1 per annum	300	513	+71%	The target achieved and exceeded due to the interest in AET.
		Number of employed individuals completing AET level 1 per annum	150	298	+99%	The target achieved and exceeded due to learners registered in the prior financial years completing the programme and submitting proof of completion to the SETA within the financial year under review.

STRATEGIC OBJECTIVES	NSDS 2011–2016 OBJECTIVES	ANNUAL INDICATORS	TARGETS 2015–2016	ACHIEVEMENTS	VARIANCE (%)	COMMENTS
Coordinate the implementation of relevant programmes and projects to improve the skills of the local government sector (continued)	4.4 Addressing the low level of youth and adult language and numeracy skills to enable additional training (continued)	Number of employees enrolled in AET level 2 per annum	400	225	-44%	The partial achievement is due to the SETA not being able to conclude funding agreements because of the submission of non-compliant documents within the financial year.
		Number of employed individuals completing AET level 2 per annum	200	184	-8%	The partial achievement is due to some learners not yet sitting for examinations, which are available in June and December of each year, to enable possible completion and certification within the financial year.
		Number of employees enrolled in AET level 3 per annum	500	181	-64%	The partial achievement is due to the SETA not being able to conclude funding agreements because of the submission of non-compliant documents within the financial year.
		Number of employed individuals completing AET level 3 per annum	250	43	-83%	The partial achievement is due to some learners not yet sitting for the examinations, which are scheduled for June and December each year, to enable possible completion and certification within the financial year under review.
		Number of employees enrolled in AET level 4 per annum	700	168	-78%	The partial achievement is due to the SETA not being able to conclude funding agreements because of the submission of non-compliant documents within the financial year.
		Number of employed individuals completing AET level 4 per annum	350	30	-91%	The partial achievement is due to some learners not yet sitting for the examinations, which are scheduled for June and December each year, to enable possible completion and certification within the financial year under review.
		Number of unemployed individuals enrolled in AET level 1 per annum	500	386	-23%	The partial achievement is due to the SETA not being able to conclude funding agreements because of the submission of non-compliant documents within the financial year.
		Number of unemployed individuals completing AET level 1 per annum	400	139	-65%	The partial achievement is due to some learners not yet sitting for the examinations, which are scheduled for June and December each year.
		Number of unemployed individuals enrolled in AET level 2 per annum	500	79	-84%	The partial achievement is due to the SETA not being able to conclude funding agreements because of the submission of non-compliant documents within the financial year.
		Number of unemployed individuals completing AET level 2 per annum	400	32	-92%	The partial achievement is due to some learners not yet sitting for the examinations, which are scheduled for June and December each year.

STRATEGIC OBJECTIVES	NSDS 2011–2016 OBJECTIVES	ANNUAL INDICATORS	TARGETS 2015–2016	ACHIEVEMENTS	VARIANCE (%)	COMMENTS
Coordinate the implementation of relevant programmes and projects to improve the skills of the local government sector (continued)	4.4 Addressing the low level of youth and adult language and numeracy skills to enable additional training (continued)	Number of unemployed individuals enrolled in AET level 3 per annum	500	60	-88%	The partial achievement is due to the SETA not being able to conclude funding agreements because of the submission of non-compliant documents within the financial year
		Number of unemployed individuals completing AET level 3 per annum	400	16	-96%	The partial achievement is due to some learners not yet sitting for the examinations, which are scheduled for June and December each year.
		Number of unemployed individuals enrolled in AET level 4 per annum	500	191	-62%	The partial achievement is due to the SETA not being able to conclude funding agreements because of the submission of non-compliant documents within the financial year.
		Number of unemployed individuals completing AET level 4 per annum	400	1	-99%	The partial achievement is due to some learners not yet sitting for the examinations, which are scheduled for June and December each year to enable possible completion and certification within the financial year under review.
		Number of e-AET programmes developed per annum	5	0	-100%	The SETA made a decision to review the intervention and therefore did not proceed with implementation in the financial year.
	4.2 Increasing access to occupationally-directed programmes	Number of employees registered as learner artisans per annum	300	0	-100%	The non-achievement was due to the non-submission of compliant learner registration documents within the financial year.
		Number of learner artisans who qualify as artisans per annum	150	14	-91%	The partial achievement is due to the SETA not being able to conclude the project because of delays in the certification of learners.
		Number of unemployed individuals registered as learner artisans per annum	600	769	+28%	Target achieved and exceeded due to higher demand for the intervention.
		Number of unemployed individuals registered as learner artisans who qualify as artisans per annum	300	70	-77%	The partial achievement is due to the SETA not being able to conclude the project as a number of learners are still on programmes that commenced in the previous financial year.
		Number of artisan aides registered for artisanal training per annum	250	0	-100%	The non-achievement was due to the non-submission of compliant learner registration documents within the financial year.
		Number of artisan aids who qualify as artisans per annum	150	0	-100%	The non-achievement is due to the delays in project implementation of previous projects.
		Number of employees awarded bursaries per annum	150	176	+17%	The target was achieved and exceeded due to the high demand from municipalities for the programme.
		Number of unemployed individuals awarded bursaries per annum	350	337	-4%	The partial achievement is due to the SETA not being able to conclude funding agreements because entities didn't submit documentation within the financial year.

STRATEGIC OBJECTIVES	NSDS 2011–2016 OBJECTIVES	ANNUAL INDICATORS	TARGETS 2015–2016	ACHIEVEMENTS	VARIANCE (%)	COMMENTS
Coordinate the implementation of relevant programmes and projects to improve the skills of the local government sector (continued)	4.2 Increasing access to occupationally-directed programmes (continued)	Number of SDFs registered for the OD-ETDP certificate qualification per annum	100	0	-100%	The target was not achieved due to the SETA not being able to conclude funding agreements because of the low demand for this intervention.
		Number of SDFs completing the OD-ETDP certificate qualification per annum	80	59	-26%	The partial achievement is due to the delays in the certification of learners who are yet to complete the programme.
		Number of SDFs registered for the OD-ETDP higher certificate qualification per annum	75	0	-100%	The target was not achieved due to the SETA not being able to conclude funding agreements because of the low demand for the intervention.
		Number of SDFs completing the OD-ETDP higher certificate qualification per annum	50	0	-100%	The non-achievement is due to no learners registered for the programme in the financial year.
		Number of SDFs registered for the OD-ETDP diploma qualification per annum	20	0	-100%	The target was not achieved due to the SETA not being able to conclude funding agreements because of the low demand for the intervention.
		Number of SDFs completing the OD-ETDP diploma qualification per annum	10	0	-100%	The non-achievement is due to no learners registered for the programme in the financial year.
		Number of SDFs registered for the OD-ETDP degree qualification per annum	5	3	-40%	The partial achievement is due to the SETA not being able to conclude funding agreements because of the low demand for the intervention.
		Number of SDFs completing the OD-ETDP degree qualification per annum	0	0	-	No target set
	4.5 Encouraging better use of workplace-based skills development	Number of unemployed graduates placed for internship per annum	400	447	+12%	The target was achieved and exceeded due to a high demand for the intervention from Levy Payers.
		Number of placed graduates completing internship per annum	0	0	0%	No target set.
		Number of TVET graduates placed for work integrated learning per annum	3 600	1 654	-54%	The partial achievement is due to some training providers not submitting all learner registration documents within the financial year.
		Number of placed TVET graduates completing work-integrated learning per annum	0	0	0%	No target set
		Number of HEI graduates placed for work-integrated learning per annum	700	8	-99%	The partial achievement is due to some training providers not submitting all learner registration documents within the financial year.
		Number of placed HEI graduates completing work-integrated learning per annum	0	0	0%	No target set.

STRATEGIC OBJECTIVES	NSDS 2011–2016 OBJECTIVES	ANNUAL INDICATORS	TARGETS 2015–2016	ACHIEVEMENTS	VARIANCE (%)	COMMENTS
Coordinate the implementation of relevant programmes and projects to improve the skills of the local government sector (continued)	4.6 Encouraging and supporting cooperatives, small enterprises, worker-initiated NGO and community training initiatives	Number of cooperatives supported through skills development initiatives per annum	25	9	-64%	The partial achievement was due to fewer entities registered as cooperatives attending the programme.
		Number of NGOs supported through skills development initiatives per annum	15	10	-33%	The partial achievement was due to fewer entities registered as NGOs to attend the programme.
		Number of CBOs supported through skills development initiatives per annum	15	0	-100%	The target was not met due to no entities identified as CBOs to attend the programme.
		Number of SMMEs supported through skills development initiatives per annum	15	13	-13%	The partial achievement is due to the SETA not being able to conclude funding agreements because of the combination of applicants submitting of non-compliant documents and late submission thereafter.
		Number of NLPes supported through skills development initiatives per annum	10	12	+20%	The target was achieved and exceeded due to more participants attending the programme.
	4.2 Increasing access to occupationally-directed programmes	Number of counsellors registered for skills programmes	2 000	1538	-23%	The programme was a continuation from a previous financial year and fewer learners were eventually registered for the programme that was anticipated.
		Number of registered counsellors completing skills programmes per annum	1 500	1 217	-19%	The partial achievement was due to some learners still attending the programme and not able to complete it within the financial year.
		Number of traditional leaders registered for skills programmes per annum	500	193	-61%	The partial achievement was due to some delays experienced by training providers to submit all learner documents within the financial year.
		Number of registered traditional leaders completing skills development programmes per annum	400	0	-100%	The non-achievement is due to the SETA not being able to conclude the project because of the delay in implementing the approved projects within the financial year.

LINKING PERFORMANCE WITH THE PROGRAMME BUDGET

2014/2015			2015/2016		
BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER-EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER-EXPENDITURE
234 850	163 917	(70 933)	509 280	286 595	215 685

The goal of the LGSETA Learning Programmes is to coordinate the implementation of relevant programmes and projects to improve the skills of the local government sector. Actual expenditure relating to Learning Programmes are lower than budget due to the fact that the budget is based on allocated funds while actual expenditure happens across different financial years depending on the various project deliverables and when levies relating to discretionary grants are received.

The balance of commitments as at 31 March 2016 is R452 855 730. Included in these commitments are projects that have approved funding agreements, for which deliverables have not yet taken place. The expenditure of these commitments is dependent on project deliverables and will occur across different financial years.

PROGRAMME 4: EDUCATION AND TRAINING QUALITY ASSURANCE (ETQA)

Strategic Goal

To build an education and training provider system that better serves the needs of local government.

The purpose of the ETQA Programme is to deliver the performance of all quality assurance functions relating to qualifications development and management, accreditation and support of training providers, monitoring of learning programme provision and evaluation of learning materials, ensuring that learners are fairly and effectively assessed in the local government sector.

Strategic Objective

Ensure the development and delivery of quality programmes for the local government sector by:

- developing and implementing QCTO-aligned quality management policies;
- developing quality occupation-directed qualifications;
- continuously facilitating access for training providers to support the provision of quality training in the sector;
- promoting collaboration to support skills development;
- ensuring consistent training provision quality by secondary-accredited training providers;
- continuously improving the quality of training provision through effective monitoring;
- developing and implementing RPL tools that contribute to the professional development of employees;
- continuously facilitating greater access to skills development opportunities and employability;
- supporting access to better professional development opportunities and prospects for employees; and
- verifying learner achievement.

Programme 4 Performances Against Planned Targets

The table below presents the planned targets for the year under review and related achievements. There were no changes made to planned targets during the year under review.

STRATEGIC OBJECTIVES	NSDS 2011–2016 OBJECTIVES	ANNUAL INDICATORS	TARGETS 2015–2016	ACHIEVEMENTS	VARIANCE (%)	COMMENTS
Ensure the development and delivery of quality programmes for the local government sector	Not in the NSDS III	Number of QCTO policies developed per annum	2	2	0%	Target was achieved.
	4.2 Increasing access to occupationally-directed programmes	Number of QCTO qualifications developed per annum	5	5	0%	Target was achieved
		Number of new primary accreditation training providers per annum	50	67	+34%	Target achieved
		Number of MOUs with SETAs, FETs, HEIs, and MTCs per annum	5	12	+140%	Target achieved and exceeded
		Number of secondary-accreditation training providers' learning programmes evaluated per annum	170	17	-90%	SETA did not receive sufficient applications for accreditation

STRATEGIC OBJECTIVES	NSDS 2011–2016 OBJECTIVES	ANNUAL INDICATORS	TARGETS 2015–2016	ACHIEVEMENTS	VARIANCE (%)	COMMENTS
Ensure the development and delivery of quality programmes for the local government sector (continued)	NSDS III does not make any mention of quality assurance functions but still remains an important function in SETA	Percentage of accredited training providers monitored as per ETQA/QCTO requirements per annum	100%	117%	+17%	The target has been exceeded.
	4.2 Increasing access to occupationally-directed programmes	Number of RPL implementation guidelines and tools developed and implemented per annum	3	2	-33%	Target partially achieved.
	4.2 Increasing access to occupationally-directed programmes	Number of assessment/RPL centres established per annum	2	-	-100%	QCTO only approved LGSETA as an assessment quality partner on 14 October 2015.
	4.2 Increasing access to occupationally-directed programmes	Number of RPL candidates assessed per annum	1 000	239	-76%	The target was not met due to any applications received for RPL assessments.
	NSDS III does not make any mention of quality assurance functions but still remains an important function in SETAs	Number of learners certificates against unit standards per annum	10 000	8 196	-18%	The target was not met due to fewer applications received for learner certification.
		Number of learners certificates against qualifications per annum	2 000	3 668	+83%	Annual target achieved and exceeded.

LINKING PERFORMANCE WITH THE PROGRAMME BUDGET

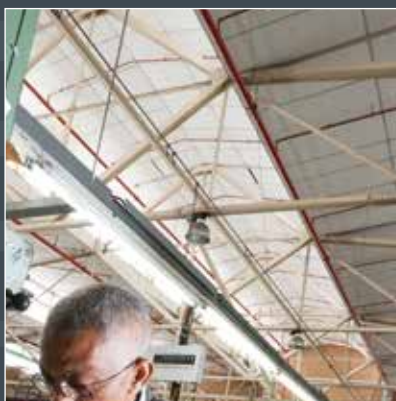
2014/2015			2015/2016		
BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER-EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER-EXPENDITURE
234 850	163 917	(70 933)	21 300	2 557	18 743

The goal of the LGSETA ETQA Programme is to ensure the development and delivery of quality programmes for the local government sector. Actual expenditure relating to ETQA is lower than budget due to the fact that the budget is based on allocated funds while actual expenditure happens across different financial years depending on the various project deliverables and when levies relating to discretionary grants are received.

The LGSETA will continue to make every effort to ensure more project development as the necessary programme, system and process reviews are conducted.

The balance of commitments as at 31 March 2016 is R452 855 730. Included in these commitments are projects that have approved funding agreements, for which deliverables have not yet taken place. The expenditure of these commitments is dependent on project deliverables and will occur across different financial years.

PART 3 GOVERNANCE



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, No. 97 of 1998, the Skills Development Levies Act, No. 9 of 1999, the Public Finance Management Act, No. 1 of 1999 and Treasury Regulations.

LGSETA was placed under administration as per Government Notice No. 36276 in the Government Gazette No. 215 in accordance with section 15(2) of the Skills Development Act. The administration period ended on 19 September 2015 and subsequently the current accounting authority's term became effective.

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 (APPs) 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 draught SSP, SP and APP before 31 August 2015, followed by the subsequent drafts on 30 November 2015 and 31 January 2016, 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's

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 2016 and also the financial performance and summary cash flow activities for the year ending 31 March 2016.

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 that 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. 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.

COMMITTEE	RESPONSIBILITIES
BOARD COMMITTEES	
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 relating 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.

COMMITTEE	RESPONSIBILITIES
BOARD COMMITTEES (CONTINUED)	
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; coordinate and supervise the implementation of the Board's policies; coordinate the functioning of committees and monitor their activities and manage LGSETA's budgets and strategic plans.
Remuneration and Stakeholder Committee	<p>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.</p> <p>During the year under review, the committee approved and recommended to the Board a wide range of Human Resources (HR) organisational legacy issues including:</p> <ul style="list-style-type: none"> • Finalisation of the migration and placement process that started during the Administration period; • Review and finalisation of the organisational structure; • Guiding the process of drafting remuneration policy, pay scales and job grading; and • Guiding the process of drafting a performance management system.

MANAGEMENT COMMITTEES	
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 period 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 were also done periodically on the work undertaken by management.
ICT Steering Committee	<p>ICT Governance forms part of the broader governance function within LGSETA but with its own specific focus. Oversight for this function is provided by the ARC and reported 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.</p> <p>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 following policies were submitted to the ARC for Board approval:</p> <ul style="list-style-type: none"> • 01-1 Governance Charter V1.1; • 01-2 ICT Governance and Management Framework V1.1; • 01-3 ICT Policy Framework V1.1; • 01-14 ICT End-User Security Policy V2.0; • 01-11 ICT Availability Management and Service Continuity Policy V1.0; • 01-13 ICT Security Management Policy V1.0; • 01-15 ICT Information Management Policy V1.0; • 01-18 ICT Sustainability Policy V1.0; • 01-55 LGSETA Business Continuity Plan V1.0; and • 001-12 ICT DRP V1.0. <p>The committee also ensured that the following governance processes are in place including the following:</p> <ul style="list-style-type: none"> • Overseeing the alignment of ICT strategy to the business strategy; • Updating of the IT policy and procedure as part of the annual organisation-wide process of reviewing policy documents;

COMMITTEE	RESPONSIBILITIES
MANAGEMENT COMMITTEES (CONTINUED)	
	<ul style="list-style-type: none"> 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 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 the LGSETA has an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective. The Supply Chain Management (SCM) must ensure that the bid processes of the LGSETA is done 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 future. The Accounting Authority confirms that it has assessed key sustainability risks and there is no reason to believe that 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.

MANAGING RISK

Internal Audit and Risk Management

The Audit and Risk Committee reviewed the LGSETA's overall approach to risk management and control. These included management's 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 period under review, the LGSETA had an internal audit function that was assisted by an outsourced audit firm. The Committee approved the following:

- The internal audit three-year rolling strategic and annual plans and reviewed the quarterly reports.
- 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.
- The combined assurance plan, which is an assurance map that outlines the intended activities of each assurance provider being management, internal audit and Auditor-General.

Fraud and Corruption Prevention Plan

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

REPORT BY THE ACCOUNTING AUTHORITY

External Audit

Audit findings raised by the Auditor-General in the previous financial year were addressed in the current year. However, there were few audit findings in relation to operations that remain unresolved.

Audit and Risk Committee

The Audit and Risk Management Committee comprised of four (4) non-executive 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 4 (four) times during the year under review. The breakdown of meetings attended and remuneration follows:

NAME	NON-EXECUTIVE INDEPENDENT MEMBERS	NO. OF MEETINGS ATTENDED	FEES PAID
Michael Mamotheti	Chairperson	15	165 000
Nontokozo Gxumisa	Member	10	90 000
Thomas Kgokolo	Member	6	54 000
Belese Majova-Nkomo	Member	10	90 000

Chairperson attended 10 ARC meeting and 5 other meetings at request of Management

AUDIT COMMITTEE REPORT

It is with pleasure that we present this report for the financial year ended 31 March 2016.

AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

The Audit and Risk Committee comprises of members listed on page 43 of the annual report and is required to meet at least 4 (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 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 period under review are summarised as follows:

EFFECTIVENESS OF INTERNAL CONTROL

The Audit and Risk Committee provide an oversight on 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 on financial management and operations were adequate, effective and efficient. Although there was a significant improvement from 2014/15, further enhancement is required since there were instances where corrective measures for poor performance were

not taken timeously. Such control deficiencies are being addressed by management. The Committee continues to monitor the effectiveness and efficiency of measures put in place to improve performance management and the reporting thereof.

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 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 of internal audit function. During the period under review, the LGSETA had an internal audit and risk management function that was assisted by an outsourced audit firm. 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 is satisfied with the performance of the internal audits 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.

Africa's reports and Management's reports to identify any indication of non-compliance with any act or regulations relevant to LGSETA. We couldn't find anything to suggest non-compliance with legal and regulatory provisions.

PERFORMANCE INFORMATION

The Committee reviewed the system on compiling performance information and reviewed quarterly reports thereof. As mentioned above, the detection controls and timeous responses to poor performance detected requires improvement. The Committee is satisfied with the progress made by the timely, relevance, reliability and quality of performance information and concurs with the results of the Auditor-General South Africa in this regard.

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.

COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

The Audit and Risk Committee provides an oversight on compliance with legal and regulatory provisions by LGSETA. This is achieved through reviewing internal audits quarterly reports, the Auditor-General South



Mr Michael Mamotheti

Chairperson of the Audit and Risk Committee

PART 4

HUMAN RESOURCES MANAGEMENT



OVERVIEW

INTRODUCTION

The year 2015/2016 marked the transitioning from the Administration era of the LGSETA to the ushering in of the new Chief Executive Officer, with a full complement of the Executive team. The year under review saw the HR sub-division developing its own set of strategic plans (cross-over plans) designed to capacitate and create a greater impact in assisting the organisation to achieve its vision, mission and the set objectives.

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The performance and development management policy was initiated, consulted with the Union and training was rolled out throughout the organisation. The challenge however, remained that implementation did not follow through as contemplated. This was, however, mitigated by conducting a skills audit which identified training for the various job profiles and individual training plans.

EMPLOYEE RELATIONS – DISCIPLINARY MATTERS

The employee relations between Management and the Union went through a sustained period of normalisation of the relations between the parties. The year saw a significantly reduced number of labour relations matters, with some of the matters before the CCMA and the one matter before the labour court, emanating from the preceding period. Central to the design of the performance and development management policy is the creation of the link to the overall organisation performance.

HIGHLIGHTS, ACHIEVEMENTS AND CHALLENGES

The HR interventions initiated during the Administration period such as the Migration and Placement of staff to the new organisational structure were concluded and approved by the Board. The organisation successfully implemented the VIP – Employee Self Service (ESS). The ESS is designed to create greater independence, self-management and enhance ease of access by staff in the administration of all leave types electronically, receiving and storing of payslips and IRP5's electronically. All staff members were inducted and trained on the utilisation of the ESS and the staff members have fully embraced the system. In the last quarter of the reporting period an Employee Satisfaction Survey was conducted, for a second running. The results obtained in the survey gave a very insightful and inward looking reflection of the state of affairs in the organisation and interventions to address the identified challenges have been designed.

HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel costs by Programme

PROGRAMME	TOTAL EXPENDITURE FOR THE ENTITY R'000	PERSONNEL EXPENDITURE R'000	PERSONNEL EXPENDITURE AS A % OF TOTAL EXPENSES R'000	NO. OF EMPLOYEES R'000	AVERAGE PERSONNEL COST PER EMPLOYEE R'000
Administration	10 119 971	1 073 178	11%	1	1 073 178
Board of Directors	766 309	620 202	81%	-	-
CEO	3 517 351	3 251 190	92%	4	812 798
Finance	23 046 327	5 211 488	23%	13	400 884
Corporate Services	15 725 670	4 214 398	27%	11	383 127
Operations	22 421 269	16 770 814	75%	45	372 685
Strategy and Planning	1 683 976	1 077 817	64%	4	269 454
TOTAL	77 280 873	32 219 086	42%	78	413 065

Personnel Cost by Salary Band

LEVEL	PERSONNEL EXPENDITURE R'000	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST %	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE R'000
Top Management	5 556 137	17.24%	5	1 111 227
Senior Management	10 626 573	32.98%	16	664 160
Professional Qualified	6 942 649	21.55%	21	330 602
Skilled	8 172 056	25.36%	29	281 795
Semi-skilled	921 668	2.86%	7	131 666
Unskilled	-	0	-	-
TOTAL	32 219 086	100.00%	78	

Training Costs (Bursaries as at 31 March 2016)

PROGRAMME	PERSONNEL EXPENDITURE R'000	TRAINING EXPENDITURE R'000	TRAINING EXPENDITURE AS A % OF PERSONNEL COST %	NO. OF EMPLOYEES	AVERAGE TRAINING COST PER EMPLOYEE R'000
Administration	1 073 177	-	0.00%	0	-
Board of Directors	620 202	-	0.00%	0	-
CEO	3 251 190	-	0.00%	0	-
Finance	5 211 487	24 583	0.47%	2	12 291
Corporate Services	4 214 398	-	0.00%	0	-
Operations	16 770 813	83410	0.50%	4	20 852
Strategy and Planning	1 077 816	-	0.00%	0	-
TOTAL	32 219 086				

HUMAN RESOURCES OVERSIGHT STATISTICS.

Performance Rewards

No performance rewards were paid in the year under review.

Employment and Vacancies (as at 31 March 2016)

PROGRAMME	2014/15 NO. OF EMPLOYEES	2015/16 APPROVED POSTS	2015/16 VACANCIES	2015/16 NO. OF EMPLOYEES	% OF VACANCIES
Administrator Office	1	0	0	0	
CEO Office	2	6	3	3	50%
Finance	13	14	1	13	7%
Corporate Services	11	23	11	12	48%
Operations	38	73	27	46	37%
Strategy and Planning	2	14	10	4	71%
TOTAL	67	130	52	78	40%

Employment Changes

The list includes all staff movement including positions that were additional to the establishment but excluded the interns.

SALARY BANDS	EMPLOYMENT AT THE BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT THE END OF THE PERIOD
Top Management	4	3	2	5
Senior Management	10	5	2	13
Professional Qualified	17	7	1	23
Skilled	30	3	2	31
Semi-skilled	6	0	0	6
Unskilled	-	0	0	0
TOTAL	67	18	7	78

Reasons for Staff Leaving

REASON	NUMBER	% TOTAL NO. OF EMPLOYEES LEAVING
Death	0	0
Resignation	5	71%
Dismissal	0	0
Retirement	0	0
Ill Health	0	0
Expiry of Contract	2	29%
Other	0	0
TOTAL	7	100%

Labour Relations: Misconduct and Disciplinary Action

The list included all staff movement including positions that were additional to the establishment

Verbal Warning	0
Written Warning	2
Final Written Warning	1
Suspensions	1
Dismissal	0
TOTAL	4

HUMAN RESOURCES OVERSIGHT STATISTICS.

Equity Targets and Employment Equity Status as at 31 March 2016

LEVELS	MALE			
	AFRICAN	COLOURED	INDIAN	WHITE
Top Management	2	1	0	0
Senior Management	8	0	0	0
Professional Qualified	8	0	1	0
Skilled	5	1	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	23	1	1	0

LEVELS	FEMALE			
	AFRICAN	COLOURED	INDIAN	WHITE
Top Management	2	0	0	0
Senior Management	6	1	1	0
Professional Qualified	11	1	0	0
Skilled	15	4	0	0
Semi-skilled	7	0	0	0
Unskilled	0	0	0	0
TOTAL	41	6	6	0

LEVELS	EMPLOYEES WITH A DISABILITY	
	MALE	FEMALE
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

PART 5

FINANCIAL INFORMATION



ACCOUNTING AUTHORITY'S RESPONSIBILITY AND APPROVAL

The Public Finance Management Act (No. 1 of 1999) (PFMA), as amended, requires the Accounting Authority to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related information. The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

The external auditors are responsible for reporting on the fair presentation of the Annual Financial Statements and were given unrestricted access to all financial records and related information.

To enable the Accounting Authority to carry out its responsibilities, appropriate standards, that require a systems of internal control and risk management to be implemented, were set and agreed. These were designed to provide reasonable assurance against material misstatements and deficits. LGSETA maintains internal financial controls to provide assurance regarding the safeguarding of assets against unauthorised use

or disposition as well as the maintenance of proper accounting records to provide reliable financial information for use within the organisation or for publication.

The Accounting Authority has reviewed the Entity's budgets and cash flow forecasts for the year. On the basis of this review, and in view of the current financial position, the Accounting Authority is satisfied that the Entity will continue to operate as a going concern in the foreseeable future.

The Annual Financial Statements which appear on pages 57 to 86 were approved by the Accounting Authority on 26 July 2016 and signed on their behalf by:



Dr Michael Sutcliffe

Chairman of the Board

Local Government Sector Education & Training Authority

REPORT OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Local Government Sector Education and Training Authority set out on pages 57 to 86, which comprise the statement of financial position as at 31 March 2016, 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, comprising a summary of significant accounting policies and other explanatory information.

The accounting authority's responsibility for the financial statements

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

Auditor-Generals' responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the

financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Local Government Sector Education and Training Authority as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standard of GRAP and the requirements of the PFMA and SDA.

Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual report, compliance with legislation and internal control. I performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2016:
 - Programme 3: Learning programme on pages 31 to 36
 - Programme 4: Education Training and Quality Assurance on pages 37 to 38
9. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets are well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).
10. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
11. The material findings in respect of the selected objectives are as follows:

Programme 3: Learning programme

Usefulness of reported performance information

12. The FMPPi requires that performance targets should be specific in clearly identifying the nature and required level of performance and measurable. A total of 28% targets were not specific and measurable.
13. The FMPPi requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 28% indicators were not well defined.

Reliability of reported information

14. The FMPPi requires auditees to have appropriate systems to collect, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of important indicators were not reliable when compared to the source information.

Programme 4: Education Training and Quality Assurance

Usefulness of reported performance information

15. I did not raise any material findings on the usefulness of the reported performance information of programme 4 – education and training quality assurance.

Reliability of the reported performance information

16. The FMPPi requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of important indicators were not reliable when compared to the source information.

Additional matters

17. I draw attention to the following matters:

Achievement of planned targets

18. Refer to the annual performance report on pages 21 to 38 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 21 to 38 of the report.

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information programme 3 – learning programme and programme 4-education and training quality assurance. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

20. I performed procedures to obtain evidence that public entity had complied with legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

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

Leadership

22. Deficiencies in the control environment mainly in the area of performance planning, monitoring and reporting over the past years, were not adequately addressed. The information reported in the quarterly and annual performance report was not adequately reviewed to ensure that the information reported is valid, accurate and complete.
23. Controls over the planning, management and reporting of performance information were not effective. The information reported in the quarterly and annual

performance report was not adequately reviewed to ensure that the information reported is valid, accurate and complete. This resulted in some of the reported performance information being materially misstated.

Financial and performance management

24. The misstatements identified in the annual performance report were mainly due to staff not fully understanding the requirements of performance information reporting.
25. The entity did not adhere to its entity policies and procedures for managing performance information and projects. This resulted in the actual performance reported for some of the selected performance indicators being misstated.

Other reports

26. I draw attention to the following engagements that could potentially impact on the public entity's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

27. The entity appointed an independent firm of auditors to perform an investigation on the allegation of irregularities relating to procurement transactions, which occurred during the year under review. The investigation was finalised and a report was issued in June 2016. Recommendations of the report were being implemented at the time of this report.

Auditor-General

Pretoria

31 July 2016



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

	NOTES	2016 R	2015 R
ASSETS			
Non-current assets			
Property, plant and equipment	3	3 126 811	4 264 138
Intangible assets	3.1	329 328	205 509
Total non-current assets		3 456 139	4 469 647
Current assets			
Prepayment and advances	4	152 710	436 786
Trade and other receivables-non exchange transactions	5	3 108 735	7 535 906
Trade and other receivables-exchange transactions	6	4 923 634	3 299 565
Inventories	7	174 108	164 352
Cash and cash equivalents	8	608 061 821	472 537 519
Total current assets		616 421 008	483 974 127
Total assets		619 877 147	488 443 774
Current liabilities			
Skills Development Grants Payables	9	32 922 683	28 410 875
Trade and other payables-non exchange transactions	10	101 930 814	25 968 008
Provisions	10.1	17 500 000	17 500 000
Trade and other payables-exchange transactions	11	8 145 725	7 548 843
Total current liabilities		160 499 222	79 427 726
NET ASSETS		459 377 925	409 016 048
Funds and Reserves			
Administration Reserve	2	3 456 139	4 469 647
Discretionary Reserve		455 921 786	404 546 401
TOTAL NET ASSETS AND LIABILITIES		619 877 147	488 443 774

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2016

	NOTES	2016 R	2015 R
REVENUE			
Non-Exchange Revenue	12	523 518 097	481 929 711
Skills Development Levy: income		509 098 936	471 400 355
Skills Development Levy: penalties and interest		14 419 161	10 529 356
Exchange Revenue	13	34 673 440	31 407 053
Investment income		33 815 446	31 106 088
Other Income		857 994	300 965
Total Revenue		558 191 537	513 336 764
EXPENSES			
Non-exchange transactions		(430 548 787)	(543 776 270)
Employer grant and project expenses	14	(430 548 787)	(276 230 270)
Surrender of uncommitted funds to NSF	14.1	-	(267 546 000)
		-	
Exchange transactions		(77 280 873)	(78 754 075)
Administration expenses	15	(77 280 873)	(78 754 075)
NET SURPLUS/(DEFICIT) FOR THE YEAR	2	50 361 877	(109 193 581)

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2016

	NOTES	ADMINISTRATION RESERVES R	EMPLOYER GRANT RESERVE R	DISCRETIONARY RESERVE R	ACCUMULATED SURPLUS/(DEFICIT) R	TOTAL R
Restated Balance as at 31 March 2014		3 233 561	-	514 976 067	-	518 209 629
Net (Deficit)/Surplus for the year		-	-	-	(109 193 581)	(109 193 581)
Allocation of Net (Deficit)/Surplus	2	(16 905 034)	11 751 368	(104 039 915)	109 193 581	-
Excess Reserves transferred to Discretionary Reserve		-	(11 751 368)	11 751 368	-	-
Transfer from Discretionary Reserve		18 141 120		(18 141 120)	-	-
Balance as at 31 March 2015		4 469 647	-	404 546 401	-	409 016 048
Net (Deficit)/Surplus for the year		-	-	-	50 361 877	50 361 877
Allocation of Net (Deficit)/Surplus		(10 469 563)	14 998 496	45 832 944	(50 361 877)	-
Excess Reserves transferred to Discretionary Reserve		-	(14 998 496)	14 998 496	-	-
Transfer from Discretionary Reserve		9 456 055		(9 456 055)	-	-
Balance as at 31 March 2016		3 456 139	-	455 921 786	-	459 377 926

There has been no new Levy Payers within the past 6 months.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	NOTES	2016 R	2015 R
Cash flows from operating actives			
Cash receipts from stakeholders		558 191 537	513 336 764
Levies, Interest and Penalties Received	12	523 518 097	481 929 711
Proceeds from Tender Documents		857 994	300 965
Interest Income		33 815 446	31 106 088
Cash paid to stakeholders, suppliers and employees		(421 072 130)	(681 226 318)
Grants and Project Payments		(430 548 787)	(276 230 270)
Compensation of Employees		(32 219 086)	(25 849 793)
Payments to National Skills Fund		-	(267 546 000)
Increase/(Decrease) Payments to Suppliers and Others		41 695 743	(111 600 255)
Net cash flows from operating activities	16	137 119 407	(167 889 554)
Cash flows from investing activities			
Additions to property, plant and equipment for expansion		(1 628 855)	(3 185 244)
Proceeds on disposal of property, plant and equipment		33 750	-
Net cash flows from investing activities		(1 595 105)	(3 185 244)
Net increase in cash and cash equivalents		135 524 302	(171 074 798)
Cash and cash equivalents at the beginning of the year		472 537 519	643 612 316
Cash and cash equivalents at the end of the year		608 061 821	472 537 519

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2016

	BUDGET R	ACTUAL R	VARIANCE R
Total Revenue	531 735 000	558 191 538	(26 456 538)
Administration levy income (10.5%)	63 295 000	66 811 310	(3 516 310)
Mandatory grant levy income (20%)	120 563 000	127 812 675	(7 249 675)
Discretionary grant levy income (49.5%)	323 135 000	314 474 950	8 660 050
Penalties and interest	-	14 419 162	(14 419 162)
Other Income	-	857 994	(857 994)
Investment income	24 742 000	33 815 446	(9 073 446)
Total expenses	510 993 000	507 829 660	3 163 340
Administration expenses	67 295 000	77 280 873	(9 985 873)
Employee Related Costs	34 012 975	32 219 086	1 793 889
Depreciation and amortisation	1 276 161	2 518 691	(1 242 530)
Advertising	1 280 892	2 626 537	(1 345 646)
Consultancy and Service Provider Fees	9 892 000	9 347 835	544 165
Travel and Subsistence	2 330 821	6 649 397	(4 318 576)
Conference and Workshops	915 765	1 754 021	(838 256)
Printing	674 861	1 713 451	(1 038 590)
External Audit Fees	3 837 296	5 357 045	(1 519 749)
Internal Audit Fees	1 139 693	1 935 889	(796 197)
General Expenses	11 934 536	13 158 920	(1 224 384)
Mandatory Grants	120 563 000	112 814 179	7 748 821
Discretionary Grants	323 135 000	317 734 608	5 400 392
Net Surplus/(Loss) for the year	20 742 000	50 361 877	(29 619 877)

ANALYSIS OF VARIANCES

Levy income

Levy income in nature will vary from budget as these depend on collection made from levy payers. Of the R26 million reflected as a surplus between the budget and actual revenue received for the year under review, R16,5 million relate to levy income. The R24 million relates to investment income and residual income from the SARS adjustments on levy payer submissions of Skills Development Levies. The entity invests funds with financial institutions approved by National Treasury. Funds are invested in short term cash investments to ensure liquidity of funds and minimize the interest rate risk. Investments are influenced by the changes in market interest rates.

Administration expenses

Administration expenditure is limited to 10.5% of levies received. The legislative limit was exceeded during the 2015/16 financial year. However, permission to exceed the prescribed administration costs was granted by the Minister of Higher Education and Training. This amounted to R11 million, and was utilised to address outstanding organisational legacy issues.

The SETA exceeded advertising and publicity budget, due to its participation in the Decades of Artisans events which were not part of the budget.

The SETA exceeded its Travel and Subsistence budget due to additional travel by the management team as part of stakeholder engagement. The initiative was embarked on an endeavour to improve the SETA.

The advent of the board and the Board Committees increased printing costs in general which was not anticipated in the budgeting process.

Employer Grant and Project expenditure

Employer Grant and Project expenses are lower than budget due to the fact that the budget is based on allocated funds while actual expenditure happens across different financial years depending on the various project deliverables and when levies relating to discretionary grants are received.

The balance of the commitments as at 31 March 2016 is R452 855 730.

ACCOUNTING POLICIES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standard Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999). Accounting policies are in accordance with the Skills Development Act (Act No 97 of 1998), as amended and the Skills Development Levies Act, Act No 9 of 1999, as amended.

The financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, unless specified otherwise. The principal accounting policies adopted in the preparation of these annual financial statements are set out below and are consistent in all material respects with those applied in the previous year.

Where appropriate, prior year amounts have been reclassified, to be consistent with current year presentation.

1.1 Presentation Currency

These financial statements are presented in South African Rand, which is the functional currency of the entity.

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 the foreseeable future leading to the renewal of the SETA license on 31 March 2018.

1.3 Property Plant and Equipment

Items of property plant and equipment, that qualifies for recognition as an asset, are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following rates are used for the depreciation of property, plant and equipment:

Office equipment	5 years
Office furniture and equipment	5 years
Computer Software	3 years
Computer equipment	3 years

The residual value and the useful life of an asset shall be reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The carrying amount of an item of property, plant and equipment shall be derecognised: (a) on disposal, or (b) when no future economic benefits or service potential are expected from its use or disposal. Profit and losses on disposal of property, plant and equipment are charged to the income statement.

ACCOUNTING POLICIES (CONTINUED)

1.4 Impairment of non-current assets

At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If the fair value less costs to sell of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its fair value less costs to sell. An impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its fair value less costs to sell, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the SETA at their fair value at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Assets held under finance leases are included in property, plant and equipment, and depreciation and impairment losses are recognised.

Lease payments under an operating lease shall be recognised as an expense in the statement of financial performance 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.

1.6 Provisions

Provisions are recognised when the SETA has a present obligation (legal or constructive) as a result of a past event, it is probable that the SETA will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.7 Financial instruments

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.

Financial assets

Financial assets of the entity are categorised as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition

Cash and cash equivalents

Bank balances and money market funds comprise cash held by LGSETA on a short-term basis with original maturity of three months to twelve months. The carrying amount of these assets approximates their fair value.

Financial assets at amortised cost

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'financial assets at amortised cost'. These financial assets are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial Liabilities

Financial liabilities of the entity are classified as financial liabilities at amortised cost. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

1.8 Inventories

Inventories comprise of current assets held for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost.

ACCOUNTING POLICIES (CONTINUED)

1.9 Employee Benefits

LGSETA provides for retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pension Funds Act, 1956 as amended. Contributions are at a rate of two thirds (66.33%) of pensionable emoluments of which members contribute one third (33.33 %). Liberty Life is the fund underwriter.

The LGSETA's contribution to the defined contribution plans is charged to the Statement of Financial Performance in the year to which they relate and there is no further liability for the SETA.

1.10 Revenue from Exchange Transactions

Revenue from exchange transactions is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. Interest income is accrued on a time proportionate basis, taking into account the principal outstanding and effective interest rate over the period to maturity.

1.11 Revenue from Non- Exchange Transactions

Non-exchange revenue transactions result in resources being received by the entity, usually in accordance with a binding arrangement. When the entity receives resources as a result of a non-exchange transaction, it recognises an asset and revenue in the period that the arrangement becomes binding and when it is probable that the entity will receive economic benefits or service potential and it can make a reliable measure of the resources transferred. Where the resources transferred to the entity are subject to the fulfilment of specific conditions, it recognises an asset and a corresponding liability. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised. The asset and the corresponding revenue are measured on the basis of the fair value of the asset on initial recognition. Non-exchange revenue transactions include the receipt of levy income from the Department of Higher Education and Training (DHET) and contributions received from government departments for which LGSETA qualifies as the line function SETA.

The accounting policy for the recognition and measurement of skills development levy income is based on the Skills Development Act (SDA), Act No 97 of 1998, as amended in the Skills Development Levies Act (SDLA) Act No 9 of 1999, as amended. In terms of section 3(1) and 3(4) of the SDLA, 1999 as amended, registered member companies of the entity pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS), who collect the levies on behalf of the DHET. Companies with an annual payroll cost less than R500 000 are exempted in accordance with section 4(b) of the SDLA (1999) as amended, effective 1 August 2005.

1.12 Interest and penalties

Interest and penalties received on the SDL are recognised on the accrual basis.

1.13 Investment income

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

1.14 Other income

Other income is recognised when it is probable that future economic benefit will flow to the LGSETA and these benefits can be measured reliably. This will extend to revenue from the sale of tender documents, disposal of assets, proceeds from insurance, and any other sundry income which does not form part of the core activities of the LGSETA. Such income is allocated to discretionary grants.

1.15 Grants and project expenditure

A registered company may recover a maximum of 70% of its total levy payment by complying with the grant criteria in accordance with the Skills Development Regulations issued in terms of the Skills Development Levies Act 1999 (Act No 9 of 1999).

1.16 Mandatory grants

The mandatory grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed format within the legislated cut-off period and the application has been approved as the payment then becomes probable. The grant is equivalent to 20% of the total levies paid by the employer during the corresponding financial period for the skills planning and annual training report grants.

1.17 Discretionary grants

The entity may out of the surplus Mandatory, Administrative or Discretionary levies and in accordance with criteria as defined in the Seta Grant Regulations allocate funds to employers and other associations or organisations. The criteria for allocating funds are approved by the Accounting Authority. Where necessary it can be required of interested employers, associations or organisations to complete and submit a funding application for consideration and approval by the entity. The entity allocates Discretionary grants to employers who have submitted an application for a Discretionary Grant in the prescribed form within the agreed upon cut-off period. Discretionary Grant expenditure is recognised as expenses in the period in which it incurred, in which the conditions are met.

Project expenditure comprises:

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

1.18 Irregular and fruitless and wasteful expenditure

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

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

ACCOUNTING POLICIES (CONTINUED)

1.19 Reserves

Reserves are sub-classified in the statement of changes in net assets between the following:

- Administration reserve
- Employer grant reserve
- Discretionary reserve
- Unappropriated surplus

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).

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

Surplus funds in the administration and unallocated funds in the employer grant reserves are moved to the discretionary fund reserve. Provision is made in the administration reserve equal to the book value of depreciable assets. Provision is made in the employer grant reserve for newly registered member companies, participating after the legislative cut-off date.

1.20 Related Parties

Transactions are disclosed as other related party transactions where the SETA has in the normal course of its operations, entered into certain transactions with entities either related to the Department of Higher Education and Training or which had a nominated representative serving on the SETA Accounting Authority.

Transactions are disclosed as other related party transactions where Inter-SETA transactions arise due to the movement of employers from one SETA to another.

1.21 Commitments

No provision is made for projects approved at year-end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a project has been approved and contracted, but has not been accrued for or provided for, it is disclosed as commitments in the notes to the financial statements.

1.22 Taxation

No provision has been made for taxation, as the entity is exempt from income tax in terms of Section 10 of the Income Tax Act, 1962 (Act 58 of 1962).

1.23 Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

1.24 Critical judgements in applying accounting policies

Residual value and useful life

The entity depreciate their assets over their estimated useful lives taking into account residual values, which are re-assessed on an annual basis. The actual lives and residual values of these assets can vary depending on a variety of factors. Technological innovation, product life cycles and maintenance programmes all impact the useful lives and residual values of the assets. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

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 administration activities. Geographical segments relate to specific outputs generated, or particular objectives achieved, by LGSETA within a particular region.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards issued, but not yet effective

The entity has not applied the following standards, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2015 or later periods:

STANDARD/INTERPRETATION	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT
GRAP 20: Related Parties	Not yet determined	This standard prescribes the disclosure of information relevant to draw attention to the possibility that the entity's financial position and surplus / deficit may have been affected by the existence of related parties. It is not expected that this standard will significantly impact future disclosures.
GRAP 32: Service Concession Arrangements: Grantor	Not yet determined	No significant impact on future disclosures
GRAP108: Statutory Receivables	Not yet determined	This standard prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. It is not expected that this standard will significantly impact future disclosures.
GRAP 108: Statutory receivables	Not yet determined	No significant impact on future disclosures
GRAP 109: Accounting by principals and agents	Not yet determined	No significant impact on future disclosures
IGRAP 17:Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Not yet determined	No significant impact on future disclosures
Directive 12: The selection of an appropriate reporting framework by public entities	Not yet determined	No significant impact on future disclosures

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. ALLOCATION OF NET SURPLUS TO RESERVES

2016

	TOTAL PER STATEMENT OF FINANCIAL PERFORMANCE R	ADMINISTRATION RESERVE R	EMPLOYER GRANT RESERVE R	DISCRETIONARY RESERVE		
				TOTAL DISCRETIONARY R	DISCRETIONARY RESERVE R	PROJECT EXPENDITURE R
Total Revenue						
Skills development levy: Income	558 191 537	66 811 310	127 812 675	363 567 552	363 567 551	-
- Admin levy income (10.5%)	66 811 310	66 811 310	-	-	-	-
- Grant levy Income (20%) Mandatory	127 812 675	-	127 812 675	-	-	-
- Grant levy Income (49.5%) Discretionary	314 474 950	-	-	314 474 950	314 474 950	-
Skills development levy: penalties	8 144 347	-	-	8 144 347	8 144 347	-
Skills development levy: interest	6 274 815	-	-	6 274 815	6 274 815	-
Investment income	33 815 446	-	-	33 815 446	33 815 446	-
Other income	857 994	-	-	857 994	857 994	-
Total Expenses	507 829 660	77 280 873	112 814 179	317 734 608		
Administration expenses	77 280 873	77 280 873	-	-	-	-
Surrender of Uncommitted funds to NSF	-	-	-	-	-	-
Employer grants and project expenses	430 548 787	-	112 814 179	317 734 608	291 592 198	26 142 410
	50 361 877	(10 469 563)	14 998 496	45 832 944		

2015

Total Revenue						
Skills development levy: Income	513 336 764	61 849 041	119 141 783	332 345 939	332 345 939	
- Admin levy income (10.5%)	61 849 041	61 849 041	-	-	-	-
- Grant levy Income (20%) Mandatory	119 141 783	-	119 141 783	-	-	-
- Grant levy Income (49.5%) Discretionary	290 409 530	-	-	290 409 530	290 409 530	-
Skills development levy: penalties	5 342 427	-	-	5 342 427	5 342 427	-
Skills development levy: interest	5 186 930	-	-	5 186 930	5 186 930	-
Investment income	31 106 088	-	-	31 106 088	31 106 088	-
Other income	300 965	-	-	300 965	300 965	-
Total Expenses	622 530 344	78 754 075	107 390 416	436 385 854		
Administration expenses	78 754 075	78 754 075	-	-	-	-
Employer grants and project expenses	276 230 270	-	107 390 416	168 839 854	162 741 992	6 097 862
Surrender of Uncommitted funds to NSF	267 546 000	-	-	267 546 000	267 546 000	-
	(109 193 581)	(16 905 034)	11 751 368	(104 039 915)		

3. PROPERTY, PLANT AND EQUIPMENT

2016

Cost

	COMPUTER EQUIPMENT R	OFFICE FURNITURE AND FITTINGS R	OFFICE EQUIPMENT R	TOTAL R
Balance at 1 April 2015	3 418 652	4 740 395	1 510 420	9 669 467
Additions	936 547	91 171	228 777	1 256 496
Disposals	(34 314)	(981 562)	(187 144)	(1 203 020)
Write-offs	(468 002)	(162 355)	(598 059)	(1 228 416)
Balance at 31 March 2016	3 852 883	3 687 649	953 994	8 494 526

Accumulated depreciation

Balance at 1 April 2015	(2 334 068)	(2 147 641)	(923 620)	(5 405 329)
Depreciation for the year	(954 395)	(895 300)	(420 455)	(2 270 150)
Disposals	34 183	974 529	186 624	1 195 336
Impairment Loss	-	-	-	-
Write-offs	431 730	161 159	519 540	1 112 429
Balance at 31 March 2016	(2 822 551)	(1 907 253)	(637 911)	(5 367 715)

Carrying value at 31 March 2016

1 030 332 1 780 396 316 083 3 126 811

Carrying value at 31 March 2015

1 084 584 2 592 754 586 800 4 264 138

At each reporting date, the LGSETA reviews the carrying amounts of all property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If the fair value less costs to sell of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its fair value less costs to sell and an impairment loss is recognised in profit and loss.

At year end, LGSETA reviewed the carrying amounts of all property, plant and equipment.

2015

Cost

Balance at 1 April 2014	3 181 752	2 511 203	1 319 424	7 012 380
Additions	620 480	2 326 237	238 527	3 185 244
Disposals	-	-	-	-
Write-offs	(383 580)	(97 045)	(47 531)	(528 156)
Balance at 31 March 2015	3 418 652	4 740 395	1 510 420	9 669 467

Accumulated depreciation

Balance at 1 April 2014	(2 024 108)	(1 484 619)	(690 213)	(4 198 940)
Depreciation for the year	(599 075)	(494 945)	(248 401)	(1 342 420)
Disposals	-	-	-	-
Impairment Loss	(4 494)	(240 910)	(17 825)	(263 229)
Write-offs	293 608	72 833	32 819	399 260
Balance at 31 March 2015	(2 334 068)	(2 147 641)	(923 620)	(5 405 329)

Carrying value at 31 March 2015

1 084 584 2 592 754 586 800 4 264 138

Carrying value at 31 March 2014

1 157 644 1 026 584 629 211 2 813 440

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

3.1 INTANGIBLE ASSETS

	COMPUTER SOFTWARE	
	2016 R	2015 R
Cost		
Balance at 1 April	1 856 001	1 856 001
Additions	372 359	-
Disposals	-	-
Write-offs	-	-
Balance at 31 March	2 228 361	1 856 001
Accumulated depreciation		
Balance at 1 April	(1 650 492)	(1 435 879)
Depreciation for the year	(248 541)	(214 613)
Disposals	-	-
Write-offs	-	-
Balance at 31 March	(1 899 033)	(1 650 492)
Carrying value at 31 March	329 328	205 509

4. PREPAYMENT AND ADVANCES

	2016 R	2015 R
Prepaid Expenses	152 710	436 786
	152 710	436 786

Amounts paid in advance relate to Insurance and Software License Renewals

5. TRADE AND OTHER RECEIVABLES-NON EXCHANGE TRANSACTIONS

Inter-Seta Receivable	-	1 938 597
Mandatory Grant Receivables	2 748 735	5 597 309
Learnership Receivable	360 000	-
	3 108 735	7 535 906

6. TRADE AND OTHER RECEIVABLES-EXCHANGE TRANSACTIONS

Deposits - Lease Agreement	492 134	492 134
Interest Receivable	3 997 723	2 733 041
Sundry Debtors	10 009	38 437
Other Receivables	423 768	35 953
	4 923 634	3 299 565

7. INVENTORIES

	2016 R	2015 R
Inventory	174 108	164 352
	174 108	164 352

Inventory relates to stationery used in the entity

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:		
Cash in Current accounts	156 119 526	148 161 232
Cash Equivalents	451 938 409	324 367 610
Cash on hand	3 886	8 677
	608 061 821	472 537 519

As required in Treasury Regulation 31.2, National Treasury approved the banks where the bank accounts are held.

Cash includes cash on hand and cash with banks. Cash equivalents are short term, highly liquid investments that are held with registered banking institutions with maturities of 3 to 12 months and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments.

9. SKILLS DEVELOPMENT GRANTS PAYABLES

Mandatory Grants	18 368 122	10 375 555
Discretionary Grants	14 554 561	18 035 320
	32 922 683	28 410 875

10. TRADE AND OTHER PAYABLES-NON EXCHANGE TRANSACTIONS

SARS Payables	437 209	440 986
Discretionary Creditors	85 826 457	6 719 972
Inter-Seta Payable	22 283	-
Discretionary Accruals	15 644 865	18 807 050
	101 930 814	25 968 008

Inter-SETA transactions and balances arise due to the movement of employers from one SETA to another and mandatory grants due to/from the SETA to which the LGSETA contributes its levies and submits its WSP and ATR. During the year, the Inter-SETA transactions with other SETAs, included a transaction with the Wholesale & Retail Sector Education & Training Authority (W&RSETA).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

10.1 PROVISIONS

	2016 R	2015 R
Provisions	17 500 000	17 500 000

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 sign the Memorandum of Agreement (MOA), as it was a requirement in terms of the agreement signed with the LGSETA. The LGSETA has requested the joint venture partners to submit learner certification documents as proof of training before the liability is settled.

11. TRADE AND OTHER PAYABLES-EXCHANGE TRANSACTIONS

Trade Payables	7 318 988	6 541 869
Accruals	691 539	727 687
Operating Lease Payable	135 198	279 287
	8 145 725	7 548 843

The carrying amount of trade and other payables approximate their fair value due to the relatively short-term maturity of these financial liabilities.

12. NON-EXCHANGE REVENUE

Levy Income - Administration	63 637 645	58 924 724
Levy Income - Mandatory Grants	127 812 675	119 141 783
Levy Income - Discretionary Grants	314 474 950	290 409 530
Levy Income - QCTO	3 173 666	2 924 169
Levy Income - Interest and Penalties	14 419 162	10 529 356
Levy Income received in advance	-	148
	523 518 097	481 929 711

13. EXCHANGE REVENUE

Interest Received - Current accounts	4 979 879	11 974 577
Interest on Investments	28 835 567	19 131 511
Miscellaneous Income	49 500	263 081
Other Income	808 494	37 884
	34 673 440	31 407 053

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

14. EMPLOYER GRANT AND PROJECT EXPENSES

	2016 R	2015 R
Mandatory grants	112 814 179	107 390 416
Disbursed	104 821 613	128 056 474
Movement in provisions and accruals	7 992 566	(20 666 058)
Discretionary grants	291 592 198	162 741 992
Disbursed	295 072 957	145 020 172
Movement in provisions and accruals	(3 480 759)	17 721 820
Project expenditure	26 142 410	6 097 862
Disbursed	26 142 410	6 097 862
Movement in provisions and accruals	-	-
	430 548 787	276 230 270

14.1 Surrender of Uncommitted funds to National Skills Fund

Surrender of uncommitted funds

-	267 546 000
-	267 546 000

There were no uncommitted fund that were surrendered to the National Skills Fund (R267,5m in March 2015 relating to 2013/14 surplus).

15. ADMINISTRATION EXPENSES

The following items have been recognised as expenses (income) in determining profit from operations:

Depreciation on Property, Plant and Equipment		2 270 150	1 342 420
Amortisation of Software		248 541	214 613
Loss on Disposal of Property, Plant and Equipment		64 947	128 896
Impairment Loss		-	263 229
Operating Lease Rentals - Buildings		5 841 787	4 745 097
Maintenance, Repairs and Running Costs		166 163	284 186
Advertising, Marketing and Promotions, Communications		2 626 537	4 530 435
Conference and Workshops		1 754 021	2 303 974
Consultancy and Service Provider Fees		9 347 835	15 910 952
Legal Fees		976 733	3 814 948
Cost of Employment	15.1 & 15.2	32 219 086	25 849 793
Travel and Subsistence		6 649 397	5 416 652
Staff Training and Development		130 812	45 030
Remuneration of Audit Committee Members		399 000	404 600
QCTO Expenses		1 655 575	1 172 939
External Auditor's Remuneration - Audit Fees		5 357 045	4 255 751
Penalties and Interest		161 865	17 739
Internal Audit Fees		1 935 889	1 024 502
Office Relocation & Establishment		14 820	1 585 418
Printing and Stationery		1 713 451	1 799 465
Telephone, Fax & Internet		1 724 823	1 194 710
General Operational Expenses		2 022 396	2 448 725
		77 280 873	78 754 075

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. ADMINISTRATION EXPENSES (CONTINUED)	2016 R	2015 R
15.1 Cost of Employment		
Earnings		
Basic Salaries	28 086 344	22 142 869
Staff Structured Bonus	241 616	224 772
Employee Settlement	-	414 579
Company Contributions		
Skill Development Levy	302 046	234 888
Staff Leave	1 057 905	900 220
Medical Aid	470 103	409 690
UIF	122 876	102 494
	30 280 891	24 429 512

15.2 Define Contribution Plan

LGSETA provides for retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pension Funds Act, 1956 as amended. Contributions are at a rate of two thirds (66.33%) of pensionable emoluments of which members contribute one third (33.33 %). Liberty Life is the fund underwriter. The LGSETA's contribution to the defined contribution plans is charged to the Statement of Financial Performance in the year to which they relate and there is no further liability for the SETA.

Provident Fund	1 938 195	1 420 281
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15.3 Remuneration to Members of the Accounting Authority and Executive Management: 2016

NAME	POSITION	TERM	DATE RESIGNED	REMUNERATION	PROVIDENT FUND	BONUSES
Board Members						
Mr N Nqandela	Administrator	6	2015/09/19	1 040 737	-	-
Dr MO Sutcliffe	Chairperson of the Board	6		77 824	-	-
Mrs TP Lindi	Member of the Board	6		45 408	-	-
Ms NA Mbilini	Member of the Board	6		63 705	-	-
Mr PS Molalenyane	Member of the Board	6		45 408	-	-
Mr CS Nhem	Member of the Board	6		37 840	-	-
Mrs V Ngwenya	Member of the Board	6		45 408	-	-
Ms SA Gray	Member of the Board	6		68 487	-	-
Mr BJ Koen	Member of the Board	6		61 142	-	-
Ms N Meth	Member of the Board	6		22 704	-	-
Mr PR Nolutshungu	Member of the Board	6		53 265	-	-
Mr NF Ratlhaga	Member of the Board	6		60 544	-	-
Mr XC George	Member of the Board	6		37 840	-	-
Executive Management						
Mrs G Dlamini	Chief Executive Officer	11		1 547 946	-	-
Mr L Dyasi	Corporate Services Executive	12		887 128	-	-
Mrs IN Mashinini	Strategy & Planning Executive	12		899 570	-	-
Mr D Baatjies	Chief Operations Officer	12	2016/03/31	920 871	41 664	-
				5 915 827	41 664	-

15. ADMINISTRATION EXPENSES (CONTINUED)

15.3 Remuneration to Members of The Accounting Authority and Executive Management: 2015

NAME	POSITION	TERM	DATE RESIGNED	REMUNERATION	PROVIDENT FUND	BONUSES
Mr N Nqandela	Administrator	12		1 473 530	-	-
Ms N Mfundisi	Corporate Services Executive	9	2014/12/31	450 953	-	-
Mrs N Lesela	Executive PMU Manager	12	2015/03/31	1 063 054	-	-
Mr O Shelembe	Chief Financial Officer	9	2014/12/31	1 132 139	-	-
Mr L Dyasi	Corporate Services Executive	3		204 582	-	-
Mr D Baatjies	Chief Operations Officer	2		151 542	-	-
				4 475 800	-	-

16. NET CASH FLOWS FROM OPERATING ACTIVITIES

	2016 R	2015 R
(Deficit)/Surplus from operations	50 361 877	(109 193 581)
Adjusted for		
- Depreciation	2 518 691	1 557 033
- Impairment of Assets	-	263 229
- Loss/(Profit) on disposal of property, plant and equipment	89 922	128 896
(Increase)/Decrease in trade and other receivables	3 077 421	(8 675 834)
(Decrease)/Increase in trade and other payables	81 071 496	(51 969 297)
	137 119 407	(167 889 554)

17. LEASE COMMITMENTS

The SETA has entered into several operating leases for premises, with a maximum of 5 year operating lease in respect of its business premises. The SETA does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease commitments:

Not longer than 1 year

Between 2 and 5 years

1 856 460	4 801 873
-	1 781 066
1 856 460	6 582 940

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

18. COMMITMENTS

2015/16 INTERVENTION	CLOSING BALANCE 2015 R	ADJUSTMENTS 2015/16 R	NEW CONTRACTS 2015/16 R	PROJECT EXPENSES 2015/16 R	CANCELLED/ CLOSED CONTRACTS 2015/16 R	CLOSING BALANCE 2016 R
AET	20 738 500		2 875 000	10 483 500	3 262 000	9 868 000
Apprenticeship	138 086 100		38 536 800	40 192 388	4 158 720	132 271 793
Bursaries	145 000	1 173	47 300 629	24 703 700	2 127 897	20 615 205
Education and Training Quality Assurance	1 884 009	5 160 000	769 960	2 556 927	1 196 122	4 060 920
Internships	19 287 895	874 000	12 566 073	17 598 955	8 077 947	7 051 065
Learnerships	248 093 331	13 640 440	166 127 000	161 282 603	109 907 466	156 670 703
Sector Skills Planning	9 327 661		7 569 040	9 438 033	2 808 668	4 650 000
WIL	29 255 240	151 200	90 654 000	29 877 000	25 293 800	64 889 640
Skills Programme	-		59 717 800	2 457 550	5 930 000	51 330 250
Policy and Research	7 625 867		6 515 937	12 693 599	50	1 448 155
Grand Total	474 443 602	19 826 813	432 632 239	311 284 254	162 762 670	452 855 730

The balance of the commitments as at 31 March 2016 is R452 855 730. The balance of the commitments will be funded from the Discretionary Grant Reserves, which at 31 March 2016 have a balance of R459 501 586. As per Discretionary Grant regulations, more than 95% of the Discretionary Grant Reserve has been contracted as at 31 March 2016. Approvals for 2016/17 have been contracted and included in the balance of commitments as at 31 March 2016.

2014/15 INTERVENTION	CLOSING BALANCE 2014 R	NEW CONTRACTS 2014/15 R	PROJECT EXPENSES 2014/15 R	CLOSING BALANCE 2015 R
AET	15 000 000	9 010 000	3 271 500	20 738 500
Apprenticeship	39 657 000	109 767 000	11 337 900	138 086 100
Bursaries	1 032 691	5 448 017	6 335 707	145 000
Education and Training Quality Assurance	-	2 075 709	191 700	1 884 009
Internships	612 554	20 876 890	2 201 549	19 287 895
Learnerships	107 733 138	257 008 519	116 648 326	248 093 331
Sector Skills Planning	10 573 895	5 244 614	6 490 848	9 327 661
WIL	13 265 100	26 039 000	10 048 860	29 255 240
Policy and Research	-	11 448 796	3 822 929	7 625 867
Grand Total	187 874 377	446 918 545	160 349 319	474 443 602

The balance of the commitments as at 31 March 2015 is R474 443 602. The balance of the commitments will be funded from the Discretionary Grant Reserves, which at 31 March 2015 have a balance of R404 546 401. As per Discretionary Grant regulations, more than 95% of the Discretionary Grant Reserve has been contracted as at 31 March 2015. Levy income received in the 2015/16 financial year will be used for the additional commitment amount in excess of the discretionary grant reserve.

18.1 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.

19. RELATED PARTIES

19.1 Transactions with other SETAs

Inter-SETA transactions and balances arise due to the movement of employers from one SETA to another and mandatory grants due from the SETA to which the LGSETA contributes its levies and submits its WSP and ATR. No other transactions occurred during the year with other SETAs.

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

	2016		2015	
	AMOUNT RECEIVABLE / (PAYABLE) R	TRANSFERS IN/ (OUT) DURING THE YEAR R	AMOUNT RECEIVABLE / (PAYABLE) R	TRANSFERS IN/ (OUT) DURING THE YEAR R
W&RSETA	(22 283)			
PSETA	-	-	1 852 294	-
CATHSSETA	-	-	86 303	-

Transactions	Nature of Transactions	2016 R	2015 R
ETDPSETA	Discretionary Grants	-	171 575

19.2 Transactions with other related parties

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:

Organisation	Nature of Transactions	2016 R	2015 R
COGTA	Discretionary Grants	990 000	505 200
CSIR	Discretionary Grants	2 280 000	305 520
DHET	Administration	92 230	978 015
IMATU	Discretionary Grants	400 000	-
NEHAWU	Operations	47 027	29 127
PIC	Operations	3 695 518	2 879 305
SALGA	Discretionary Grants	9 550 000	4 166 667
SAMWU	Discretionary & Mandatory Grants	975 000	1 375 999
SAQA	Operations	7 500	5 000

20. EVENTS AFTER REPORTING DATE

None.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

21. CONTINGENT LIABILITIES

As at the end of the financial year the LGSETA had the following contingent liabilities:

NAME	DESCRIPTION OF THE MATTER	AMOUNT
Technokits (PTY) LTD	The LGSETA received summons from Technokits relating to an unpaid invoice for services rendered. LGSETA attorneys are contesting the claim on basis that Technokits failed to comply with its mandate to conduct the valuation/audit nationally. The matter has yet to be finalised in court.	143 640

Retention of Cash Surpluses

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. 3 of 2015/16 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 cash flow from operating activities and net investing activities was:

Cash flow from Operating Activities	137 119 407
Cash flow from net investing Activities in Financial Assets	(1 595 105)
Surplus	135 524 302

A submission has been made to the National Treasury on the 31st May 2016 to retain this surplus.

22. IRREGULAR EXPENDITURE

Irregular expenditure relating to prior years has been condoned in line with the updated guideline on irregular expenditure from the National Treasury by the Accounting Authority.

DETAILS	2016 R	2015 R
Brought Forward From Prior Year	2 395 776	258 659 107
Irregular Expenditure - Operations 2014/15	-	3 828 516
Less: Irregular Expenditure - Operations 2014/15 Condoned	(2 395 776)	(1 432 740)
Irregular Expenditure - Discretionary Grants 2014/15	-	5 954 518
Less : Irregular Expenditure - Discretionary Grants 2014/15 Condoned	-	(5 954 518)
Less: Irregular Expenditure - Operations 2013/14 Condoned	-	(378 020)
Less : Irregular Expenditure - Discretionary Grants 2013/14 Condoned	-	(11 715 394)
Less: Brought Forward From 2012/13 Discretionary Grants Condoned	-	(105 509 498)
Less: Brought Forward From 2011/12 Discretionary Grants Condoned	-	(141 056 195)
TOTAL	-	2 395 776

	2016 R	2015 R
23. FRUITLESS AND WASTEFUL EXPENDITURE		
Opening balance	948 851	888 000
Less: Fruitless and Wasteful Expenditure 2014/15 Condoned	(948 851)	-
Interest and penalties	161 865	36 541
Conference Venue Bookings Cancellation	-	24 310
	161 865	948 851

i) The LGSETA has incurred interest and penalties on late submission of payment thereof to Telkom, rental and the late rendition and payment of PAYE returns.

24. FINANCIAL INSTRUMENTS

In the course of the LGSETA operations it is exposed to interest rate, credit, liquidity and market risk. The risk management process relating to each of these risks is discussed under the headings below.

24.1 Interest Rate Risk

The LGSETA manages its interest rate risk by investing funds with financial institutions approved by National Treasury. Funds are invested in short term cash investments to ensure liquidity of funds and minimize the interest rate risk. Investments are influenced by the changes in market interest rates.

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

	FLOATING RATE AMOUNT R	FIXED RATE AMOUNT R	EFFECTIVE INTEREST RATE %	AMOUNT R	WEIGHTED AVERAGE PERIOD FOR WHICH UNTIL MATURITY IN YEARS R	TOTAL R
31 MARCH 2016						
Assets						
Cash	138 832 420	-	4,33%	3 886	-	138 836 306
Investments	-	451 938 409	7,47%	-		451 938 409
Receivables	-	-	-	4 431 500	1 Year	4 431 500
Total Financial Assets	138 832 420	451 938 409		4 435 386		595 206 215
Liabilities						
Accounts Payable	-	-	-	(6 818 396)	1 Year	(6 818 396)
Total Financial Liabilities	-	-		(6 818 396)		(6 818 396)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL INSTRUMENTS (CONTINUED)

31 MARCH 2015	FLOATING RATE AMOUNT R	FIXED RATE AMOUNT R	EFFECTIVE INTEREST RATE %	AMOUNT R	WEIGHTED AVERAGE PERIOD FOR WHICH UNTIL MATURITY IN YEARS R	TOTAL R
Assets						
Cash	141 139 381	-	3,62%	8 677	-	141 148 058
Investments	-	324 367 610	6,06%	-		324 367 610
Receivables	-	-	-	2 807 431	1 Year	2 807 431
Total Financial Assets	141 139 381	324 367 610		2 816 108		468 323 099
Liabilities						
Accounts Payable	-	-	-	(6 541 869)	1 Year	(6 541 869)
Total Financial Liabilities	-	-		(6 541 869)		(6 541 869)

Credit Risk

Financial assets, which potentially subject the LGSETA 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 LGSETA management limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury. The LGSETA's exposure is continuously monitored by the Accounting Authority of the LGSETA.

Credit risk with respect to levy paying employers is limited due to the nature of the income received. The LGSETA does not have any material exposure to any individual or counter-party. The LGSETA's concentration of credit risk is limited to the local government sector in which the LGSETA operates. No events occurred in the local government sector 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.

CASH AND CASH EQUIVALENTS	GROSS R	IMPAIRMENT R	GROSS R	IMPAIRMENT R
Not past due	608 061 821	-	472 537 519	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
Past due 1 year	-	-	-	-

Liquidity Risk

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

	CARRYING AMOUNT R	CONTRACTUAL CASH FLOWS R	6 MONTHS OR LESS %	6-12 MONTHS R	1-2 YEARS R	MORE THAN 2 YEARS R
2015/16						
Trade and other payables from exchange transactions	8 145 725	8 145 725	-	8 145 725	-	-
2014/15						
Trade and other payables from exchange transactions	7 548 843	7 548 843	7 548 843	-	-	-

Financial Instruments

The LGSETA'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 and fair values could be reliably measured for all financial instruments.

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

Accounts receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. The guaranteed capital investments are disclosed at fair value based on the external parties valuations at reporting date.

Accounts Payable

Trade and other payables are stated at amortised cost, which approximates their fair value due to the short-term nature thereof.

SEGMENT REPORT

STATEMENT OF FINANCIAL PERFORMANCE: 2016

	MANDATORY R	DISCRETIONARY R	ADMIN R	PROJECTS R	TOTAL R
Revenue					
<i>Revenue from exchange transactions</i>					
Other income	-	-	857 994	-	857 994
Interest received - investment	4 342 936	242 219	29 230 291	-	33 815 446
Total revenue from exchange transactions	4 342 936	242 219	30 088 285	-	34 673 440
<i>Revenue from non-exchange transactions</i>					
Skills development Levy: Income from non-exchange transactions	127 812 674	314 474 950	66 811 311	-	509 098 935
Skills Development Levy: Penalties and Interest from non-exchange transactions	-	14 419 162	-	-	14 419 162
Total revenue from non-exchange transactions	127 812 674	328 894 112	66 811 311	-	523 518 097
Total revenue	132 155 610	329 136 331	96 899 596	-	558 191 537
Expenditure					
Employee Costs	-	-	(32 219 086)	(2 416 894)	(34 635 979)
Depreciation	-	-	(2 518 691)	-	(2 518 691)
Lease expense	-	-	(5 841 787)	-	(5 841 787)
Employer grants and project expenditure	(112 814 179)	(291 592 198)	-	(23 725 516)	(428 131 893)
General Expenses	-	-	(36 701 309)	-	(36 701 309)
Total expenditure	(112 814 179)	(291 592 198)	(77 280 873)	(26 142 410)	(507 829 660)
Surplus for the year	19 341 431	37 544 133	19 618 723	(26 142 410)	50 361 877

**STATEMENT OF FINANCIAL POSITION:
2016**

	MANDATORY R	DISCRETIONARY R	ADMIN R	TOTAL R
Assets				
Current Assets				
Prepayments	-	-	152 710	152 710
Consumables	-	-	174 108	174 108
Receivables from exchange transactions	-	-	4 923 634	4 923 634
Receivables from non-exchange transactions	3 108 735	-	-	3 108 735
Cash and cash equivalents	134 991 876	13 102 542	459 967 403	608 061 821
Non-Current Assets				
Property, plant and equipment			3 126 811	3 126 811
Intangible assets			329 328	329 328
Total Assets	138 100 612	13 102 542	468 521 283	619 877 147
Liabilities				
Current Liabilities				
Payables from exchange transactions	-	-	8 145 725	8 145 725
Payables from non exchange transactions	-	101 930 814	-	101 930 814
Provisions	-	17 500 000	-	17 500 000
Skill Development Grant Payable	32 922 683	-	-	32 922 683
Total Liabilities	32 922 683	119 430 814	8 145 725	160 499 222
Net Assets				
Reserves				
Discretionary grant reserve	-	455 921 786	-	455 921 786
Administration reserve	-	-	3 456 139	3 456 139
Total Net Asset	32 922 683	575 352 600	11 601 864	619 877 147

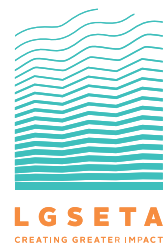
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