



Annual Report
2013 / 14



Corporate Information

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Local Government Sector Education & Training Authority

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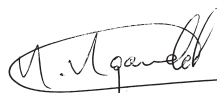
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PRESENTATION OF THE LGSETA 2013/14 ANNUAL REPORT TO THE MINISTER OF HIGHER EDUCATION AND TRAINING

To the Minister of Higher Education and Training, Dr Bonginkosi Emmanuel Nzimande

I have the honour and pleasure of submitting the Local Government Sector Education and Training Authority Annual Report to you in accordance with the Public Finance Management Act No. 1 of 1999 for the period 1 April 2013 to 31 March 2014.



Nqaba Nqandela

Administrator: LGSETA

August 2014



**higher education
& training**

Department:

Higher Education and Training
REPUBLIC OF SOUTH AFRICA



**Minister of Higher Education and Training
Dr. B. E. Nzimande**

PART A: General Information

Abbreviations and Acronyms

AA	Accounting Authority	NGO	Non Government Organisation
AET	Adult Education and Training	NSA	National Skills Authority
AG	Auditor-General	NSDS III	National Skills Development Strategy III
AGSA	Auditor-General of South Africa	NSF	National Skills Fund
APP	Annual Performance Plan	NQF	National Qualifications Framework
ATR	Annual Training Report	OFO	Organising Framework for Occupations
CDW	Community Development Worker	PFMA	Public Finance Management Act
DHET	Department of Higher Education & Training	PIVOTAL	Professional, Vocational, Technical and Academic Learning
DOI	Declaration of Intent	QCTO	Quality Council for Trade and Occupation
ETQA	Education & Training Quality Assurance	QMR	Quarterly Monitoring Report
FET	Further Education & Training	RPL	Recognition of Prior Learning
FY	Financial Year	SALGA	South African Local Government Association
HEI	Higher Education Institutions	SAMWU	South African Municipal Workers Union
HRDC	Human Resource Development Council	SAQA	South African Qualifications Authority
ICT	Information & Communications Technology	SARS	South African Revenue Service
IMATU	Independent Municipal & Allied Trade Union	SCM	Supply Chain Management
LGSETA	Local Government Sector Education & Training Authority	SETA	Sector Education & Training Authority
LGTAS	Local Government Turnaround Strategy	SDA	Skills Development Act
LLF	Local Labour Forum	SDF	Skills Development Facilitator
MHET	Ministry of Higher Education and Training	SDLA	Skills Development Levies Act
MIS	Management Information System	SIC	Standard Industrial Classification
MOU	Memorandum of Understanding	SSP	Sector Skills Plan
MTSF	Medium Term Strategic Framework	WSP	Workplace Skills Plan
NEHAWU	National Education, Health & Allied Workers Union		

Strategic Overview

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 from April 2011 to March 2016, to operate within the skills development framework articulated in the National Skills Development Strategy III (NSDS III) framework.

Vision

To be the foremost SETA producing an extraordinarily skilled and capable local government sector.

Mission

To promote and co-ordinate skills development initiatives and strategic sectoral training interventions:

To enhance efficiency and effectiveness of the local government sector through:

- Conducting sectoral skills planning and research
- Developing and implementing quality learning programmes and relevant occupational qualifications
- Monitoring and evaluating training initiative performance
- Communicating and marketing skills development and career advancement opportunities
- Approving and disbursing skills development grants

Values

Ubuntu:

We embrace the principle of humanness as ingrained in our African culture and the eight service delivery principles of 'Batho-Pele'

Transparency:

We commit ourselves to be clear in the pursuit of our mandate and ensure that all our activities, strategies, policies and decisions are communicated to our stakeholders

Sustainability:

We commit ourselves to the efficient use of LGSETA resources to ensure sustainable skills development in the local government system

Professionalism:

We commit to impartiality, fairness, competence and shall exercise diligence in the execution of our duties

Integrity:

We are committed to preserving the good image of the LGSETA by upholding good ethical standards through avoiding conflict of interest in what we do; safeguarding LGSETA assets, delivering value for money, and avoiding self-enrichment

Foreword by the Administrator



In his state of the Nation Address earlier this year, President Zuma commanded all of us who work within the local government sector progressively to ensure that our people's experience of local government is a pleasant one. The President went on to spend a considerable amount of time on interventions that national government would put in place to ensure that local government serves our people better. This we believe was meant to send a clear message to the country that it cannot continue to be business as usual for the sector. Although not formally part of the local government sector, the LGSETA has a crucial role to play in this national effort of turning the sector around, through facilitating the provision of the much needed insights into the skills needs, as well as facilitating the very provision of such skills.

The LGSETA is part of the post-school education and training system, whose mandate is the production of a skilled and capable workforce, for an inclusive growth path. In his preface to the recently released policy document (the White Paper for Post School Education and Training), the Minister of Higher Education and Training articulates 'a vision for an integrated system of post-school education and training, with all institutions playing their role as parts of a coherent but differentiated whole'. Within this system, the SETAs occupy a very unique position at the intersection between institutions of learning, and the workplaces, and have a very important role to play in ensuring that the former produces skills that are required by the latter, and that all parties work together to improve the capacity of the whole system to produce these skills at an accelerated rate. Given the importance of the local government sector in delivering services to the people, and the prominence given now by the President, it becomes of critical importance to have a strong, well capacitated, efficient and modern LGSETA, that is able to deliver on its mandate.

Due to its inability to deliver on its mandate, the SETA was placed under Administration on the 20th March 2013. Presenting last year's annual report, we made bold to state: 'the SETA being placed under Administration presents an opportunity for a break with this recent past. This year marks the beginning of a period of renewal through which the SETA will emerge stronger and better positioned to play its role in facilitating skills development in local government. During the new year we will review all policies, processes and systems, building both human and technological capacity to meet our mandate'. Indeed great strides have been made towards realising the above, and as the report will show, we have managed to make the giant leap of reconnecting with the sector, a fundamental ingredient for the optimal performance of any SETA, which had been missing with the LGSETA for some time. SETAs are after all a partnership between social partners in each sector, and without a close working relationship, and the flow of accurate information, skills planning becomes impossible.

Although great strides have been made however, much more work needs to be done, to position the SETA in its rightful place as a repertoire of information and knowledge on skills issues for the local government sector.

This annual report is for the first full financial year with the Administrator at the helm of the organisation. It has indeed been a very eventful year. The Terms of Reference of the Administrator stipulated very specific objectives that had to be met, over and above the normal performance of the organisation, as per the Annual Performance Plan. Given where the organisation came from, and the capacity challenges that it faced, it proved to be a very difficult balancing act to attend to the Administration interventions, and simultaneously show consistently good performance on the APP targets. Just about all members of the previous management team left the organisation during the period under review, some through voluntary resignations, and others as a result of outcomes of disciplinary processes. That notwithstanding, some targets we met, and others even exceeded, although many we not met. We have made an undertaking that we will strive to still meet all outstanding targets from the year under review, as well as those from the APP of the current financial year. Strategies are being put in place to ensure that we succeed in doing so.

The Terms of Reference enjoined the Administrator to institute disciplinary procedures against those officials who were found to be implicated in wrong doing, which had led to the dire state of the organisation. This took up a lot of time and resources, and required meticulous adherence (and patience) with the legal processes, to ensure that the integrity of the processes if beyond reproach. Many of these processes are still continuing, albeit now outside the organisation, which means that such positions can now be filled, and the work of the organisation continues. The Terms of Reference also enjoined the Administrator to work very closely with stakeholders. A section of this report is dedicated to reporting on that.

One of the biggest contributing factors to the organisation being placed under Administration, through which the inability of the SETA to meet its obligations manifested, was its failure to comply with statutory obligations, such as tabling the draft strategic plan and annual report to the relevant authorities at the legislated time. During the period under review, the SETA met all its statutory obligations, with much improved submissions. While a lot more remains to be done therefore, we can confidently say that as a result of the Administrator's interventions, the LGSETA has turned the corner, and is poised to play a meaningful role, working with our stakeholders, in ensuring that 'our people's experience of local government is indeed a pleasant one'.

Key to the outstanding work that remains to be done is to complete the process of building capacity within the organisation. Accelerating the ongoing recruitment, as well as improving the skills of the people within the organisation, is now the focus. We believe that only a skilled and capable workforce within the LGSETA can run an organisation that produces and skilled and capable local government sector. Another key element yet to be achieved as part of the Administrator's mandate is the modernization of the LGSETA, through better use and harnessing of Information and Communication Technologies (ICTs). Work is now underway in earnest to realize the vision of the Administrator, as communicated to all stakeholders during the stakeholder engagement sessions, of creating a responsive and efficient organisation, through better use of modern technologies and applications. All processes of the organisation will be automated, and all interaction with stakeholders will happen using modern day platforms that are run on ICTs. Through this, we want to turn the LGSETA into a model of how SETAs can harness ICTs to improve their efficiency and performance.

A longer term goal is to develop research capacity within the organisation building on the work currently underway. We will ensure that the research capacity is strengthened to enable us to play our thought leadership role for the sector.

Once again I wish to express my sincere appreciation to the Director-General and his team, for their unwavering support and guidance during this difficult task. I wish to thank all our stakeholders, individually and collectively, as represented in the Working Group that has been established. Appreciation too goes to the people who agreed to give of their time to serve on the panel of experts, to review and comment on the work that we are doing. Finally, I wish to thank the (mostly young) staff of the SETA, who are working tirelessly to ensure that the objectives of the organisation are met. Notwithstanding some attempts at derailing the good work that is being done, together we are moving the SETA forward, and we will continue to do so. ■

Building a Modern & Responsive LGSETA

The vision articulated for SETAs is one in which SETAs play a catalytic role in the intersection between formal education institutions, training institutions and workplaces in facilitating skills development for the respective sectors. The importance of local government for the achievement of South Africa's developmental aspirations cannot be understated. Local government, due to its role in how people live and work, is at the coal face of service delivery, and as such, it is how most South Africans experience government. As such, a skilled and capable workforce is central to the ability of local government to meet its constitutional mandate and live up to this vision. It is within this context that the Local Government Sector Education and Training Authority (LGSETA) facilitates skills development for the local government sector that the should support are defined.

Notwithstanding an good performance over the years following its establishment, the LGSETA experienced challenging times just before the end of the 2012/13 financial year. On 20 March 2013, the Director-General of the Department of Higher Education and Training published Government Notice No. 36276 in the Government Gazette No. 215 in accordance with section 15(2) of the Skills Development Act placing the LGSETA under Administration, as directed by the Minister of Higher Education and Training, in terms of section 15(1) of the Act, following serious governance and management failures.

Several key interventions were implemented during the year under review to overcome the challenges as well as exploit the skills development opportunities that were essential building blocks in turning and repositioning the LGSETA to become a responsive, modern organisation that would be an exemplar of operational, people, innovation, and governance excellence going forward.

Reconnecting with our sector

The future success of the LGSETA hinges on a mutually beneficial relationship with its stakeholders. Initial interactions with some of the LGSETA's stakeholders suggested that the LGSETA had lost touch and/or become irrelevant for the sector. It became evident that there was a need for the LGSETA to go back to its stakeholders to inform them of the Administration and its implications for the sector. Importantly, it was an opportunity for the LGSETA not only to canvass the insights and suggestions from stakeholders on how the organisation could reclaim its rightful place as the sector's main skills development facilitator but to identify opportunities for repositioning the organisation. A total of seven Provincial Roadshows attended by over 700 participants were held in 2013



with the launch roadshow in the Eastern Cape attended and addressed by the Minister of Higher Education and Training, Dr B.E. Nzimande. The Roadshows were held in the Eastern Cape, KwaZulu-Natal, Mpumalanga, Limpopo, Western Cape, North West and Gauteng Provinces.

Several suggestions were put forward by the stakeholders in the different Provinces in terms of how the LGSETA can become a more responsive, modern, and effective organisation that meets the skills development needs of the sector. One of the suggestions was that there was a need for the LGSETA to increase its visibility and access through the establishment of offices in each Province as well as through strengthening its relationship with the clients it services and intensifying its effort to form strategic partnerships with other stakeholders and role players that support skills development in the sector. In terms of skills planning, the recommendation was for the LGSETA to review the scarce and critical skills list to ensure that its interventions were aligned to the skills needs of the sector. There was a call from municipalities for the LGSETA to implement interventions that support rural development. Several operational-related recommendations were put forward. These included the need for the LGSETA to automate the Workplace Skills Plan and Annual Training Report submission processes, ensure greater access and availability of information on learning programmes as well as improve its funding approval turnaround times and communication. Finally, a common strong thrust was for the LGSETA to establish a project management unity to support municipalities with project implementation as well as to develop an appropriate project monitoring and reporting system to ensure greater impact.

To further support the work of the Administration the LGSETA Working Group was established to ensure continued engagement with key stakeholders in the sector. Representatives from the Department of Cooperative Governance and Traditional Affairs, SALGA, SAMWU and IMATU actively participated in key activities of the LGSETA. In addition, a Panel of Experts was appointed to provide technical as well as strategic support to the Administrator. Collectively, these two structures participated in processes and activities included among others, reviewing and providing inputs into the strategic turnaround and repositioning thinking for the organisation and the sector skills plan.

Repositioning the LGSETA

A turnaround and repositioning framework was developed incorporating input from various diagnostic activities that included stakeholder engagement, organisational capacity assessment and review among others. The framework seeks to present an overview of issues to consider with regards to LGSETAs strategic repositioning and outlines some possible interventions for implementation that were developed. Furthermore, the ideas presented in the concept note sought to translate tactically the four pillars of excellence – innovation, operations, people, and governance that have been identified as strategic outcomes for the strategic repositioning of the LGSETA.

The LGSETAs pillars of excellence are closely aligned to the well-known areas that underpin how an organisation can deliver value – operational excellence, customer intimacy, and product leadership. In the case of the LGSETA, the innovation pillar is the one that will in the long run ensure that the SETA delivers on its mandate sustainably. Possible repositioning activities for key focus areas were provided. The key focus areas included governance, leadership/management information systems, stakeholder relations management, the LGSETA brand management, clients of the LGSETA, skills development beneficiaries, new labour entrants, and skills development research and innovation.

Responsive Sector Skills Planning

At the core of facilitating skills development for the local government sector is a credible sector skills plan (SSP). In 2013/14, the organisation set about overhauling its SSP as the LGSETA had not updated since its statistics regularly. The SSP 2014/15 Update was a significant departure from previous submissions in several ways.

Firstly, the LGSETA was able to utilise the most current WSP and ATR and PIVOTAL data submitted by 267 municipalities. Importantly, an attempt was made to better articulate the sector's scarce skills list. Secondly, the SSP utilised Census 2011 data to provide the context to which the SETA needs to respond to through facilitating skills development. A unique feature was the mapping of this Census data which in time is intended to become part of the broader funding allocation mechanism that the LGSETA uses. Thirdly, the LGSETA commissioned two tracer studies focusing on select programmes of which about 500 beneficiaries for both studies were interviewed. In addition, the LGSETA conducted two surveys – Staff Turnover and Retention Strategies in Local Government and Adult Education and Training (AET) in the Local Government Sector. These four pieces of research were integrated in the SSP and provided additional insights around skills planning for the sector. Finally, the SSP 2014/15 Update began the dialogue on developing an appropriate sector skills planning (demand and supply projection model) where the focus was largely on presenting a conceptual framework to inform the projection model. It is intended that going forward, the quantification of this model is undertaken.

The LGSETA has not been projecting future skills demand in the sector as part of skills demand planning. In the 2014/15 update submitted in the year under review, the SSP introduced the concept of developing a labour demand and supply projection model. The projection model will be limited by the extent to which there is stability in some certain factors as well as quality of input data/source data for example, but the necessary statistical rigour will be enforced to ensure credibility and reliability. Furthermore, it takes some time for a model to develop the level of robustness to become a credible source, however, the use of other credible data sources will contribute to a better quality tool in a shorter time frame. Importantly, the model is not aimed at providing precise numbers of the demand of skills for the sector, rather, it is intended to provide insights about the future trends of the sector to assist policy-maker, training and education institutions, individuals, job seekers, municipalities, as well as the LGSETA with skills development related priorities.

People excellence

The mainstay of any organisation is its workforce as it is through its workforce that it will be able to achieve the goals and objectives that it sets for itself. Placing the SETA under administration undoubtedly brought about significant people-related challenges. To ensure that the organisation had any chance of succeeding beyond the Administration, a change management process was

initiated for the entire organisation. While there was strong support for the need for change in the organisation, there is an overwhelming belief that previous change initiatives have not been successful because of high levels of resistance to change as well as low levels of trust. Moving forward, staff called for transparent, inclusive organisation with a clear vision, strategy and shared values that had the appropriate capacity to support implementation of the LGSETA mandate and commitment to the professional development.

A comprehensive job analysis project was commissioned to support and facilitate the broader organisational development of the LGSETA by developing job profiles that would support the implementation of core business processes of the organisation. The job profiles developed were based on 15 standardised organisational key performance areas that would align the organisational activities to the organisation's vision, strategic outcome oriented goals, strategic objectives and balanced scorecard; support programme implementation and monitoring as well as improve organisational communication. Each job profile that was developed detailed the position details, job statement, position benchmark, values, roles and responsibilities, competencies, job requirements and experience, level of discretion, and cross-functional and direct collaborations.



Strengthening systems and processes to support implementation

One of the main reasons for placing the LGSETA under Administration was the collapse of systems to ensure sound governance and implementation. During the year under review, a detailed business process mapping intervention was implemented for the organisation. Experienced service providers were brought on board to assist the organisation with both exercises. These were both long and elaborate processes, involving all managers and most staff members, culminating in detailed business processes, and clear job profiles. The following business processes were reviewed Sector Skills Planning, Education and Training Quality Assurance, Learning Programmes, Provincial Offices, Human Resources, Marketing and Communications, and Legal. Recommendations to strengthen each process were presented and will be implemented as part of the organisation's turnaround processes. ■

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, and Training, for the period of April 2011 to March 2016, to operate within the skills development framework articulated in the National Skills Development Strategy III (NSDS III) framework and other policies and strategies presented below.

South African Constitution 1996

- a. Section 29(1)(a) and (b) provides for the state to take reasonable measures to make adult and further education accessible to citizens as a human right
- b. Section 152 and 153 of the Constitution outline the role of local government in promoting social and economic development while maintaining and improving service delivery to all community members.
- c. Section 156 speaks of local government as the foundation for participatory democracy and service delivery
- d. Section 195(1)(a)-(f) articulates the values and principles governing public administration

Public Finance Management Act No. 1 of 1999

The LGSETA is a public entity that falls under Schedule 3A of the Public Finance Management Act, No 1 of 1999.

Skills Development Levies Act No. 9 of 1999

The Act makes provision for leviable employers to pay 1% of their payroll to the South African Revenue Service (SARS).

Municipal Systems Act No. 2 of 2000

Section 68(1) of the Municipal Systems Act requires that municipalities comply with the Skills Development Act, and the Skills Development Levies Act, to develop their human resource capacity, to perform its functions and exercise its powers in an economical, effective, efficient and accountable way.

National Qualifications Framework Act No. 67 of 2008

The LGSETA employs the provisions of Chapter 5 of the National Qualifications Framework Act 67 of 2008 (NQF) to design training programmes, to carry out quality assurance, assess learner achievement and accredit training providers.

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 a 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 - 2016. Furthermore, the NSDS III identifies seven key developmental and transformative imperatives of race, class, gender, geography, age, disability, and HIV and AIDS pandemic that will inform the nature and scope of skill development interventions by SETAs.

National Skills Accord

The National Skills Accord is a multi-constituency agreement between business, organised labour, community constituents at the National Economic and Development Labour Council (NEDLAC), and government. It was signed to support the New Growth Path target of creating five million jobs by 2020. The Accord identifies eight commitments in relation to training and skills development that need to be implemented by the constituencies to achieve the New Growth Path.

National HRD Strategy of South Africa (HRDSA)

The Strategy has several commitments designed to address the priorities of South African Government in terms of skills development that supports economic and social development, facilitating greater access to education opportunities as well as building a capable public sector to meet the needs of a developmental state.

National Development Plan 2030

Chapter 13 of the National Development Plan 2030

Strategic Integrated Projects (SIPs)

The 18 SIPs focus on infrastructure development as a catalyst to facilitating the creation 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. ■

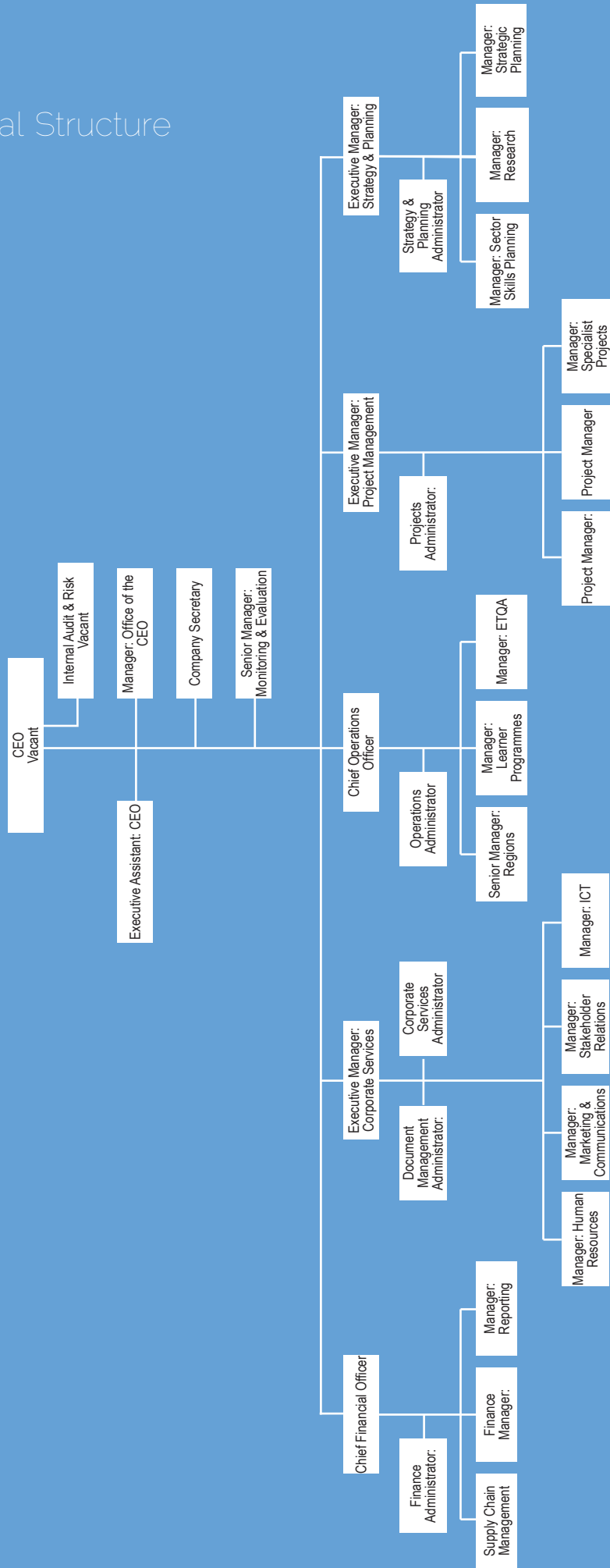
Scope of Coverage

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: Defined as in the Constitution as a “municipality that has exclusive municipal executive and legislative authority in its area.”
91202	Category B municipalities: Defined as in the Constitution as a “municipality that shares municipal executive and legislative authority in its area with a Category (C) municipality within whose area it falls.”
91203	Category C municipalities: Defined as in the Constitution as a “municipality that has municipal executive and legislative authority in an area that includes more than one municipality.”
91204	Organised local government: a statutory or regulatory body assigned the function as per constitution of RSA, 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 governments
94001	Refuse and sanitation
94002	Health and community services
94005	Other community work in local governments
96001	Recreational, cultural and sporting activities by local governments
96331	Parks and gardens



Organisational Structure



STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY



N NQANDELA
Administrator

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

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

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

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

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

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

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

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

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'N. Nqandela', written over a horizontal line.

Administrator
Nqaba Nqandela
Date: 22 August 2014



PART B: Performance Information

Strategic Outcome Oriented Goals: Overview

Local government is at the forefront of creating a better life for all in South Africa. As such, local government should be a facilitator, driver and/or enabler of initiatives that support the growth of an equitable and inclusive economy through sustainable service delivery. The key levers that municipalities can use to facilitate greater economic development include the provision of sound socio-economic infrastructure such as roads, water and sanitation, electricity among others. As such, service delivery backlogs still facing many municipalities will have a significant impact on the municipalities' ability to attract and retain business in its locale.

The new Sector Education and Training Authorities (SETAs) Grant Regulations regarding skills development levies received by a SETA and related matters came into effect on 1 April 2013 as published in the Government Gazette No. 35940 of 3 December 2012.

The new regulations allow for 10.5% of total levies paid by the employer to pay for SETA administration costs for the financial year of which 0.5% must be transferred to Quality Council for Trades and Occupations (QCTO). A further 20% of levy income is to be disbursed as mandatory grant to levy paying organisations that submit and obtain approval for their WSP and ATR submission with a further 49.5% allocated as discretionary grant to support sector skills development initiatives and interventions. The regulations stipulate that at least 80% of discretionary funds are to be allocated to professional, vocational, technical and academic qualifications (PIVOTAL) that result in QCTO quality assured occupational qualifications training interventions. A maximum of 20% of the discretionary funds can be spent on other interventions in support of training such as research, stakeholder capacity building etc.

Strategic Outcome Oriented Goals of LGSETA

The LGSETA has eight strategic outcome orientated goals for the period of 2011 – 2016 as per the LGSETA Strategic Plan. A brief description of each outcome is presented as well as the progress made towards the attainment of each. Some of the main strategies to be implemented by the LGSETA to achieve the outcome for the next financial year are also presented.

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 made in 2013/14

The Sector Skills Plan was reviewed, updated and approved by the Department of Higher Education and Training. Several research projects were completed as part of the LGSETAs process of developing a credible institutional mechanism for skills planning.

The South African Cities Network completed an impact assessment of mandatory grant funded training across member in its network. Another study was completed to identify the barriers to and challenges of adult education and training (AET) in the local government sector. The study was conducted based on the fact that AET has been identified as key for improving adult language and numeracy skills to enable access to additional training opportunities but less than 2000 employees participated in AET programmes in the previous financial year. The survey findings suggest that the majority of the people who access AET programmes are from

the elementary occupation group working across the different municipality employment sections. The survey indicates that general workers, drivers, meter readers, office assistants participated in AET programmes.

A third study focused on employee turnover and retention strategies in the local government sector where a survey was sent to employers. Respondents indicated that the main reason cited by exiting employees for resigning from the municipality in 2012/13 was that they had received a better remuneration and benefits package elsewhere. The other main reason cited was that exiting employees indicated that they had obtained better promotion and career advancement prospects elsewhere. Of significance for the LGSETA to note that the main retention strategy that was used by employers in 2012/13 was facilitating access to training and development opportunities followed by promoting from within as a key retention strategy.

Two small-scale tracer surveys were conducted. The NSDS III emphasises the need for SETAs to conduct impact assessments of its interventions. Telephonic interviews were conducted to collect information using a beneficiary tracer survey instrument using information available from LGSETA databases. The findings in terms of employed beneficiaries of LGSETA funded skills programmes most beneficiaries agreed that the skills development interventions addressed any skills gap that was being experienced and that the skills programme facilitated access to further education and training. Some of the skills that were identified by participants that need to be developed further included project management, finance, construction management, change management, monitoring and evaluation, and leadership skills. In terms of unemployed individuals, the findings from the tracer study with a sample of 250 beneficiaries indicated that at least 50% beneficiaries were employed with the majority of these in the local government sector. There was a mixed response about the extent to which the programme facilitated access to further education/training opportunities. In addition, it would appear that overall there was a view that the programme did not provide the necessary skills needed for self-employment or entrepreneurship.

Strategies to achieve goal

Strategies to address skills development priorities in 2014/15 include the following:

- Build the capacity of skills development facilitators (SDFs), municipality training committees to support the development, implementation and monitoring of workplace skills plan and annual training reports. The LGSETA will support at least Skill Development Facilitators to obtain the OD-ETDP qualification in 2014/15. Finally, LGSETA will place greater emphasis on municipality monitoring visits by the LGSETA provincial offices.
- Engage with stakeholders to ensure that all workplace skills plans and annual training plans for all municipalities are submitted on time together with all the required information. The LGSETA will review its WSP and ATR submission process to ensure greater compliance and ease of use by stakeholders.
- Form partnerships with higher education institutions (HEIs)/academic/research institutions to support the LGSETAs research capacity and strengthen the quality of research and implement the LGSETAs annual research plan. A total of eight partnerships with academic/research institutions are to be in place in 2014/15.
- Continue to conduct impact/tracer studies on LGSETA funded programmes as well as conduct other sector-relevant research to inform the SSP.

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 made in 2013/14

The LGSETA successfully registered the Electrician Qualification on the NQF during the year under review. It is expected that the fire fighting, water and waste water, switching operator and environmental technician qualifications will be finalised in the new financial year. The SETA supported training in priority skills for employees from the lowest category in municipalities to senior management through its partnership network of FET colleges, universities, professional bodies and private training providers.

Strategies to achieve goal

Strategies to address skills development priorities in 2014/15 include the following:

- Facilitate access to skills development training and learnerships to municipal officials and unemployed individuals.
- Support artisan development.
- Enhance its coordination capacity by establishing a project office within the LGSETA to manage the effective delivery of Learning Programmes to municipal leadership, officials and the unemployed skills development beneficiaries.
- Provide access to bursaries to municipal officials and unemployed individuals to continue with further education and training.
- Work with stakeholders to improve the completion rate on skills development programmes so that greater impact can be made.

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

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 advancement 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 made in 2013/14

The LGSETA worked with several FET colleges to close the skills gap in municipalities and especially with the training of unemployed members of communities. The LGSETA have also during the year under review funded the placement of 1 292 Work Integrated Learning (WIL) students from FETs in municipalities. A total of 15 MoUs were signed and a SETA office was established at Mopani FET College. Grant funding for infrastructure development at Lovedale FET college was also provided during the year under review.

Strategies to achieve goal

Strategies to address skills development priorities in 2014/15 include the following:

- Continue the implementation of the LGSETA Quality Management System (QMS) that is aligned to the Quality Council for Trades and Occupations (QCTO).
- Develop and register qualifications to be used for quality, standardised training as well as review learning programmes.
- Establish assessment centres to support learner assessment as well as RPL assessment.
- Support the accreditation of FET Colleges to offer LGSETA aligned qualifications and support of these institutions and the related training.
- Enter into partnerships with public FET Colleges, HEIs, municipal training centres (MTCs)
- Accredit training providers including FET Colleges, HEIs, MTCs and private providers to deliver quality training and skills development.

Progress made in 2013/14

Municipalities have begun to open up their workplaces as training spaces, providing career advancement opportunities in the local government sphere for young school leavers. The LGSETA provided support to the unemployed through training programmes that focused on Electrical Engineering, HIV/AIDS, Horticulture and Environmental Practice.

Strategies to achieve goal

Strategies to address skills development priorities in 2014/15 include the following:

- Update and implement the RPL policy to better respond to the current needs of the sector as well as pilot the implementation of RPL for certain occupations such as mechanic's assistants, electrical assistants.
- Assess municipal RPL candidates to assist municipal employees who have the skills but no recognisable formal qualification related to this, aiming to enable these employees to obtain a formal qualification, enhance skills and improving workplace productivity.
- Facilitate access for workers and unemployed individuals to enter AET programmes. Furthermore, the LGSETA will use the findings of the AET survey to develop differentiated AET programmes and will continue the implementation of e-AET programmes in at least three geographic areas across different municipality types

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 over the next four years.
Linkage	NSDS III: 4.5 – Encouraging better use of workplace-based skills development

Progress made in 2013/14

The SETA supported Workplace Based Programmes during the financial year through the placement of FET learners who require practical work experience to attain their qualifications. Interns were supported through the LGSETA grants at various municipalities

Strategies to achieve goal

Strategies to address skills development priorities in 2014/15 include the following:

- Encourage municipalities to open up their workplaces as training spaces by providing the necessary funding support. The LGSETA will support FET College learners with workplace placement, graduates from HEIs through the workplace integrated learning programme, and facilitate internships.
- Support coaching and mentoring skills interventions to support learnerships/internships.
- Incentivise workplaces to integrate continuous learning by investigating alternative workplace based skills development models.



Strategic Outcome-Oriented Goal 6:

Encouraging and supporting co-operatives, 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 co-operatives, 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 made in 2013/14

The LGSETA instituted a process to invite applications from NGOs, cooperatives and community based organisations to apply for funding. The responsive was good, indicating the need for the LGSETA to intensify its efforts to work with such entities to support its various skills development interventions.

Strategies to achieve goal

Strategies to address skills development priorities in 2014/15 include the following:

- Develop a strategy to support the achievement of this outcome as well as rural development skill development needs.
- Support municipal employees to access skills development that contributes to the deepening of democracy through civic education, Councillor training, ward education, community development worker training and training of Traditional Leaders
- Build the capacity of co-operatives, small enterprises, worker-initiated training interventions, not-for-profit and community training initiatives.
- Conduct/determine broader skills development needs of communities to inform skills development interventions.



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 made in 2013/14

The LGSETA participated in various career exhibitions during the year under review and distributed 5725 career guides to various beneficiaries.

Strategies to achieve goal

Strategies to address skills development priorities in 2014/15 include the following:

- Update the Career guide and vocational guide manual and distribute to learners.
- Initiate/support an awareness campaign about working in the sector.
- Support life orientation practitioners at FET Colleges to facilitate sustainable career awareness.
- Conduct a perceptions survey about the sector and working in the sector across different target groups.
- Increase visibility across the Provinces by participating in Graduate Recruitment Programmes, Career Days at schools.



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 made in 2013/14

The LGSETA has made some progress in turn around the organisation to deliver on its mandate as has been discussed earlier in the report and will be evident in the report presented under Programme 1 in the next section.

Strategies to achieve goal

Strategies to address skills development priorities in 2014/15 include the following:

- Implement the turnaround strategy to move the LGSETA from under Administration.
- Focus on operational excellence, where the organisation will strive to become an efficient and effective organisation that is stakeholder-centric by establishing and implementing processes and systems that facilitate greater access, impact and quality stakeholder experiences.
- Become a learning organisation that supports a culture of people excellence by empowering employees to embrace a culture of continuous improvement, high performance and engagement, service and accountability.
- Focus on innovation excellence that revolves around becoming a responsive organisation that seeks to continually identify and facilitate skills development opportunities and interventions that address the diversity of the local government sector.
- Strengthen governance structures to ensure strategic intent alignment that facilitates sustainable access to skills development interventions for the sector. ■

Performance Information by Programme

Programme 1: Administration

Strategic Goal

To ensure that LGSETA has an agreed strategic plan and annual performance plan; has the systems, capacity, competence and resources to implement the plans; and monitors and reports on the progress and achievements of the organisation.

Strategic Objectives

- To develop and submit final strategic plan and annual performance plan within regulated time frames.
- To institute financial management systems necessary to meet statutory and best practice management of finances.
- To review and revise the LGSETA management information systems, to achieve trustworthy, valid, reliable, economical, efficient and effective information.
- To establish, review and maintain the supply chain management system to meet the strategic need for the economical, efficient, effective and equitable procurement of goods and services needed to implement projects.
- To develop, implement and maintain internal audit measures for all operations in order to ensure procedural compliance and mitigate all risks at all times.
- To review, revise and implement a comprehensive set of human resource management and human resource development strategies and systems for LGSETA by January 2014.

Corporate Services

As part of the reconfiguration of the organisational structure, a new unit – Corporate Services was established to facilitate greater operational efficiency and effectiveness in the journey to operational excellence. The unit consists of four departments :

- Human Resources Management
- Information and Communication Technology,
- Marketing and Communication; and
- Stakeholder Relationship Management

Marketing & Communications

During the period the key activities for the Marketing and Communications department included the review of the marketing and communications strategy to ensure alignment to the new LGSETA strategy. In the next financial year, the LGSETA will complete its rebranding intervention that will focus on develop a corporate identity and related collateral for the organisation as well the design and launch a new website among other activities. A comprehensive human resource development process began to build the necessary capacity for the LGSETA to deliver on its mandate. In particular, the review and design of the organisational structure was finalised to address issues ambiguous roles and unattended responsibilities in the existing structure among other activities.

Information & Communications Technology

The ICT department plays a pivotal role in the modernisation of the LGSETA. The purpose of this department is to enable the LGSETA to automate the critical and significant operations so

that the organisation can deliver on its mandate. This department is responsible for ensuring that the LGSETA has a reliable and always available ICT infrastructure and an information management system to support credible planning and reporting throughout the organisation. The strategic objectives of the ICT department are:

- To implement an ICT infrastructure that is always available, accessible and reliable.
- To implement an integrated information system.
- To develop and implement ICT policies and procedures aligned to the DPSA ICT Governance Framework.

Project Management Unit

In order to realise its mandate to provide relevant skills to the local government sector, the Project Management Unit (PMU) was established in November 2013 with the strategic intention of providing project development, implementation and monitoring support for the LGSETA. Substantial progress has been made in the PMU since its establishment in November 2013. The centralisation of all LGSETA projects from the previous units in which they resided, into the PMU, enabled better reporting and control of project implementation across the organisation. The standardisation of reporting via a project dashboard managed by the PMU, as well as the introduction of a project methodology yielded positive results.

It is envisaged that upon the commencement of the service provider appointed to operationalise the PMU, that the LGSETA will derive greater benefits from an effective, efficient and properly capacitated Project Management Unit. Being a newly formed unit of only 50% of resources who were appointed during this reporting period. It is envisaged that the remaining vacancies will be filled in the first quarter of the new financial year to operationalise a fully-functional PMU based on the policies, procedures, and processes that will be designed and implemented during the next financial year.

Finance

In executing its APP, the LGSETA remains committed to sound financial management, good governance and compliance with the PFMA and Treasury Regulations. The APP is developed from an extensive budgeting process. The Finance division strives to maintain good budgetary control over the collection of income and the efficient use of funds.

Analysed financial results against budget are reported to the Executive Committee, Executive Management, the Audit Committee and the Administrator on a regular basis for review and comment. In addition, Quarterly Financial reports are submitted to the Department of Higher Education and Training. The division operated in line with the Supply Chain Management Framework, Treasury Regulations and LGSETA policies, to ensure fair, equitable, transparent, competitive and cost effective procurement of goods and services.

LGSETA policies and procedures are designed and approved to be in line with South African Generally Accepted Accounting Practice (SAGAAP), Generally Recognised Accounting Practice (GRAP), the PFMA and Treasury Regulations. Finance policies were reviewed rigorously in the year under review to ensure that they are compliant with all laws and regulations and to ensure they are updated with the latest most relevant principles and accounting standards.

Programme 1: Performance against Planned Targets

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

Strategic Objectives	NSDS 2011- 2016 Objectives	Annual indicators	Targets 2013 - 2014	Achievements	Budget R'000	Variance	Comments
1.1 To develop and submit final strategic plan and annual performance plan within regulated time frames.	Not in the NSDS III	ASP/APP approved by DHET	ASP/APP approved by DHET	Strategic Plan and APP has been developed and signed off	100	0%	A review of the Strategic will be applied, to ensure aligned of the programmes.
1.2 To institute financial management systems necessary to meet statutory and best practice management of finances.	Not in the NSDS III	Clean Audit Report	Clean Audit Report	None	1 000	N/A	Qualified audit outcome. New financial management procedures and systems have been developed and are in practice.
1.3 To review and revise the LGSETA management information systems, to achieve trustworthy, valid, reliable, economical, efficient and effective information.	Not in the NSDS III	Integrated Information Systems adopted by Board and Implemented	Integrated Information Systems adopted by Board and Implemented	None	3 000	N/A	An overall system review was done. Systems controls and segregation of duties were reviewed and improved.
1.4 To establish, review and maintain the supply chain management system to meet the strategic need for the economical, efficient, effective and equitable procurement of goods and services needed to implement projects.	Not in the NSDS III	Clean Audit Report	Clean Audit Report	None	500	N/A	Qualified audit outcome. SCM procedures and policies were reviewed. Interim internal processes were put in place conforming to current regulations and practice notes. A SCM policy was approved.
1.5 To develop, implement and maintain internal audit measures for all operations in order to ensure procedural compliance and mitigate all risks at all times.	Not in the NSDS III	Clean Audit Report	Clean Audit Report	None	1 500	N/A	Qualified audit outcome. A Risk Assessment was done which produced a Risk Register. Internal Audit has also performed a risk based audit which is near complete. Management is currently finalising the Risk and Fraud Prevention Policy.
1.6 To review, revise and implement a comprehensive set of human resource management and human resource development strategies and systems for LGSETA by January 2014.	4.7 - Increasing public sector capacity for improved service delivery and supporting the building of a developmental state	HR Strategy systems and policies approved by Board	HR Strategy systems and policies approved by Board	None	500	N/A	HR Policies and systems have been reviewed but not implemented due to consultations with employees. A new organisational structure was adopted.

Linking Performance with Budget

	2013 / 2014			2012 / 2013		
	Budget (R'000)	Actual Expenditure (R'000)	Over / Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	Over / Under Expenditure (R'000)
Programme 1: Administration	81 165	71 614	9 551	49 375	40 179	9 196

The goal of the LGSETA Administration is to develop and implement its strategic plan and annual performance plan as per regulations. As LGSETA was under Administration, restructuring and redevelopments within the LGSETA were implicit. New initiatives and areas of development were identified which exceeded the Administration budget allocation as prescribed by the Regulations. LGSETA applied to the Department of Higher Education and Training to exceed the 10% budget allocation for Administration, this was approved during the course of the financial year under review.

The Administration budget was thus increased in order to fund the Administration initiatives identified due to the LGSETA being under Administration that included:

- **Project Management Unit:** To ensure timeous, cost effective and good quality services through team-focused and stakeholder-centric approaches and ideals using best practice methodologies, technologies, systems and management tools
- **Travel Agency:** To better aid the travelling needs of the LGSETA for the purposes of enhanced delivery and outreach. Provincial office and monitoring visits were the driving force behind this as performance had been decreased in prior years as projects were not being rolled out.
- **Forensic Audit:** To ensure public funds had not been previously misused.
- **Legal Services:** For legal advise both with internal LGSETA processes as well as at contracting stages with stakeholders.
- **Change Management:** To change the culture within the LGSETA and entice employees to embrace the changes within LGSETA under Administration.
- **Strategic Services:** To align LGSETAs strategic targets with the needs of the local government sector.
- **Financial Management Services:** to ensure compliance to laws and regulations as well as provide efficient, transparent and prudent financial management practices within LGSETA.

Programme 2: Sector Skills Planning

Strategic Goal

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

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 Objectives

- Improve the local government sector's capacity to identify the skills needs of the sector; and to plan, manage and report on appropriate responses to those needs.
- Directing skills planning, implementation and management towards the strategic priorities of the sector at all levels of the system.
- Improve the credibility and coherence of the skills planning system for local government through strengthening sectoral and inter-sectoral partnerships for skills development research and planning.
- Update the research into skills needs and appropriate strategies for meeting these needs.
- Communicate the sector skills priorities to employers, providers, employees and potential new labour market entrants.
- Stakeholders agree on what must be done to achieve the strategic priorities for skills development in the sector, and have committed to doing it.
- Identify skills needs that cannot be addressed through "training as usual" and innovate solutions.
- Strengthen human resource management and human resource development capacity for planning, implementation and reporting on skills development at municipal level.
- Monitor and evaluate skills planning, implementation and reporting in municipalities.
- Grow the local government sector as a training space, thereby contributing to the professionalisation of the local government sector.
- Support the implementation of the Strategic Infrastructure Projects (SIPs)

Strategies to address 2013/14 annual performance under-achieved targets

In evaluating and dealing with areas of under performance, the following strategies are to be put in place:

- Greater emphasis will be placed on municipal monitoring visits to ensure return on investment. Improvements will be made for recording of monitoring visits to municipalities. In addition, distribution and receipt of documents to and from municipalities needs to be appropriately recorded.
- The LGSETA will continue to build the necessary research capacity internally and through partnerships to strengthen its sector skills planning role for the local government sector.

Programme 2: Performance against Planned Targets

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

	SETA Plan for 2013 – 2014 Strategic Objectives	NSDS III 2011 - 2016 Objectives	Annual indicators	Targets 2013 - 2014	Achievements	Budget R'000	Variance	Comments
2.1	Improve the local government sector's capacity to identify the skills needs of the sector; and to plan, manage and report on appropriate responses to those needs.	4.1 Establishing a credible institutional mechanism for skills planning	Improvement in WSPs	36 SDF Forums	32 SDF Forums	1500	-11%	Due to a lack of capacity resulting from resignations, planning processes were affected and this target could therefore not be achieved.
2.2	Directing skills planning, implementation and management towards the strategic priorities of the sector at all levels of the system.	4.1 Establishing a credible institutional mechanism for skills planning	Sector agreements	1 SALGBC	None	Administration	N/A	The agreement was not finalised. A Commitment letter was issued in response to an application from SALGBC. Agreement to be finalised during 2014/15 financial year.
2.3	Improve the credibility and coherence of the skills planning system for local government through strengthening sectoral and inter-sectoral partnerships for skills development research and planning.	4.1 Establishing a credible institutional mechanism for skills planning	SSP research	5 x impact assessments (HEI) research, inter-SETA collaborations to be established through process	4 x small scale research projects	5000	-20%	The general lack of capacity of the Unit resulted in the non-achievement of this target.
2.4	Update the research into skills needs and appropriate strategies for meeting these needs	4.1 Establishing a credible institutional mechanism for skills planning	SSP update	9 Provincial Profiles	SSP Updated with provincial profiles	950	0%	Provincial Skills profiles compiled as part of SSP Update.
2.5	Communicate the sector skills priorities to employers, providers, employees and potential new labour market entrants.	4.8 Building career and vocational guidance	Career guidance manuals and publications distributed	12000 career guides distributed	5725 career guides distributed	2000	-52%	The LGSETA will develop better systems to ensure better recording of career guidance manuals distributed to meet required reporting guidelines.
2.6	Stakeholders agree on what must be done to achieve the strategic priorities for skills development in the sector, and have committed to doing it.	4.1 Establishing a credible institutional mechanism for skills planning	Sector agreements	3 x sector Forums	2 x sector forums	500	-33%	Agreements were signed with IMATU and SALGA however outstanding information on previous allocations delayed the signing of Agreement.
2.7	Identify skills needs that cannot be addressed through "training as usual" and innovate solutions.	4.1 Establishing a credible institutional mechanism for skills planning	Artisan assistant project results	150 learners	None	5000	N/A	The programme was not implemented. No special projects were initiated to support this objective, due to capacity constraints and Administration.
2.8	Strengthen human resource management and human resource development capacity for planning, implementation and reporting on skills development at municipal level.	4.1 Establishing a credible institutional mechanism for skills planning	Human Resources Development (HRD) / Local Labour Forum (LLF) training	1 HRD training workshop per province 1 LLF training workshop per province	None None.	500	N/A N/A	The programme was not implemented. The Funding Agreement with SALGBC was not finalised to initiate training. The programme was not implemented. The capacity constraints had an impact on implementation.
2.9	Monitor and evaluate skills planning, implementation and reporting in municipalities.	4.1 Establishing a credible institutional mechanism for skills planning	Monitoring visits undertaken	540 visits	121 visits	5400	-78%	Lack of capacity resulted in monitoring and evaluation visits not being conducted. Better, economical monitoring mechanisms will be implemented in going forward.
2.10	Grow the local government sector as a training space, thereby contributing to the professionalisation of the local government sector.	4.2 Increasing access to occupationally-directed programmes.	Bursaries	100 environmental health bursaries	12 bursaries were awarded to the unemployed learners	3200	-88%	Focus shifted during the year and bursaries were awarded in various disciplines.
2.11	Support the implementation of the Strategic Infrastructure Projects (SIPs).	4.1 Establishing a credible institutional mechanism for skills planning	SIP project results	1950 learners	None.	104 784	N/A	The programme was not implemented. Implementation of the Water Process Controller training to commence in 2014/15

Programme 2: Linking Performance with Budget

	2013 / 2014			2012 / 2013		
	Budget (R'000)	Actual Expenditure (R'000)	Over / Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	Over / Under Expenditure (R'000)
Programme 2: Sector Skills Planning	59 600	6 933	52 607	25 288	19 856	5 432

While the Skills Sector Planning budget significantly increased for the 2013/14 financial year, this mainly due to an increase in skills development projects that were being implemented by the unit in the previous financial year. With the re-orientation process implemented in the year under review because of the Administration, there was significant underspend as the unit did not implement any learning programmes but implemented activities related to sector skills planning. This trend is set to continue going forward to ensure that the unit is better placed to support the organisation refine its strategies, alignment to the NSDS III and government strategies for enhanced delivery of a skilled and capable workforce supporting a responsive, accountable, efficient and effective local government sector by focusing on its core purpose.

Programme 3: Learning Programmes

Strategic Goal

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

The purpose of this Programme is to facilitate the provision of training in areas of scarce and critical skills in the local government sector. This includes the promotion of skills development amongst the local government workforce with low literacy and numeracy skills, improvement of skills in the artisanal and technical fields, which are fundamental for improved service delivery, registration and implementation of Learning Programmes for unemployed youth and non-levy paying entities including traditional leadership.

Strategic Objectives

- Integrate the framework of performance measures for local government skills development with the policies, procedures and practices through which LGSETA funds, regulates and reports on all learning programs.
- Increase the number of skilled employees required to support improvements in municipal performance.
- Improve the base level of general education in the local government sector
- Improve the artisan and technical skills base required to improve municipal performance.
- Improve labour market access for designated target groups (rural people, unemployed youth, women, people with disability).

Strategies to address 2013/14 annual performance under-achieved targets

- Improve partnerships with public institutions of learning including FET colleges, universities of technology and universities as well as other non-levy paying entities, Government Departments, NGOs and CBOs which started during the 2013/14 financial year to broaden access to learning opportunities for both unemployed and employed.
- Improve capacity and systems to encourage Municipalities to provide critical training spaces for young unemployed youth to get necessary workplace exposure as part of Learnerships, Internships and Work Integrated learning programmes.
- Develop strategies with Municipalities to foster partnerships with business to ensure that learners receive holistic workplace exposure in instances where Municipalities do not meet all requirements for learners workplace experience.
- Improve Project Management and Administrative capacity within the learning programmes unit as the unit was severely understaffed during the year under review.

Changes to planned targets

Learning Programmes saw the implementation of significant increases to FY 2013/14 targets, with targets being doubled or tripled in some instances.

Linking Performance with Budget

	2013 / 2014			2012 / 2013		
	Budget (R'000)	Actual Expenditure (R'000)	Over / Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	Over / Under Expenditure (R'000)
Programme 3: Learning Programmes	293 957	73 031	220 926	65 164	41 395	23 769

There was a significant increase in budget allocation in 2013/14 because of the new grant regulations that came into effect that resulted in more funds being available for discretionary grant funding as well as the decision to move all training and education activities and the related budget to the unit. With the LGSETA under Administration, there was less project implementation as the necessary programme, system and process reviews were conducted. However, moving forward, the LGSETA will review its learning programme approach to ensure greater facilitation of skills development for the local government sector. It is important to note that some of the funds include funding that was used to support to the NSDSIII objectives which include a programme to refurbish the FET Colleges infrastructure.

Programme 3: Performance against Planned Targets

The table below presents the planned targets for the year under review and related achievement. Learning Programmes saw the implementation of significant increases to targets due to the re-alignment.

	SETA Plan for 2013 – 2014 Strategic Objectives	NSDS III 2011 - 2016 Objectives	Annual indicators	Targets 2013 - 2014	Achievements	Budget R'000	Variance	Variance & Comments
3.1	Integrate the framework of performance measures for local government skills development with the policies, procedures and practices through which LGSETA funds, regulates and reports on all learning programs	Not in the NSDS III	Develop Framework	Framework	None	Adminis- tration	N/A	The framework was not developed. The development of the framework had a direct dependence on research which was not completed as intended.
3.2	Increase the number of skilled employees required to support improvements in municipal performance	4.2 Increasing access to occupationally-directed programmes	Increase the enrolment, retention and achievement rates of local government employees participating in priority skills development programs by at least 10% by January 2014	4,650 officials enrolled in priority skills	1,816 officials enrolled in priority skills	66,340	-61%	While programmes had been identified, the tenders could not be awarded due to the bid prices exceeding the budget amount.
3.3	Improve the base level of general education in the local government sector.	4.4 Addressing the low level of youth and adult language and numeracy skills to enable additional training	LGSETA will have developed and tested new forms of literacy and numeracy tools and	3000	None	16,050	N/A	The programme was not implemented. The lack of capacity and competing priorities resulted in this project not starting on time. A training provider has been appointed and will commence in the 2014/15 financial year
3.4	Improve the artisan and technical skills base required to improve municipal performance.	4.2 Increasing access to occupationally-directed programmes	Increase the enrolment, retention and achievement rates of local government employees participating in artisan and technical skills development programmes by at least 10% by January 2014	624 Artisans enrolled 400 Unemployed 224 Employed	125 employed and 404 unemployed entered, a total of 525 Artisans enrolled.	59,920	-16%	Tenders were issued and partnership agreements with FETs were in process of being concluded which would increase the target.
				720 Employed trained on Technical learnerships	None		N/A	The programme was not implemented. LGSETA will develop an appropriate programme strategy to ensure greater implementation.
				180 unemployed individuals	None		N/A	The programme was not implemented. The LGSETA will develop an appropriate programme strategy to ensure greater implementation.
3.5	Improve labour market access for designated target groups (rural people, unemployed youth, women, people with disability).	4.2 Increasing access to occupationally-directed programmes	LGSETA will have increased the number of programmes offered to designated target groups as well as broadened the number of designated groups targeted.	2,250 unemployed learners on various scarce and critical skills	2272	72,272	+1%	Municipalities are increasingly opening up workplaces for the training of unemployed youth.
3.6	Grow the local government sector as a training space, thereby contributing to the professionalisation of the local government sector	4.5 – Encouraging better use of workplace-based skills development	LGSETA will have increased the number of programmes offered to designated target groups as well as broadened the number of designated groups targeted.	350 bursaries for unemployed individuals 100 bursaries for employed individuals 1800 FET graduates placed for work integrated learning 100 Internships	436 bursaries for unemployed individuals 132 Employed 1292 FET graduates placed for work integrated learning 118 Internships	82,945	+25% +32% -28% +18%	The LGSETA recorded higher performance in part because of the request to fund additional learners More funding was made available for bursaries. Work integrated learning was introduced to municipalities early in 2013 and it is expected that municipalities will increasingly take on more learners in the future There was greater uptake of internships by
3.7	Support the deepening of democracy through civic education, councillor training, ward education, community development worker training and training of traditional leaders	4.2 Increasing access to occupationally-directed programmes	LGSETA will have increased the number of programmes offered to designated target groups as well as broadened the number of designated groups targeted.	2,500	99 community development worker learners certified	27,500	-96%	Agreements were concluded with various institutions to commence training for community development workers and Councillor Training but there was limited implementation.
3.8	Support local economic development strategies through skills development initiatives in support of cooperatives	4.6 Encouraging and supporting cooperatives, small enterprises, worker initiated NGO and community training initiatives	LGSETA will have increased the number of programmes offered to designated target groups as well as broadened the number of designated groups targeted.	800	None	5,136	N/A	The programme was not implemented. The LGSETA will develop an appropriate programme strategy to ensure greater implementation.

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 performance of all quality assurance functions relating to accreditation and support of training providers, monitoring of learning programme provision, evaluation of learning materials, ensuring that learners are fairly and effectively assessed and certification of learner achievements in the local government sector.

Strategic Objectives

- Integrate performance measures with ETQA policies, procedures and tools
- Align the local government qualifications framework with the priority needs of the local government sector.
- Accredite training providers to deliver the scarce and critical skills needs of the local government sector.
- Build provider capacity (including FET, HEI and municipal training capacity).
- Approve or review learning programmes.
- Monitor the provision of training.
- Verification of learner achievement.
- Improve and report on quality of provision through online provider network, support and performance monitoring.
- Impact assessment of qualifications and program implementation.

Strategies to address 2013/4 Annual Performance under-achieved targets

In evaluating and dealing with areas of under-performance, the following strategies are to be put in place:

- Accreditation of FET colleges will be fast tracked by forming partnerships and supporting these tertiary institutions to enable them to be accredited to offer LGSETA aligned qualifications.
- LGSETA have appointed 4 Qualification Development Facilitators which will expedite the qualifications development process.
- Appointed an RPL Service provider who will focus on Artisan related programmes. The LGSETA has also prioritised RPL to assist all municipal employees who have the skills without the recognisable qualification to obtain formal qualification and enhance their skills in improving workplace productivity.
- LGSETA will strengthen partnerships with FET Colleges in implementing programmes and closing the skills gaps in South Africa.
- A monitoring framework will be developed which will inform the monitoring of learning and utilisation of LGSETA funded programmes.
- Revisit all qualifications currently on the SAQA website to rapidly align these with QCTO.
- Fast track qualification development in areas of Disaster Management, Councillor Development Practices and Waste water reticulation.
- Fast track LGSETA to become an Assessment Quality Partner for Fire Fighter Qualification.

Changes to planned targets

There were no changes made to planned targets during the year under review.

Linking Performance with Budget

	2013 / 2014			2012 / 2013		
	Budget (R'000)	Actual Expenditure (R'000)	Over / Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	Over / Under Expenditure (R'000)
Programme 4: ETQA	150	150	-	6 808	5 470	1 338

Although ETQA is an integral part of the LGSETAs development strategy, it has recorded modest expenditure in the past. Expenditure is expected to increase significantly as the LGSETA develops the capacity to align its processes and systems to meet QCTO requirements, continues to develop QCTO-aligned qualifications, support RPL in the sector among other initiatives.

Programme 4: Performance against Planned Targets

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

	SETA Plan for 2013 – 2014 Strategic Objectives	NSDS III 2011 - 2016 Objectives	Annual indicators	Targets 2013 - 2014	Achievements	Budget R'000	Variance	Comments
4.1	Integrate performance measures with ETQA policies, procedures and tools.	NSDS III does not make any mention of Quality Assurance functions but still remains an important function in SETAs	Revised quality management system aligned to QCTO criteria	Quality management system aligned to QCTO criteria	The ETQA policy for delegated legacy qualifications have been revised.	50	0%	Policies were developed to implement quality management system aligned to QCTO criteria
4.2	Align the local government qualifications framework with the priority needs of the local government sector.	NSDS III does not make any mention of Quality Assurance functions but still remains an important function in SETAs	Revised / developed qualifications for LG priority occupations registered by QCTO	10 qualifications	None	15,000	-100%	No qualifications were developed. Qualification development requires capacity which had to be outsourced. These processes took longer than expected.
4.3	Accredit training providers to deliver the scarce and critical skills needs of the local government sector.	4.3 Promoting the growth of a public FET college system that is responsive to sector, local, regional and national skills needs and priorities	All provider applications processed as per ETQA guidelines	300 provider accreditation applications processed	41 providers accredited for extension of scope 64 providers awarded for provisional accreditation 36 providers awarded extension of accreditation	1,500	-53%	The target was not met. The LGSETA received less applications for accreditation than expected.
4.4	Build provider capacity (including FET, HEI and municipal training centres).	4.3 Promoting the growth of a public FET college system that is responsive to sector, local, regional and national skills needs and priorities	MoUs signed with FETs, HEIs and MTCs	10 MoUs signed	1 MOU signed with the QCTO 15 MOUs were signed with FETs 7 MOUs signed with HEIs	3,000	+30%	The target was exceeded.
4.5	Approve or review learning programmes.	4.2 Increasing access to occupationally-directed programmes	Learning programmes reviewed and approved	100 programmes reviewed and approved	52 programmes reviewed and approved	1,400	-48%	The target was not met. The LGSETA received less learning programmes for review than expected.
4.6	Monitor the provision of training.	NSDS III does not make any mention of Quality Assurance functions but still remains an important function in SETAs	All providers monitored as per ETQA/QCTO requirements	700 providers monitored	49 providers monitored	2,300	-93%	The target was not met. Due to capacity constraints the LGSETA monitored less providers than expected
4.7	Verification of learner achievement	4.2 Increasing access to occupationally-directed programmes	Number of learners verified against full qualifications	1000 learners verified against full qualifications	763 learners certificated against full qualifications	5,000	-24%	The target was not met. There were less verifications received than expected.
			Number of learners verified against unit standards	6000 learners verified against unit standards	4907 learners were endorsed against unit standards		-18%	The target was not met. There were less verifications received than expected.
4.8	Build sector capacity to conduct RPL around local government priority areas	4.4 Addressing the low level of youth and adult language and numeracy skills to enable additional training	RPL implementations packs for priority local government qualifications	5 RPL implementations packs for priority local government qualifications	None.	3,000	N/A	The target was not met. No RPL guidelines and tools were developed
			RPL candidates assessed	1000 RPL candidates assessed	300 RPL candidates assessed		-70%	The target was not met. An SLA was signed with an Artisan RPL provider to conduct
4.9	Improve and report on quality of provision through online provider network, support and performance monitoring.	NSDS III does not make any mention of Quality Assurance functions but still remains an important function in SETAs	Online provider network established; annual online survey conducted; quarterly monitoring of providers reported; and online support resources provided	1 online provider network established	None.	800	N/A	No network established. The on line monitoring system was not procured. And the survey was not done
4.10	Impact assessment of qualifications and program implementation.		An impact assessment is done on identified LGSETA funded programme	1 impact assessment	None.	1,500	N/A	The target was not met. A small scale desktop impact assessment was done to update the sector skills plan.



PART C: Human Resources

Human Resources Management Report

The SETA has for the longest time not benefitted from an approved organisational structure against which personnel could be appointed. On 23 September 2013, the new LGSETA organisational structure was approved and adopted, following extensive consultation and engagement with the recognised labour union Nehawu. The new organisational structure is characterised by:

- Distinguished Functional units that ensure operational alignment to strategy
- Dedicated focus on a Strategy and Planning Unit
- Introduction of Research and Monitoring capability, respectively
- Gradual phasing in of centralised ETQA unit, supportive of a shared services model
- Define the Operations unit, repositioning Provincial Offices - Develop greater operational capacity at localised/ implementation level
- Introduction of dedicated Projects unit
- Lean Support and robust Operations – greatest concentration created in the localised delivery units (Province)

In October 2013, the Job Analysis process started in earnest, delivering approved Job Profiles by 31 January 2014. Concurrently, a separate process of reviewing all organisational processes and procedures was undertaken and also concluded on 31 January 2014. The aim was to develop practical and effective job profiles that can serve as the basis for other crucial HR initiatives, example Performance Management and Job grading. These Job Profiles would also assist in expediting the process of migrating employees from the old staff establishment to the new approved organisational structure by means of ‘match and placing’ employees to new positions. The migration process was concluded by the 31 March 2014, with affected employees being placed in the new structure and assuming their roles with effect from 01 April 2014. The only exceptions, are employees who have not been placed directly into similar positions to those which they held in the old structure and such employees were placed in the organisational pool, in line with the Migration and Placement Agreement.

Over and above this, the HR department implemented the inaugural LGSETA Internship Programme where in excess of 25 young graduates and Work Integrated Learning students were engaged, placed at all the LGSETA operations nationally.

Employee Relations – Disciplinary actions

In May 2013 a firm of forensic investigators was contracted to undertake forensic audit of that led to the dismissal of a number of employees for the year under review.

Employee performance management framework

In May 2013, the Human Resources department commissioned the LGSETA organisational diagnostic exercise as a dip stick to measure the general moral of the organisation. This process afforded the Administration team the opportunity to determine the most critical areas requiring urgent attention. These priorities were the:

- Approval of the LGSETA organisational structure

- Migration of staff to the new staff establishment
- Clarification of roles through job profiling
- Revision of the business processes and procedures of the organisation

These Administration programmes were implemented and finalised during the year under review. The HR department then started the process of reviewing the LGSETA Performance management framework and consultation on the new system is currently under way.

Policy development

The LGSETA HR policy was reviewed and adopted by management within the last quarter of the year in review. As part of the policy implementation, management has since started the process of consulting with staff on the new policies.

Challenges faced by the public entity

One of the biggest challenges relates to the SETAs inability attract high calibre employees. There are three main reasons for this:

- The LGSETA current license term expires in March 2016;
- The SETAs administration expenditure is capped at 10% of the total income. Personnel costs are a component of this percentage;
- The reputational damage to the LGSETA brand due to past performance.

Some critical positions were filled, for example, the Chief Financial Officer, Human Resources Manager, Finance Manager, ETQA Manager, and Executive Manager, Corporate Services. However, the process of creating capacity within the organisation continues to be slow.

The Administration period has been extended for another year. The priorities below are a continuation thereof and would complete the interventions already started in the prior year.

- Recruitment: Acceleration of efforts to fill vacancies against the new structure
- Rollout of the LGSETA Performance Management System: 1st year of full Performance Management cycle
- Communication and implementation of policies: Staff workshops and road show on approved policies
- Job evaluation and salary benchmarking: Review of grading system and assessment of LGSETA pay structures and philosophies for competitiveness. Investigate possible additional staff benefits to encourage employee engagement and commitment
- Employee Wellness: Support programme to LGSETA staff and their families. Part of broader personnel engagement strategies
- Training and Development: Skills Gap analysis and acceleration of skills development interventions aligned to the LGSETA competency matrix. ■

Human Resources Statistics

Personnel Cost by Programme

The table below presents the personnel costs for the year under review for each Programme.

Programme	Total Exp for the Entity (R'000)	Personnel Exp (R'000)	Personnel Exp as a % of Total Expenses (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
	2013/14	2013/14	2013/14	2013/14	2013/14
Administration	21 846	5 584	25.56%	8	698
CEO	1 055	873	82.80%	3	291
Finance	11 573	2 651	22.91%	14	189
Corporate Services	11 546	1 713	14.83%	12	143
Operations	22 990	12 524	54.48%	51	246
Strategy and Planning	2 604	1 989	76.41	4	497
Total	71 614	25 334		92	275

Personnel Cost by Salary Band

The following table presents the personnel cost by salary band for the LGSETA for 2013/14.

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel Cost (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
	2013/14	2013/14	2013/14	2013/14
Top Management	5 474	21.61	9	608
Senior Management	6 268	24.74	15	417
Professional Qualified	7 479	29.52	19	393
Skilled	5 699	22.50	43	132
Semi-skilled	414	1.63	6	69
Unskilled				
Total	25 334	100%	92	275

Training costs

The table below presents the training costs for the organisation for 2013/14

Level	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of Employees	Average Training Cost per Employee
	2013/14				
Administration	5 584	-	-	-	-
CEO	873	-	-	-	-
Finance	2 651	-	-	-	-
Corporate Services	713	-	-	-	-
Operations	12 524	6	0.05%	1	6
Strategy & Planning	1 989	-	-	-	-

Performance Rewards

No performance rewards were awarded for the year under review.

Employment & Vacancies (as at 31 March 2014)

Following extensive consultation with Nehawu, the new LGSETA Organisational structure was approved on 23 September 2013. The Job Analysis process ensued thereafter and job profiles were approved by 31 January 2014. The recruitment process started in earnest in November 2013. Some of the key challenges faced relate to the LGSETAs inability to appoint key staff members due to

Programme	2012/13 No. of Employees	2013/14 Approved Posts	2013/14 No. of Employees	2013/14 Vacancies	% of Vacancies	Comment
Administrator	1	0	1	0	0	
CEO	2	6	1	5	83.33%	
Finance	12	14	9	5	35.71%	
Corporate Services	11	23	13	10	43.48%	
Operations	39	73	39	33	45.21%	
Strategy and Planning	6	14	3	11	78.57%	
Total	71	130	66	62	47.69%	

Employment Changes

Salary Bands	Employment at the Beginning of Period	Appointments	Terminations	Employment at the End of the Period	Comment
Top Management	5	5	4	6	
Senior Management	8	5	4	9	
Professional Qualified	18	1	1	18	
Skilled	35	3	11	27	
Semi-skilled	6	0	0	6	
Unskilled					
Total	72	14	20	66	

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

Reasons for Staff Leaving

Reason	No.	% Total No. of Employees Leaving
Death	1	4.17%
Resignation	15	62.5%
Dismissal	1	4.17%
Retirement	1	4.17%
Ill Health	0	0%
Expiry of Contract	6	25%
Other	0	0%
Total	24	100%

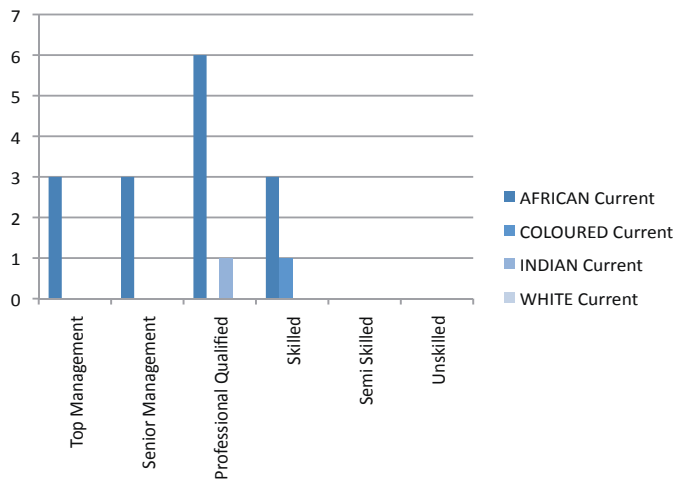
Labour Relations: Misconduct & Disciplinary Action

Action	No.
Verbal Warning	0
Written Warning	1
Final Written Warning	0
Suspension	4
Dismissal	1
Total	6

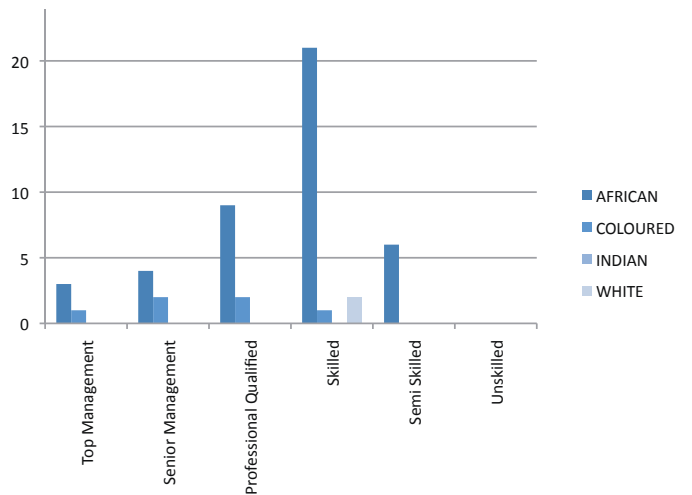
The list included all staff movement including positions that were additional to the establishment.

Equity Targets and Employment Equity Status as at 31 March 2014*

Male



Female







PART D: Governance

Report of the Accounting Authority

31 March 2014

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

Introduction

On 20 March 2013, the Director-General of the Department of Higher Education and Training published Government Notice No. 36276 in the Government Gazette No. 215 in accordance with section 15(2) of the Skills Development Act placing the LGSETA under Administration, as directed by the Minister of Higher Education and Training, in terms of section 15(1) of the Act, following serious governance and management failures. The effect of this action was to disband the Board, and suspend the constitution of the SETA, and place the running of the organisation with the Administrator, who is the Accounting Authority. The Administrator is required to manage the resources of the SETA in line with the mandate of the organisation, ensuring prudent financial management, while restoring the organisation back to a state of normal management and governance. The Administrator, while empowered to take necessary decisions to fulfil his the mandate, must adhere to applicable laws and regulations, such as the PFMA and its regulations, and the labour laws of the country.

Portfolio Committee

The relevant Portfolio Committee for the LGSETA is that of Higher Education and Training. The Portfolio Committee on Cooperative Governance and Traditional Affairs, which has the oversight responsibility of the local government sector, also calls the SETA from time to time, to be briefed on support given by the SETA to municipalities. During the period under review, the LGSETA made one appearance to each of the two Committees. On the 13th of August 2013, the LGSETA, together with the Department of Cooperative Governance and SALGA, appeared to brief the Portfolio Committee on Cooperative Governance and Traditional Affairs the support the three entities are providing to municipalities in terms of skills development. This session emphasised the importance of working together in a coordinated way by the different parties, to avoid duplication, and realise maximum impact. On the 26th February 2014, the LGSETA appeared before the Portfolio Committee on Higher Education and Training, to present its 2012/13 Annual Report. This session highlighted the need urgently to deal with the matters that had led the SETA to be placed under Administration, and hold people accountable. During this session, Members of Parliament rightly emphasised the importance of ensuring that every cent that is meant for providing skill development for municipal officials is used for that purpose, and that officials implicated in any wrong doing must be brought to book. MPs expressed serious misgivings at what they perceived as lack of consequences for people who had brought the SETA to the state it was when the Administrator took over. The Administrator and his team presented their plans for turning the SETA around, and the Committee expressed their support and confidence that the SETA will present an better report in the following year.

Executive Authority

The Executive Authority for the LGSETA is the Minister of Higher Education and Training. The Minister has a responsibility to approve the Sector Skills Plan (SSP), Strategic Plan (SP) and Annual Performance Plans (APP) for the SETA. The Minister also has responsibility to approve any deviations from the approved budget that may be warranted. During the year under review, the SETA complied with all PFMA and other compliance requirements, and submitted its first draft SSP, SP and APP before the 31 August 2013, followed by the subsequent drafts by 30 November 2013, and 31 January 2014 respectively. These were duly approved by the Minister. The SETA also submitted to the Minister a request to exceed the regulated 10.5% expenditure on Administration, to ensure sufficient funds are available to fund the Administrator interventions, necessary to support the mandate of the Administrator. This approval was also duly given by the Minister.

Risk Management

The LGSETA has undergone a process to review and update all its policies including the risk management policy and strategy. This policies were approved at the end of the financial year under review and will be rolled out in the ensuing financial year. A risk assessment was conducted to determine the effectiveness of the organisation's risk management effort and to identify new and emerging risks. Through the internal audit service provider, the organisation has developed and regularly updates a risk matrix. This risk matrix clearly identifies each risk within the organisation, rates the risk and maps the way forward on how the organisation will manage the risks. The organisation has taken insurance policies to transfer certain specialised and specific risks that are insurable and are inherent in the business. These risks include the following:

- Office Contents,
- Business All Risks,
- Theft,
- Employee Risk Cover,
- Electronic Equipment, and
- Directors and Officer's liability.

Internal Control Unit

The internal control environment of the LGSETA is managed by the finance division in consultation with the other divisions, the internal audit service provider, and various other relevant service providers. The division on an ongoing basis reviews and updates internal controls to be in line with the various legislation, and standards. The interventions by the Administrator, through the engagement of outsourced resources have made significant headways in redesigning internal controls and eliminated deficiencies previously identified and thereby stabilising the environment.

Compliance with laws and regulations

First and foremost, the LGSETA, as a schedule 3A public entity has complied with the Public Finance Management Act as it relates to the governance of public entities. The LGSETA has made strides to comply with all other legal prescripts and Supply Chain Management Framework provisions in particular, relative to the previous years as evidenced by a reduction in irregular expenditures disclosed in the Annual Financial Statements. The LGSETA embarked on a process to review all policies during the year under review, including the procurement policy. The LGSETA has also complied with the Skills Development Act and its SETA Grant Regulations Regarding Monies Received as they provide for the utilisation of the skills levy revenue for the payment of mandatory and discretionary grants and the management of its administration income. The period of Administration for the SETA has been extended to the 2014/15 financial year to allow for the Administrator's interventions to be embedded to the organisation. Part of these interventions include the development and implementation of internal controls around financial management, procurement and the management of performance information.

Fraud and Corruption

The Administration team has taken a zero tolerance approach to fraud and corruption and has dealt decisively with employees that were implicated in fraudulent and/or corrupt practices. The LGSETA has reviewed the fraud prevention policy. This is to create an enabling environment for employees and management to deal decisively with fraudulent practices.

During the financial year, a preliminary investigation was undertaken on a small sample of contracts as awarded by the LGSETA, and this investigation revealed that some of the contracts awarded by the LGSETA are potentially fraudulent. Subsequent to the end of the financial year, the LGSETA has engaged the services of a consultant to undertake a forensic audit of all the contracts of the LGSETA to determine if indeed there were fraudulent activities in the awarding of these contracts. This investigation will cover the entire population of the contracts that the LGSETA issued in prior years.

Fraud prevention policy and plans in place, though not signed, have not been distributed to all staff members within the organisation. The process of reviewing existing policies and fraud prevention plans is underway and is expected to be presented to the Audit Committee for ratification prior to dissemination to employees. The Internal Audit Unit will be used to monitor implementation of all distributed policies as a matter of urgency.

Minimising Conflict of interest

Supply chain management committees have been established to oversee the different elements of the procurement process from specifications, evaluations and adjudication and to minimise the conflict of interest. A forensic investigation was undertaken to review adherence to internal supply chain management controls and procedures by the staff of the LGSETA. Findings of this investigation culminated in the disciplinary action against a member of the Supply Chain Management Unit, and resulted in a dismissal of the said member of staff.

Code of Conduct

The Human Resources department initiated a consultative process of reviewing the LGSETA Human Resources policies inclusive of the code of conduct. A concerted effort will be put in place to ensure that the code of conduct is not only communicated, but is also enforced in cases of breach. ■

Internal Audit and Audit Committee

Audit Committee Operations 2013/14

During the period under review, the following activities were assumed by the Audit Committee:

- Reviewed quarterly management accounts;
- Updated the Audit Committee Charter;
- Reviewed the risk assessment, as well as internal audit plans and budget;
- Considered internal audit reports and made recommendations;
- Monitored progress of the internal audit plans as well as Management's follow-up of matters requiring attention;
- Monitored compliance to LGSETA policies and applicable legislation.

The below table shows details of those who form part of LGSETAs Audit Committee, their attendance and respective fees paid to them:

Name	Qualifications	Internal / External	Date Appointed	Date Resigned	No. of Meetings Attended	Fees Paid
Mfanyana Salanje	(ACMA) (UK); CA(SA); MBA; Post Graduate Diploma in Business Management	External	May 2013		3	R 27 000.00
Michael Mamotheti	Bachelor of Accounting Science; HDip: Taxation; Post Grad Diploma: Accounting Science; MBA	External	May 2013	Current	5	R 42 000.00
Phumzile Langeni	Bachelor of Commerce: Accounting; JSE Stockbroking Course	External	May 2013	Current	2	R 16 800.00
Lorato Sithole	CA(SA); MBA	External	May 2013	August 2013	1	R 8 400.00
Belese Majova-Nkomo	Bachelor of Accounting Science	External	February 2014	Current	2	R 16 800.00
Nontokozo Gxumisa	Bachelor of Accounting Science; Honours/CTA	External	February 2014	Current	2	R 16 800.00

General review of the state of affairs

Income

During the period under review, the Local Government Education and Training Authority (LGSETA) realised an 8.2% increase in skills development levy income, in comparison to the levy income earned for the year ended 31 March 2013. Return on invested funds accounted for R22187 million of the total revenue recorded. In 2012/13, the Department of Higher Education and Training (DHET) advised all SETAs about another error from SARS relating to a transfer of Unemployment Insurance Fund (UIF) as per circular 'Skills Development Circular No. 04/2013', amounting to R20.8 million for the period under review for the LGSETA. The amount transferred has been recognized as income in the year under review.

Expenses

Administration expenditure exceeded the 10% margin as prescribed by the Skills Development Regulations. This was accordingly approved by the Minister in order to allow the LGSETA to meet the funding requirements of the Administrator's interventions to turn the SETA around. LGSETA disbursed over R247,961 million in employer grants and project expenses, representing about 45% of the available grant levy income of R545,487 million for the financial year ended 31 March 2014.

Discretionary Grants and Commitments:

The year under review is the first year of the new SETA Grant Regulations Regarding Monies Received by a SETA and Related Matters. In terms of the Regulations, the discretionary grants have increased from 20% to 49.5% of the levies received. The discretionary grants commitments are one of the reasons for a qualified audit opinion of the prior year. As a result, particular attention has been given to review all contracts included in

the commitment schedule. All counterparties with dormant or expired contracts were contacted to determine whether these contracts can be closed. Following this process, contracts amounting to R65,262 million were closed and their commitments written off due to no responses from the counterparties. The review was also done to ensure that all completed projects are identified and closed properly. LGSETA committed a total of R297,323 million in Discretionary Grant funding available within the year under review.

Mandatory Grants

Although the submission rate for WSPs has remained at high levels, a number of employers did not qualify for mandatory grant payment due to their WSPs being found non-compliant to the Regulations. The Regulations require that the WSPs and ATRs be signed off by the recognised unions unless an explanation is provided.

Services rendered by the public entity and tariff policy

The LGSETA is a schedule 3A public entity reporting to the Minister of Higher Education and Training in terms of the Skills Development Act and governed by the Public Finance Management Act No.1 of 1999, as amended. The LGSETA facilitates Skills Development in the Local Government Sector. No tariffs are charged for services rendered. The LGSETA is funded through Skills Development Levies contributed in terms of the Skills Development Act by employers in the local government sector.

Capacity constraints

Major capacity constraints have had a negative impact on service delivery initiatives in the prior years. A new organisational structure of the LGSETA was approved during the year under review in order to position the SETA to deliver on the mandate and its set objectives in the strategic plan.

Utilisation of donor funds

No donor funds were received by the LGSETA for the year under review.

Business address

4/6 Skeen Boulevard

Corporate Park

Bedfordview

2007

Controlled entities and public entities

The LGSETA does not exercise control over any other entities, agencies, organisations or public entities.

Other organisations to whom transfer payments have been made

The LGSETA did not make transfer payments to any organization for the period under review.

Public private partnerships

No public private partnerships were entered into by the LGSETA for the period under review.

Discontinued activities

No discontinued activities or closure of any major part of the business have occurred during the period under review.

New/proposed activities

No new activities have been proposed.

Re-licensing

LGSETA has been re-licensed for a five year period until 31 March 2016.

Corporate Governance and Compliance with PFMA

The LGSETA was put under section 15(A) Administration on 20 March 2013 in terms of the Skills Development Act. During the year under review, the LGSETA has made a remarkable turnaround in so far as corporate governance and compliance to the PFMA is concerned following years of LGSETAs non-compliance with National Treasury requirements, such as:

- Submit a revised 2014/15 Strategic Plan and Annual

Performance Plan to the Department

- Submit the 2013/14 Annual Report to the Department by 29 August 2014.

Financial Risk Management and Systems of Control

Section 51(1)(a) of the PFMA requires the Accounting Authority of a public entity to implement and maintain effective, efficient and transparent systems of financial, risk management and internal controls. The LGSETA internal control systems have been revitalised through the appointment of an internal audit firm and a dedicated Chief Financial Officer to manage the finance division.

Expenditure Control and Procurement Framework

The LGSETA has continued to have SCM challenges albeit at a drastically reduced rate. This is borne out by the reduced incidence of irregular expenditure as per note 23.

LGSETA Infrastructure and Security over assets and income

The LGSETA net asset base was R393,868 million at 31 March 2013. Net assets increased by R127,689 million as at the financial year ended 31 March 2014 to R521,557 million.

The Accounting Authority and Executive Committee Meetings

The Administrator is the Accounting Authority of the LGSETA and there have been no Executive Committee meetings during this period of Administration.

Audit Committee

The Audit Committee met four times during the financial year under review. The Audit Committee is appointed as per the Public Finance Management Act, and the National Treasury Regulations.

Management Committee

The Administrator and the management team are responsible for ensuring that decisions and strategies are implemented.

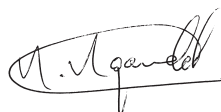
Employees

A new Organisational Structure was approved by the Administrator and efforts are underway to ensure the filling of positions. ■

REMUNERATION TO MEMBERS OF THE ACCOUNTING AUTHORITY AND EXECUTIVE MANAGEMENT

Administrator and Executive Management:

Name	Designation	Term Served	Remuneration R'000	Medical Aid R'000	Total R'000
Mr. N. Nqandela	Administrator	12 Months	1 305	0	1 305
Mr. O. Shelembe	Chief Financial Officer	5 Months	523	0	523
Mr. S.E. Gwala	Advisor to the Administrator	6 Months	320	0	320
Ms. K. Mokwena	Human Resources Manager	11 Months	720	0	720
Ms. N. Lesela	Acting Chief Operations Manager	5 Months	387	0	387
Ms. N. Mfundisi	Corporate Services Executive	5 Months	275	5	280
TOTAL			3 530	5	3 535



N. Nqandela
Administrator

Audit Committee Report

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

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 271. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

Effectiveness of Internal Control Systems

Internal audit provides the Audit Committee and management with the assurance that the internal controls are appropriate and effective. This is achieved by means of an appropriate quarterly reporting process, as well as the identification of corrective actions and recommended enhancements to the controls and processes.

Based on the audits conducted and presented to the Audit Committee for 2013/14, we are satisfied that the controls evaluated during those audits were adequate and materially effective for most of the areas tested. There were, however, certain instances where controls were found not to be effective and needed further improvements. Such control deficiencies are continuously being addressed by management through detailed action plans, which are monitored by Internal Audit and the Audit Committee for effective and timely implementation.

The following were areas of concern:

- The inaccuracy and incompleteness of LGSETA's commitments.
- The inadequacy and ineffectiveness of internal controls to identify irregular expenditure and take remedial action in time.
- The non-compliance of 2013/14 KPAs and KPIs with the Treasury guidelines, and
- Poor performance with regards to achievements of targets set for 2013/14.

Internal Audit

The Audit Committee reviewed and approved the annual internal audit plan for 2013/2014 and monitored performance of internal audit against the plan on a quarterly basis. The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks applicable to the department in its audits.

Risk Management

Risk management is relatively new in the organisation and management is currently developing a Risk Management Framework and working towards establishing a Risk Management Committee. However, LGSETA has compiled a risk register with internal risk management plan. The Audit Committee monitored on a quarterly basis the achievement of internal risk management milestones through the review of

quarterly progress reports against the internal risk management implementation plan. Going forward, risk management reporting will be a permanent agenda item for the Audit Committee to ensure effective risk management oversight.

Quarterly Report

LGSETA reported quarterly to the Department of Higher Education and Training as required by the PFMA. The Audit Committee reviewed the quarterly reports prepared and issued by the Accounting Officer of the organisation during the year under review and was satisfied with the content thereof. Improvements on the formulation of key performance indicators, achievement of the targets and the quality of performance information reports had been recommended to the organisation and progress thereof is being monitored by the Committee on a quarterly basis.

Evaluation of Annual Financial Statements:

The Audit Committee has:

- Reviewed and discussed with the Auditor and Management the audited Annual Financial Statements to be included in the Annual Report
- Reviewed the Auditors' management letter and Management's response thereto
- Reviewed significant adjustments resulting from the audit.

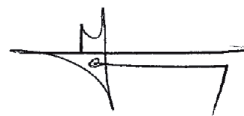
The Audit Committee recommended that the Annual Financial Statements be approved on the 28th July 2014.

Auditor's Report

The Audit Committee has:

- Reviewed the annual financial statements prepared by the organisation before they were submitted to the office of the Auditor General for audit.
- Reviewed and discussed with the Office of the Auditor General and Management the audited Annual Financial Statements to be included in the Annual Report
- Reviewed the Auditors' management letter and Management's response thereto
- Reviewed significant adjustments resulting from the audit.

The Audit Committee recommended that the Annual Financial Statements be approved on the 28th July 2014.



Michael Mamotheti
Chairperson of the Audit Committee
Local Government Sector Education Training Authority
22 August 2014

PART E: Financial Information

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49	Statement of Financial Position
50	Statement of Changes in Net Assets
51	Cash Flow Statement
52	Notes to the Annual Financial Statements





31 March 2014

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 43 to 75 which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance 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 qualified audit opinion.

Basis For Qualified Opinion

Discretionary grants reserve commitments

6. The entity did not maintain complete and adequate records and reconciliations for discretionary grants reserve commitments disclosed in note 22.1 to the financial statements for the current and prior years. There were no satisfactory alternative procedures that I could perform to obtain reasonable assurance that all discretionary grants reserve commitments had been properly recorded for the current and prior years.
7. Consequently, I was unable to determine whether any adjustment was necessary relating to commitments amounting to R224,654 million (2012-13: R153,770 million) as disclosed in note 22.1 to the financial statements.

Qualified opinion

8. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, 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 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA and the SDA.

Emphasis of matter

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

Restatement of corresponding figures

10. As disclosed in notes 22.1 and 23.1 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of an error discovered during the financial year ended 31 March 2014 in the financial statements of the public entity at, and for the year ended, 31 March 2013.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Predetermined objectives

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

- Programme 2: sector skills planning (SSP), on pages 22 to 24
- Programme 3: learning programmes (LP), on pages 24 to 25
- Programme 4: educational training quality assurance (ETQA), on pages 26 to 27

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

14. 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 were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPPI).

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

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

Programme 2: Sector Skills Planning (SSP)

Usefulness of reported performance information

17. No adequate reasons for variances between planned and actual achievements reported in the annual performance report were given for 67% (>20%) of the targets not achieved, as required by the National Treasury's Guide for the preparation of the annual report. This was due to a lack of review of the presentation of the annual performance report by management.

18. The FMPPPI requires the following:

- Performance targets must be specific in clearly identifying the nature and required level of performance. A total of 62% (>20%) of the targets were not specific in clearly identifying the nature and the required level of performance. This was because management did not adhere to the requirements of the FMPPPI, due to a lack of proper systems and processes.
- Performance indicators must be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator. A total of 75% (>20%) of the indicators were not verifiable. This was because management did not adhere to the requirements of the FMPPPI, due to a lack of proper systems and processes.
- Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. A total of 100% (>20%) of the indicators were not well defined. This was because management did not adhere to the requirements of the FMPPPI, due to a lack of proper systems and processes.

- Performance targets must be measurable. I could not measure the required performance for 38% (>20%) of the targets to programme 2 sector skills planning. This was because management did not adhere to the requirements of the FMPPPI due to a lack of proper systems and processes.

Reliability of reported performance information

19. The FMPPPI requires institutions to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Overall, 75% (>20%) of the targets were not reliable, as I was unable to obtain sufficient appropriate audit evidence for 44% (>20%) of the targets or significantly important targets. In addition, 31% (>20%) of the targets were not valid, accurate and complete when compared to the source information or evidence provided.

Programme 3: learning programmes (LP)

Usefulness of reported performance information

20. No adequate reasons for variances between planned and actual achievements reported in the annual performance report were given for 86% (>20%) of the targets not achieved, as required by the National Treasury's Guide for the preparation of the annual report. This was due to a lack of review of the presentation of the annual performance report by management.
21. Treasury regulation 30.13(g) requires that the strategic plan should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 38% (>20%) of the reported indicators were not consistent with the indicators as per the approved annual performance plan. A total of 38% (>20%) of the reported targets were not consistent with the targets as per the approved annual performance plan. This was due to a lack of documented and approved internal policies and procedures to address reporting requirements and a lack of review of the presentation of the annual performance report by management.
22. The FMPPPI requires the following:
 - Targets must be specific in clearly identifying the nature and required level of performance. A total of 50% (>20%) of the targets were not specific in clearly identifying the nature and the required level of performance. This was because management did not adhere to the requirements of the FMPPPI, due to a lack of proper systems and processes.
 - It must be possible to validate the processes and systems that produced the indicator. A total of 75% (>20%) of the indicators were not verifiable in that valid processes and systems that produced the information on actual performance did not exist. This was because management did not adhere to the requirements of the FMPPPI, due to a lack of proper systems and processes.
 - The indicators should have clear, unambiguous data definitions so that data can be collected consistently and is easy to understand and use. A total of 100% (>20%) of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was because management did not adhere to the requirements of the FMPPPI, due to a lack of proper systems and processes.

Reliability of reported performance information

23. The FMPPPI requires institutions to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the source information or evidence provided. This was due to a lack of standard operating procedures, documented system descriptions for the accurate recording of actual achievements, technical indicator descriptions for the accurate measurement, recording and monitoring of performance or monitoring of the completeness of source documentation in support of actual achievements, and frequent review of the validity of reported achievements against source documentation.

Programme 4: education training and quality assurance (ETQA)

Usefulness of reported performance information

24. No adequate reasons for variances between planned and actual achievements reported in the annual performance report were given for 100% (>20%) of the targets not achieved, as required by the National Treasury's Guide for the preparation of the annual report. This was due to a lack of review of the presentation of the annual performance report by management.
25. Treasury regulation 30.13(g) requires that the strategic plan should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 60% (>20%) of the reported indicators were not consistent with the indicators as per the approved annual performance plan. A total of 90%

(>20%) of the reported targets were not consistent with the targets as per the approved annual performance plan. This was due to a lack of documented and approved internal policies and procedures to address reporting requirements and a lack of review of the presentation of the annual performance report by management.

26. The FMPPI requires the following:

- Performance targets must be specific in clearly identifying the nature and required level of performance. A total of 90% (>20%) of the targets were not specific in clearly identifying the nature and the required level of performance. This was because management did not adhere to the requirements of the FMPPI, due to a lack of proper systems and processes.
- It must be possible to validate the processes and systems that produced the indicator. A total of 70% (>20%) of the indicators were not verifiable in that valid processes and systems that produced the information on actual performance did not exist. This was because management did not adhere to the requirements of the FMPPI, due to a lack of proper systems and processes.
- Indicators or measures should have clear, unambiguous data definitions so that data can be collected consistently and is easy to understand and use. A total of 100% (>20%) of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was because management did not adhere to the requirements of the FMPPI, due to a lack of proper systems and processes.
- Performance targets must be measurable. I could not measure the required performance for 20% (>20%) of the targets or significantly important targets in relation to programme 4: education training and quality assurance. This was because management did not adhere to the requirements of the FMPPI, due to a lack of proper systems and processes.

Reliability of information

27. The FMPPI requires entities to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work, as the entity could not provide sufficient appropriate evidence in support of the information.

Additional matter

28. I draw attention to the following matter:

Achievement of planned targets

29. Refer to the annual performance report on pages x to x for information on the achievement of 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 17 to 27 of this report.

Compliance with legislation

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

Annual financial statements, performance report and Annual Report

31. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and were not supported by full and proper records, as required by section 55(1)(b) of the PFMA. Material misstatements in trade and other receivables, discretionary grants reserves, property, plant and equipment, cash and cash equivalent, related party, irregular expenditure, financial instruments, administration expenditure and cash flow statement were identified by the auditors in the financial statements submitted for auditing. Material misstatements were not corrected, which resulted in the financial statements receiving a qualified opinion.

Expenditure management

32. The accounting authority did not take effective steps to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA, as disclosed in note 35 to the financial statements.

Internal control

33. 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 deficiencies that resulted in the basis for the

qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

34. Despite numerous interventions by the administrator and external audit effort to improve the internal control environment and enhance the audit outcome, management did not adequately execute recommendations to implement internal control objectives, processes and responsibilities relating to numerous areas of financial administration and performance management. This also included a lack of implementation of an action plan to address internal control deficiencies, while the action plan did also not cover all audit recommendations.
35. Management did not implement controls over daily and monthly processing and reconciling of transactions. This resulted in considerable effort at year-end to correct the financial statements, which still did not yield the desired result of a clean audit outcome.
36. Although there has been a slight improvement in the control environment as a result of intervention by the administrator when compared to the prior year, numerous findings and internal control deficiencies that existed in the prior year were again identified. This also points to inadequate implementation of the action plan to address audit recommendations. This was further aggravated by personnel not being accountable and lacking necessary skills and competencies in their areas of responsibility.

Financial and performance management

37. The daily and monthly processing of transactions did not always take place. This resulted in a lack of credible monthly financial and performance reporting.
38. The financial statements and the annual performance report contained misstatements, some of which were not corrected. This was mainly due to staff members not fully understanding the requirements of the financial reporting framework and performance information requirements. In addition, officials involved in the process of managing targets as well as collecting and reporting on performance were not able to effectively and completely articulate in writing the systems governing the performance measures for which they were responsible. The assignment of responsibility for performance measures was also not always clear. This resulted in dependency on the audit effort to ensure that financial statements and the annual performance report were free from material misstatements.
39. Controls for reviewing and monitoring the areas of financial administration and programme performance management were not adequate to prevent misstatements in the financial statements and performance reporting.

Governance

40. Based on the number of repeat findings in the current year, governance structures were not effective in ensuring that internal control deficiencies that resulted in the prior year audit outcome were improved. Although this was a subject at audit committee meetings, there was a lack of follow-up and corroboration of management representations for assurance that adequate action was taken and sufficient progress was made in addressing deficiencies reported in the internal control environment. Despite numerous internal audits, internal audit recommendations were also not implemented by management to strengthen the internal control environment.

OTHER REPORTS

Investigations

41. During the current financial year, a forensic investigation was conducted by an independent consulting firm on request of the administrator. The investigation focused on matters relating to alleged irregularities in supply chain management and misconduct. The investigation is still on-going at the date of this report.

Auditor - General

Pretoria

31 July 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

LGSETA ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

The Annual Financial Statements for the year ended 31 March 2014, set out on pages 49 to 75 have been approved by the Accounting Authority on 28 May 2014 and are signed on their behalf by:



A handwritten signature in black ink, reading "N. Nqandela", written over a horizontal line.

N NQANDELA
ADMINISTRATOR



A handwritten signature in black ink, reading "O. Shelembe", written over a horizontal line.

O SHELEMBE
CHIEF FINANCIAL OFFICER

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
REVENUE			
Non-exchange revenue		425 016	390 326
Skills Development Levy: income	3	417 467	385 008
Skills Development Levy: penalties and interest	4	7 549	5 318
National Skills Fund, Government grants and donor funds	16	-	-
Exchange revenue		22 248	18 883
Investment income	5	22 187	18 883
Proceeds from tender documents			
		Miscellaneous Income	
		52	-
Proceeds from insurance		9	-
Total Revenue		447 264	409 209
EXPENSES			
Non-exchange transactions		(247 961)	(306 876)
Employer grant and project expenses	6	(247 961)	(306 876)
Exchange transactions			
Administration expenses	7	(71 614)	(40 179)
Total Expenses		(319 575)	(347 055)
NET SURPLUS FOR THE YEAR	2	127 689	62 154

STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
ASSETS			
Non-Current Assets		3 276	3 570
Property, plant and equipment	8	2 856	2 844
Intangible assets	9	420	726
Current Assets		646 439	517 032
Prepayments and advances	10	114	238
Trade and other receivables from non-exchange transactions	11	-	1 630
Trade and other receivables from exchange transactions	12	2 329	2 510
Inventories	13	328	459
Cash and cash equivalents	14	643 668	512 195
TOTAL ASSETS		649 715	520 602
LIABILITIES			
Current Liabilities		128 158	126 734
Skills Development Grants payable	15	21 597	95 701
Trade and Other Payables from Non-Exchange Transactions	16	91 270	26 266
Trade and Other Payables from Exchange Transactions	17	15 291	4 767
Total Liabilities		128 158	126 734
Net Assets		521 557	393 868
FUNDS CONTRIBUTED BY:			
Funds and Reserves			
Administration reserve		3 451	3 570
Discretionary reserve		518 106	390 298
Unappropriated surplus		-	-
TOTAL NET ASSETS AND LIABILITIES		521 557	393 868

STATEMENT OF CHANGES IN NET ASSETS

as at 31 March 2014

	Notes	Administration Reserve R'000	Employer Grant reserve R'000	Discretionary Reserve R'000	Accumulated Surplus /(Deficit) R'000	Total R'000
Restated Balance at 1 April 2012		3 402	-	328 313	-	331 715
Allocation of net Surplus per statement of Financial Performance as restated	2	12 108	(466)	50 511	(62 155)	(2)
Net Surplus					62 154	62 154
Excess reserves transferred to Discretionary reserve		(11 940)	466	11 474		-
Balance at 31 March 2013		3 570	-	390 298	-	393 868
Net surplus deficit per Statement of Financial Performance		-	-	-	127 689	127 689
Allocation of net surplus per statement of Financial Performance	2	(21 375)	41 606	107 458	(127 689)	-
Excess reserves transferred to Discretionary reserve		-	(41 606)	41 606	-	-
Transfer from discretionary reserve		21 256	-	(21 256)	-	-
Balance at 31 March 2014		3 451	-	518 106	-	521 558

CASH FLOW STATEMENT

as at 31 March 2014

	Note	2013/14 R'000	2012/13 R'000
CASH FLOW FROM OPERATING ACTIVITIES			Restated
Cash Receipts from Stakeholders		425 068	390 326
Levies, Interest and Penalties Received	3 & 4	425 016	390 326
Proceeds from Tender Documents		52	-
Proceeds from Insurance		86	-
Cash Paid to Stakeholders, Suppliers and Employees		(314 659)	(261 607)
Grants and Project Payments		(247 961)	(230 990)
Compensation of Employees		(25 942)	(19 676)
Payments to Suppliers and Others		(40 756)	(10 941)
Cash (utilised in) / generated from operations	19	110 409	128 640
Interest received	5	22 187	19 055
Net cash inflow/(outflow) from operating activities		132 596	147 695
		110 512	128 549
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8 & 9	(1 210)	(1 303)
Proceeds from disposal of property, plant and equipment and investment	8 & 10	86	12
Net cash (outflow) from investing activities		(1 124)	(1 291)
CASH FLOW FROM FINANCING ACTIVITIES			
Net increase in cash and cash equivalents		131 472	146 404
Cash and cash equivalents at beginning of year		512 195	365 791
Cash and cash equivalents at end of year	14	643 667	512 195

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2014

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1.1 Basis of Preparation

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

The financial statements were prepared on a going concern basis. The going concern basis assumes that the SETA will continue in operation until the expiry of its license and beyond for as long as the license is renewed and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

1.2 Judgements made by Management

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

In the application of the LGSETAs accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past 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.

1.3 Revenue

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

1.3.1 Skills Development Levy (SDL) Income

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies of the LGSETA pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS), who collects the levies on behalf of the Department of Higher Education and Training (DHET).

Companies with an annual income of less than R500 000 are exempted in accordance with section 4(b) of the Levies Act, as amended, with effect from 01 August 2005.

Change in Accounting Policy

80% of skills development levies are paid over to the LGSETA (net of the 20% contribution to the National Skills Fund). There was a change in accounting policy with respect to the distribution of levy income between administration, mandatory grants, and discretionary grants allocation. The reason for the change is a change in grant regulations as published in the Government Gazette no. 35940 as published in 3 December 2012, and was effective from 01 April 2013. The effect of the change is to improve the utilisation of funds by the SETA towards more pivotal programmes, and to enable the SETAs to contribute towards the work of the Quality Council for Trade and Occupations.

SDL income is set aside in terms of the Skills Development Act, 1998 (Act No. 97 of 1998) as amended and the Skills Development Levy Grant Regulations (Grant Regulations), issued in terms of this act, for the purposes of :

	2013/14	2012/13
Administration costs of the LGSETA	10,5%	10,0%
Mandatory grants	20,0%	50,0%
Discretionary grants and projects	49,5%	20,0%
	80,0%	80,0%

In addition to these amounts employers that fail to file their returns and pay skills development levies within the prescribed time limits as set by SARS are charged interest and penalties at rates prescribed by SARS from time to time. The interest and penalties charged are remitted to the Department of Higher Education and Training, who in turn transfers them to the LGSETA. The interest and penalties are disclosed separately as Skills Development Levy penalties and interest.

The LGSETA refunds amounts to employers in the form of grants, based on information from SARS. Where SARS retrospectively amends the information on levies collected, it may result in grants that have been paid to certain employers that are in excess of the amount the LGSETA is permitted to have granted to employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant over payment and recovered from future grants payable.

Revenue is adjusted for Interseta transfers due to employers changing SETAs. Such adjustments are separately disclosed as Interseta transfers. The amount of the Interseta adjustment is calculated according to the Standard Operating Procedure issued by the Department of Higher Education and Training in June 2006.

When a new employer is transferred to the LGSETA, the levies transferred by the former SETA are recognised as revenue in the current year and allocated to the respective category to maintain its original identity being administration, employer grant and discretionary income.

1.3.2 Recognition

Skills Development Levy income is recognised when it is probable that future economic benefit will flow to the LGSETA and these benefits can be measured reliably. This occurs when the Department of Higher Education and Training either makes an allocation or payment to the LGSETA, whichever occurs first, as required by section 8 of the Skills Development Levies Act, 1999 (Act No.9 of 1999).

1.3.3 National Skills Fund, Government Grants & Donor Funds

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

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

1.3.4 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.

1.3.5 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.

14 Grants & 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).

1.4.1 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. (2012/13: 50%).

1.4.2 Discretionary Grants

A SETA may out of any surplus monies determine and allocate discretionary grants to employers, education and training providers and workers of the employers who have submitted an application for a discretionary grant in the prescribed form within the agreed upon cut-off period. The grant payable and the related expenditure are recognised when the application has been approved and the conditions have been met.

1.4.3 Project Expenditure

Project expenditure comprise:

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

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

Project costs are recognised as expenses in the period in which they are incurred. A receivable is recognised net of a provision for irrecoverable amounts for incentive and other payments made to the extent of expenses not yet incurred in terms of the contract.

1.5 Irregular, Fruitless and Wasteful Expenditure

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

- The PFMA,
- The Skills Development Act, 97 of 1998, and the
- The Skills Development Levies Act, 9 of 1999

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

All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred against the related expenditure account and disclosed in a note when it has been identified.

1.6 Property, Plant & Equipment

Property, plant and equipment (owned and leased) are stated at cost less any subsequent accumulated depreciation and adjusted for any impairments. Depreciation is calculated on the straight-line method to write off the cost of each asset to estimated residual value over its estimated useful life as follows:

Computer Equipment	3 - 7 years
Computer Software	3 - 12 years
Office Furniture and Fittings	5 - 20 years
Office Equipment	5 - 15 years

The estimated useful life of the assets are limited to the remaining period of the license issued to the LGSETA by the Minister of Higher Education and Training. For the current year the remaining period is 2 years (2013: 3 years). Residual values and useful life of assets are re-evaluated on an annual basis.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised.)

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining net surplus or deficit for the period.

1.7 Intangibles

Intangible assets are stated at the historical cost of the asset less accumulated amortisation and accumulated impairment. Each asset is amortised over its useful life once it is put into use. The LGSETA assess the carrying value of each intangible asset annually and revisions or impairments are made where it is considered necessary.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. Any write-down to net realisable value is recognised as an expense in the period that it has been incurred. The LGSETA inventories consist of consumables which is mostly stationery items.

1.9 Leasing

The lease payments of an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis relates better to the time pattern of benefits expected from the leased asset.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.10 Retirement Benefit Costs

The 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. In terms of the Pension Funds Act, the fund is not required to be actuarially valued. Contributions are at a rate of 27% of pensionable emoluments of which members contribute 7%. The LGSETA's contribution to the defined contribution plans is charged to the statement of financial performance in the year to which they relate.

The LGSETA also contributes 100% to a group life and income and disability scheme for its employees.

The LGSETA provides medical benefits for all its employees. These benefits are funded by employer and employee contributions.

Employer contributions to the fund are expensed when money is paid to the fund.

1.11 Provision

Provisions are recognised when the LGSETA has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. Long-term provisions are discounted to net present value.

1.11.1 Provisions for Grants

Grant Payments

A provision is recognised for grant payments once the specific criteria set out in the regulations to the Skills Development Act, 97 of 1998 has been complied with by member companies and the Workplace Skills Plan has been submitted within the cut-off period. The measurement of the obligation involves an estimate, based on the established pattern of past practice of approval for each type of grant.

Projects

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, but has not been accrued for or provided for, it is disclosed as commitments in the notes to the financial statements.

1.12 Financial Instruments

Recognition

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

Measurement

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

Financial Assets

The LGSETA's principle financial assets are trade and other receivables, investments and cash and cash equivalents.

Investment Loans

The following categories of investments are measured at subsequent reporting dates at amortised cost by using the effective interest rate method if they have a fixed maturity, or at cost if there is no fixed maturity:

- Loans and receivables originated by the LGSETA;
- Held-to-maturity investments;
- An investment that does not have a quoted market price in an active market and whose fair value cannot be measured reliably.

Investments other than those listed above are classified as fair value through profit and loss and are measured at subsequent reporting dates at fair value without any deduction for transaction costs that may be incurred on sale or other disposal.

Accounts & Other Receivables

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

Cash & Cash Equivalents

Cash and cash equivalents are measured at fair value.

Financial Liabilities

The LGSETA's principal financial liabilities are accounts and other payables.

All financial liabilities are measured at amortised cost, comprising original debts less principle payments and amortisations, except for financial liabilities held-for trading which are subsequently measured at fair value.

Gains & Losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments, other than available-for-sale financial assets, are included in net surplus or deficit for the period in the period in which it arises. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in net assets, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the net surplus or deficit for the period.

Derecognition

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

A financial liability or a part thereof is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in net surplus or deficit for the period.

Offsetting

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

1.13 Reserves

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

- Administration reserve
- Employer grant reserve
- Discretionary reserve
- Accumulated 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.

The items of revenue and expenditure are recognised on the accrual basis of accounting in the annual financial statements. Consequently, the reserves disclosed in the Statement of Changes in Net Assets and movements disclosed in note 2 do not represent cash reserves or fund monies as implied in Grants Regulations issued by the Department of Labour in terms of the Skills Development Act, Act No. 97 of 1998 as amended.

- Employer grant reserve represents possible mandatory grants claims from newly registered employers that are eligible to submit their mandatory grants claims at year end in terms of the grants regulations.

- Discretionary reserve represents the excess of discretionary grants revenue over discretionary and projects expenditure and includes transfers from administration and mandatory grant reserve.

1.14 Related Parties

The LGSETA operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. The LGSETA Authority, Chief Executive Officer (CEO), the Chief Financial Officer and the managers reporting directly to the CEO are all currently regarded as being at key management level.

Close family members of key management are considered to be those family members who may be expected to influence, or be influenced by key management individuals or other parties related to the entity.

1.15 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, but has not been accrued for or provided for, it is disclosed as commitments in the notes to the financial statements.

1.16 Comparative Figures

Where necessary, comparative figures have been restated, adjusted or reclassified to achieve fair presentation or to conform to changes in presentation in the current year.

2 ALLOCATION OF Net SURPLUS FOR THE YEAR TO RESERVES: 2014

	Total per statement of financial performance	Administration reserve	Employer Grant Reserve	Discretionary Reserve		
			Mandatory grant	Discretionary Grants	Project Expenditure	Total discretionary
TOTAL REVENUE	447 264	50 239	128 526	246 251	22 248	268 499
Skills development levy: income						
Admin levy income (10%)	50 239	50 239	-	-	-	-
Grant levy income (70%)	367 228	-	128 526	238 702	-	238 702
Skills development levy: penalties	4 391	-	-	4 391	-	4 391
Skills development levy: interest	3 158	-	-	3 158	-	3 158
Investment and other income	22 187	-	-	-	22 187	22 187
Other income	61	-	-	-	61	61
TOTAL EXPENSES	319 575	71 614	86 920	160 907	134	161 041
Administration expenses	71 614	71 614	-	-	-	-
Employer grants and project expenses	247 961	-	86 920	160 907	134	161 041
Net deficit per statement of financial performance allocated	127 689	(21 375)	41 606	85 344	22 114	107 458

2 ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES: 2013

	Total per statement of financial performance	Administration reserve	Employer Grant Reserve	Discretionary Reserve		
			Mandatory Grant	Discretionary Grants	Project Expenditure	Total Discretionary
TOTAL REVENUE	409 209	52 287	239 688	98 351	18 883	117 234
Skills development levy: income						
Admin levy income (10%)	52 287	52 287	-	-	-	-
Grant levy income (70%)	332 721	-	239 688	93 033	-	93 033
Skills development levy: penalties	2 971	-	-	2 971	-	2 971
Skills development levy: interest	2 347	-	-	2 347	-	2 347
Investment income	18 883	-	-	-	18 883	18 883
TOTAL EXPENSES	347 056	40 179	240 154	31 755	34 968	66 723
Administration expenses	40 179	40 179	-	-	-	-
Employer grants and project expenses	306 877	-	240 154	31 755	34 968	66 723
Net surplus per statement of financial performance allocated	62 153	12 108	(466)	66 596	(16 085)	50 511

3 SKILLS DEVELOPMENT LEVY INCOME

	2013/14 R'000	2012/13 R'000
Levy Income: Administration	50 239	52 287
Levies received	50 239	52 287
Levies received	50 239	52 273
Government levies received		
Interseta transfers in	-	19
Interseta transfers out	-	(5)
Movement in levies accrued	-	-
Levy income: Employer Grants	128 526	239 688
Levies received	128 526	239 688
Levies received from	128 526	239 618
Interseta transfers in	-	94
Interseta transfers out	-	(24)
Movement in levies accrued	-	-
Levy income: Discretionary Grants	238 702	93 033
Levies Received	238 702	93 033
Levies received from	238 702	93 005
Interseta transfers in	-	37
Interseta transfers out	-	(9)
Movement in levies accrued	-	-
	417 467	385 008

4 PENALTIES AND INTEREST

	7 549	5 318
Skills Development Levy: penalties	4 391	2 971
Skills Development Levy: interest	3 158	2 347

5 INVESTMENT & OTHER INCOME

	NOTE	22 248	18 883
Other Income		-	-
Proceeds from sale of tender documents	5.1	52	-
Proceeds from Insurance		9	-
Total Other Income		61	-
Interest Income		22 187	18 883

Interest income includes accrued income amounting to R2,329 (2013: R2,218)

6 EMPLOYER GRANT & PROJECT EXPENSES

	Note	2013/14 R'000	2012/13 R'000
Mandatory Grants		86 920	240 154
Disbursed		161 024	163 518
Movement in provisions and accruals		(74 104)	76 636
Discretionary Grants		160 907	31 755
Disbursed		161 239	32 505
Movement in provisions and accruals		(332)	(750)
Project Expenditure		134	34 968
Disbursed		134	34 968
Movement in provisions and accruals			-
		247 961	306 877

6.1 Project Expenditure consists of:

Project Expenditure consist of:		
Direct project costs	134	34 968
	134	34 968

7 ADMINISTRATION EXPENSES

	Note	2013/14 R'000	2012/13 R'000
Depreciation of Property Plant and Equipment		1 153	758
Amortisation of software		276	276
Loss on disposal of property, plant and equipment		-	88
Operating lease rentals - Buildings		3 996	2 681
Maintenance, repairs and running costs		2 107	2 470
Property and buildings		579	877
Machinery and equipment		1 528	1 593
Advertising, marketing and promotions, communication		8 234	4 329
Conferences and workshops		3 707	1 784
Consultancy and service provider fees		8 771	2 322
Legal fees		3 265	157
Cost of employment	7.1	25 702	16 722
Travel and subsistence		5 682	4 862
Staff training and development		6	239
Remuneration to members of the audit committee		99	206
QCTO Expense		709	-
External auditor's remuneration - Audit Fees		3 986	2 119

Penalties and Interest - SARS	586	-
Internal Audit Fees	303	390
General Operational Expenses	3 032	777
	71 614	40 180

7.1 Cost of Employment

	Notes	2013/14 R'000	2012/13 R'000
Salaries and wages		23 197	13 932
Basic Salaries		22 145	15 276
Reversal of Prior Provision for Performance Awards		-	(1 900)
Leave Payments		1 052	556
Social contributions		2 505	2 790
Medical Aid Contributions		530	539
Pension Contributions: Defined Contribution Plans		1 865	2 169
UIF		110	82
		25 702	16 722
Allocation of Cost of Employment			
Administration Expenses	7	25 702	16 722
		25 702	16 722
Average Number of Employees		84	70

Refer to the report by the Accounting Authority for disclosure concerning the emoluments of members of the accounting authority, the Chief Executive Officer; the Chief Financial Officer and Senior Managers.

8 PROPERTY, PLANT & EQUIPMENT

Year ended 31 March 2014	Cost	Accumulated depreciation/ impairment	Closing carrying amount
	R'000	R'000	R'000
Computer equipment	3 182	(2 024)	1 158
Office furniture and fittings	2 511	(1 460)	1 051
Office equipment	1 319	(672)	647
Balance at end of year - Owned Assets	7 012	(4 156)	2 856

Year ended 31 March 2013	Cost	Accumulated depreciation/ impairment	Closing carrying amount
	R'000	R'000	R'000
Computer equipment	2 478	(1 451)	1 028
Office furniture and fittings	2 370	(1 161)	1 209
Office equipment	1 229	(622)	607
Balance at end of year - Owned Assets	6 077	(3 233)	2 844

Movement Summary 2014

	Carrying Amount 2013	Additions	Disposals	Depreciation Charge	Accumulated Depreciation on Disposals	Carrying Amount 2014
	R'000	R'000	R'000	R'000	R'000	R'000
Computer Equipment	1 028	795	(15)	(651)	-	1 157
Office Furniture and Fittings	1 208	172	(11)	(319)	-	1 051
Office Equipment	608	243	(19)	(184)	-	648
Balance at end of year	2 844	1 210	(45)	(1 154)	-	2 856

Movement Summary 2013

	Carrying Amount 2012	Additions	Disposals	Depreciation Charge	Accumulated Depreciation on Disposals	Carrying Amount 2013
	R'000	R'000	R'000	R'000	R'000	R'000
Computer Equipment	820	677	(165)	(418)	114	1 028
Office Furniture and Fittings	964	463	(16)	(214)	11	1 208
Office Equipment	615	163	(96)	(126)	52	608
Balance at end of year - Owned Assets	2 399	1 303	(277)	(758)	177	2 844

9 INTANGIBLE ASSETS

	Cost	Accumulated Amortisation/ Impairment	Closing Carrying Amount
	R'000	R'000	R'000
Year ended 31 March 2014			
Computer Software	1 856	(1 436)	420
Year ended 31 March 2013			
Computer Software	1 998	(1 272)	726

Movement Summary 2014	Carrying amount 2013	Additions	Disposals	Amortisation charge	Accumulated Depreciation on disposals	Carrying amount 2014
	R'000	R'000	R'000	R'000	R'000	R'000

Computer software	726	-	(30)	(276)		420
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Movement Summary 2013	Carrying Amount 2013	Additions	Disposals	Amortisation Charge	Accumulated Depreciation on Disposals	Carrying Amount 2013
	R'000	R'000	R'000	R'000	R'000	R'000

Computer software	1 003	-		277	-	726
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10 PREPAYMENTS AND ADVANCES

	2013/14	2012/13
	R'000	R'000
Prepaid Expenses	114	238

Amounts paid in advance in respect of office rental and insurance.

11 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2013/14	2012/13
	R'000	R'000
	-	1 630
Skills development levy receivables	-	1 480
Inter SETA	-	150

Overpayment to Employers:

Mandatory Grants overpaid

The overpayments arose due to SARS retrospective adjustments.

12 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2013/14	2012/13
	R'000	R'000
Trade and Other Receivables From Exchange Transactions	2 329	2 510
Sundry debtors	-	3
Deposits	-	150
Interest receivable	2 329	2 218
Other Receivables	-	139

13 INVENTORIES

	2013/14 R'000	2012/13 R'000
Opening Carrying Amount	459	372
Amounts Utilised	(459)	(372)
Inventory	328	459
	328	459

14 CASH AND CASH EQUIVALENTS

	2013/14 R'000	2012/13 R'000
Cash at bank and in hand	337 595	221 173
Cash at bank	337 588	221 155
Cash on hand	7	18
Short term investments/instruments	306 073	291 022
Cash and cash equivalents at end of year	643 668	512 195

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 three months or less 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.

15 CASH AND CASH EQUIVALENTS

	Mandatory Grants R'000	Discretionary Grants R'000	Discretionary Grants - Projects R'000	2013/14 R'000	2012/13 R'000
Open carrying amount	95 701	-	-	95 701	19 815
Amounts utilised	(95 701)	332	-	(95 369)	(19 815)
Skills Development Grants payable	21 597	(332)	-	21 265	95 701
Closing carrying amount	21 597	-	-	21 597	95 701
Non-current					
Current	21 597	-	-	21 597	95 701
Total	21 597	-	-	21 597	95 701

16 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2013/14 R'000	2012/13 R'000
SARS Payables (Provision)	186	86
Accrual - Project Creditors	91 084	9 464
Inter- SETA	-	38
Levy Overpayment SARS	-	16 677
	91 270	26 265

17 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2013/14 R'000	2012/13 R'000
	15 291	4 767
Service provider fees outstanding	5 277	1 576
Accruals	8 290	1 729
Staff Leave and structured bonus	1 724	1 462

18 PROVISIONS

	Employee Bonus Provision R'000	2013/14 R'000	2012/13 R'000
Open carrying amount	-	-	2 963
Change in estimate	-	-	(2 963)
Closing carrying amount	-	-	-

19 RECONCILIATION OF NET CASH FLOW/ FROM OPERATING ACTIVITIES TO NET SURPLUS

	Note	2013/14 R'000	2012/13 R'000
Net Surplus as per Statement of Financial Performance		127 689	62 154
Adjusted for Non-Cash Items:			
		1 153	758
		276	276
Loss on Disposal of Property, Plant and Equipment		-	88
Fair Value Adjustments		-	-
Interest Receivable		(2 329)	-
Special Project Income Recognised		-	-
Adjusted for Items Separately Disclosed			
Investment Income		(22 187)	(19 055)
Adjusted for Working Capital Changes:			
(Increase)/Decrease in Prepayments		124	(56)
Decrease / (Increase) in Receivables		1 661	300
Increase(Decrease)/ in Payables		3 701	84 171
Increase in Provisions		293	-
(Increase) in Inventories		131	(87)
Cash Generated / (Utilised in) from Operations		110 512	128 549

STATEMENT OF CHANGES IN NET ASSETS

as at 31 March 2014

20 BUDGET RECONCILIATION 2014

Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus / deficit in the statement of Financial Performance.

	SLA		
	Budget R'000	Actual R'000	Variance R'000
Total Revenue	462 650	447 264	15 386
	462 650	447 264	15 386
Admin levy income (10.5%)	56 165	50 239	5 926
Mandatory grant levy income (20%)	110 913	128 526	(17 613)
Discretionary grant levy income (49.5%)	276 572	238 702	37 870
Penalties and interest	-	7 549	(7 549)
	-	61	(61)
Investment income	19 000	22 187	(3 187)
Total Expenses	(626 652)	(319 575)	(307 077)
Administration expenses	(81 165)	(71 614)	(9 551)
Mandatory Grants	(110 913)	(86 920)	(23 993)
Discretionary Grants	(434 574)	(161 041)	(273 533)
Net Surplus for the Year	(164 002)	127 689	(291 691)

Analysis of Variances

Levy income in nature will vary from budget as these depend on collection made from levy payers. R39 million reflects a shortfall between the budget and actual revenue received for the year under review.

The recorded savings in Administration expenditures is mainly due to the additional budget approved for the purposes of the Administrator's interventions which was not fully utilised. An application will be made to carry this forward to the 2014/15 financial year.

The Mandatory Grant budget for the current year decreased as a result of the change in SETA Grant Regulations from 50% to 20%. Under-expenditure on Mandatory Grants is due to decreased participation in the submission of compliant WSP's and ATR's. As a result, participation dropped from 95% in the prior year to 76% in the financial year under review.

The Discretionary Grants budgeted included a portion of reserves from the previous financial year. The reported under-expenditure in the year under review due not due to lack of projects committed within the financial year. A total of R297 million was committed with regards to Discretionary Grant projects. The reported under-expenditure is thus due to these project not having met the initial project milestones triggering disbursements as at year end.

BUDGET RECONCILIATION 2013

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial

	SLA		
	Budget R'000	Actual R'000	Variance R'000
Total Revenue	414 260	409 209	5 051
Admin Levy Income (10%)	49 375	52 287	(2 912)
Mandatory Grant Levy Income (50%)	246 875	239 688	7 187
Discretionary Grant Levy Income (20%)	98 750	93 033	5 717
Penalties and Interest	-	5 318	(5 318)
Investment Income	19 260	18 883	377
Total Expenses	(406 645)	(347 057)	(59 588)
Administration Expenses	(49 375)	(40 180)	(9 195)
Mandatory Grants	(260 010)	(240 154)	(19 856)
Discretionary Grants	(97 260)	(66 723)	(30 537)
Net Surplus for the Year	7 615	62 152	(54 537)

Analysis of Variances

Levy income in nature will vary from budget as these depend on collection made from levy payers. The variance of about R5m is considered reasonable.

The recorded savings in Administration expenditures is mainly due to unfilled vacant positions for the year under review.

Under-expenditure on Mandatory Grants is due to a 2 months delay experienced during the year under review from the department which resulted in delays in payment of these to levy payers

Under-expenditures recorded on discretionary grants and projects is attributed to delays experienced by the Accounting Authority in approving tenders.

21 CONTINGENCIES

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury. A request for the accumulation of surplus funds has been submitted to National Treasury.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 March 2014

22 COMMITMENTS

22.1 Discretionary Reserve

Of the balance of R518.1 million in the Discretionary Reserve at the end of March 2014, an amount of R297.2 million has been approved by the Accounting Authority and contracted for projects and skills priorities as set out below. Amounts for expenses that have already been contracted or incurred, are therefore included in grant expenses in the statement of financial performance.

22.2 Current Commitments

Budget Vote Description	Approved by Accounting Authority	Utilised	Closing Balance as at 31 March 2012	Approved by Accounting Authority	Total Disbursements for 1 April 2012 to 31 March 2014	Contract Balance as at 31 March 2013	New Contracts / Addendums-1 April 2013 to 31 March 2014	Disbursements 1 April 2013 to 31 March 2014	Contract Balance as at 31 March 2014	Write Offs	Contract Balance as at 31 March After Write Offs
NSDS 02 - 4.2 Bursaries - Scarce Skills Developmen	30	30	-	-	-	-	-	-	-	-	-
NSDS 02 - 4.2 Internship Grants - Civil Engineering	-	-	-	72	-	72	120	72	120	-	120
NSDS 01 - 2.7 ABET Training	-	-	-	-	-	-	15,000	-	15,000	-	15,000
NSDS 02- 2.8 Internal Auditing Bursaries Internshi	-	-	-	3,889	-	3,889	-	-	3,889	-	3,889
NSDS 02 - 1.1 Review SSP / Sector Priorities NHTL	-	-	-	2,500	951	1,549	-	1,298	251	-	251
NSDS 02 - 5.4 Stakeholder Capacity Building	-	-	-	-	-	-	7,000	3,200	3,800	-	3,800
NSDS 02 - 2.8 Learnership implementation grants LED	-	-	83	-	-	83	-	-	83	83	-
NSDS 01 - 2.8 L	-	-	450	-	-	450	-	-	450	450	-
NSDS 02 - 2.8 Learning Programmes - Employed	-	-	6,538	272	842	9,924	19,992	561	29,354	2,317	27,038
NSDS 01 - 4.1 L	-	-	-	-	-	-	1,428	-	1,428	-	1,428
NSDS 01 - 2.8 L	-	-	150	-	-	150	-	-	150	150	-
NSDS 02 - 2.8 Infrastructure Asset Management	-	-	-	-	-	-	23,043	6,116	16,927	-	16,927
NSDS 02 - 2.8 Develop & Impl. Trade Qualifications	-	-	-	-	-	-	410	123	287	-	287
NSDS 02 - 4.1 Learnership Framework Imp. (18.2Lms)	-	250	591	1,575	315	1,851	66,260	2,523	65,589	566	65,022
NSDS 02 - 2.8 Learning Programmes - Employed	-	-	-	-	-	-	512	96	416	-	416
NSDS 01 - 5.3 L	-	-	216	-	-	216	-	-	216	156	60
NSDS 02 - 3.2 - Ward Committees Training	-	-	-	-	-	-	6,360	-	6,360	-	6,360
NSDS 02 - 2.8 Infrastructure Asset Management	-	-	-	-	-	-	8,585	-	8,585	-	8,585
NSDS 02 - 4.1 Learnership Framework Imp. (18.2Lms)	-	-	-	-	-	-	667	-	667	-	667
NSDS 02 - 4.1 Artisan Training DBSA	-	-	-	-	-	-	250	-	250	-	250
NSFAS Bursaries	-	-	-	-	-	-	50,000	50,000	-	-	-
NSDS 03 - Learning Programmes Bursaries	-	-	-	-	-	-	368	-	368	-	368
FET College Infrastructure	-	-	-	-	-	-	80,867	80,867	-	-	-
Learnership Implementation Apprentices	-	-	-	-	-	-	5,000	-	5,000	-	5,000
NSDS 02 - 5.3 Quality management system dev & trg	-	6	-	-	6	-	6	30	-	-	-
	30	286	8,028	8,308	2,113	18,183	285,868	144,886	159,189	3,722	155,467

22.3 Expired Commitments

Budget Vote Name	Approved by Accounting Authority	Utilised	Closing Balance as at 31 March 2012	Approved by Accounting Authority	Total Disbursements for 1 April 2012 to 31 March 2014	Contract Balance as at 31 March 2013	New Contracts / Addendums 1 April 2013 to 31 March 2014	Disbursements 1 April 2013 to 31 March 2014	Contract Balance as at 31 March 2014	Write off	Contract Balance as at 31 March After Write Offs
NSDS 02 - 2.7 Grants ABET (18.1)	2,367	12,975	6,632	4,317	4,471	7,978	-	-	7,978	3,421	4,557
NSDS 02 - 4.2 Bursaries - Scarce Skills Developmen	174	120	7,293	2,601	2,270	7,624	-	508	7,116	7,074	42
NSDS 02 - 4.2 Internship Grants - Civil Engineering	12,659	15,970	8,220	1,625	5,407	4,723	-	-	4,723	4,012	712
NSDS 02 - 4.2 Internship Grants	720	306	702	-	-	702	-	-	702	702	-
NSDS 02 - 2.8 LGNET-DBSA	4,950	2,450	2,500	-	1,225	1,275	-	-	1,275	1,275	-
NSDS 02 - 4.1 JIPSA Learning Programmes	-	-	-	-	-	-	-	-	-	-	-
NSDS 02 - Discretionary Grant Bargaining Council	-	2,770	2,274	-	1,133	1,141	-	-	1,141	1,141	0
NSDS 02 - 2.7 Grants ABET (18.1)	-	-	406	-	-	406	-	-	406	-	406
NSDS 02 - 4.2 Internship Grants - Civil Engineering	144	72	72	-	-	72	72	-	144	-	144
NSDS 02 - 2.1 Successful Planning WSP/ATR & Perfor	-	-	-	-	-	-	-	-	-	-	-
NSDS 02 - 1.2 Capacity Bldg of LLFs	-	-	5	-	-	5	-	-	5	-	5
NSDS 02 - 2.8 Internal Auditing Bursaries Internshi	936	175	1,109	252	126	1,235	-	-	1,235	1,232	2
NSDS 02 - 2.8 DWAF Strategic Water Project	215	9,757	1,493	-	1,949	6	-	-	6	6	-
NSDS 02 - 1.1 Review SSP / Sector Priorities NHTL	453	621	36	63	99	-	-	-	-	-	-
NSDS 02 - 1.1 Sector wide skills audit - DPLG	-	-	0	-	-	0	-	-	0	-	0
NSDS 02 - 2.6 Skills Development through EPWP	3,801	9,413	1,230	-	664	566	-	-	566	566	-
NSDS 02 - 5.1 Centres of Excellence (ISOES)	-	-	911	-	-	-	-	-	-	-	-
NSDS 02 - 5.4 Stakeholder Capacity Building	1,950	-	4,953	-	2,413	2,540	-	1,950	590	587	3
NSDS 02 - 2.8 DWAF Strategic Water Project	414	414	-	594	639	-	-	-	-	-	-
NSDS 02 - 2.8 Learnership implementation grants LED	-	-	301	-	-	301	-	-	301	150	151
NSDS 02 - 2.8 Learning Programmes - Employed	8,952	6,305	17,476	12,242	8,001	24,757	2,728	2,000	25,484	18,237	7,248
NSDS 01 - 4.1 Learnership Implementation CDW	-	-	-	-	-	-	80	-	80	-	80
NSDS 02 - 2.8 Infrastructure Asset Management	-	-	-	-	-	-	2,334	858	1,476	-	1,476
NSDS 02 - 2.8 Develop & Impl. Trade Qualifications	29,156	17,833	16,419	-	7,819	8,601	-	8,601	0	-	0
NSDS 02 - 4.1 Learnership Framework Imp. (18.2Lms)	13,966	6,477	11,812	11,649	10,118	14,057	5,298	219	19,135	13,003	6,132
NSDS 01 - 5.4 Councillor development - SALGA	-	-	6,269	-	-	6,269	-	-	6,269	2,294	3,975
NSDS 01 - 5.3 Learnership Systems Development and Maintenance	8,808	14,534	6,707	1,182	2,751	7,641	-	1,348	6,293	4,675	1,618
NSDS 02 - 3.2 - Ward Committees Training	-	-	45	-	-	45	-	-	45	-	45
NSDS 02 - 2.8 Municipal Finance	11,214	9,274	8,545	-	4,183	4,363	-	270	4,093	2,743	1,350
NSDS 02 - 4.1 Artisan Training DBSA	-	8,076	46,524	-	6,552	40,083	-	48	40,035	-	40,035
DBSA - IDP 5 , LED 4 & 5	-	1,348	1,348	-	1,078	270	-	270	-	-	-
NSDS 03 - Learning Programmes Bursaries	-	-	-	-	-	-	839	84	755	-	755
ETQA	123	92	31	-	17	14	-	-	14	14	-
NSDS 02 1.2 Capacity Support for Sector Specialis	700	400	300	-	262	38	-	-	38	38	-
NSDS 02 1.2 Capacity Support for Sector Specialis	1,154	657	497	402	700	199	14	68	144	70	74
NSDS 02 - 5.2 Accreditation of providers	-	-	435	-	-	435	-	-	435	270	165
NSDS 02 - 1.2 Assessor, Moderator, Verifier Trng	705	809	157	-	150	7	-	-	7	-	7
NSDS 02 - 5.3 Monitoring & Evaluation of Providers	-	-	108	-	-	108	-	-	108	-	108
NSDS 02 - 3.2 - Ward Committees Training	-	-	85	-	-	85	-	-	85	-	85
NSDS 02 - 5.3 Verification of Providers	-	582	92	-	670	43	-	-	43	31	12
	103,561	121,431	154,986	34,926	62,695	135,586	11,365	16,224	130,727	61,540	69,187

22.4 Operating Leases

At the reporting date the entity has outstanding commitments under non-cancellable operating leases which fall due as follows:

	2013/14 R'000s	2012/13 R'000s
Within one year	4 890	1 069
In the second to fifth year inclusive	4 585	2 040
Total	9 475	3 109
Accrual with respect to straight-lining of leases	238	-

23 MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

23.1 Irregular Expenditure

Irregular expenditure amounting to R14.2 million relating to 2013/14 was incurred due to Supply Chain Management processes not being followed. In addition Discretionary Grants expenditure for 2012/13 has been restated. Irregular expenditure relating to Administration for prior year has also been restated. Both were incurred due to Supply Chain Management processes not being followed.

Details	2013/14 R'000s	2012/13 Restated R'000s	2012/13 Adjustments R'000s	2012/13 As Previously Stated R'000s	Prior to 2012/13 R'000s
Brought Forward From Prior Year	336,898	226,724	-	-	150,939
Irregular Expenditure - Operations	2,511	4,665	-	4,665	11,864
Irregular Expenditure - Discretionary Grants	11,715	105,509	-	32,051	63,921
TOTAL	351,124	336,898	-	36,716	226,724

Reasons that gave rise to Irregular Expenditure - Operations:

- Supply chain management policies were not followed.
- Requirements of PFMA and National Treasury Regulations were not adhered to.

Reasons that gave rise to Irregular Expenditure - Discretionary Grants:

- SCM policy, procedures, framework and National Treasury Practice Notes were not followed.
- Documentation in terms of compliance was also not provided in full.

Actions Taken by Management

- Irregularities identified have been categorised into those requiring condonation and investigations.
- Forensic audit investigations are considered on cases already identified.

23.2 Fruitless and Wasteful Expenditure

	2013/14 R'000	2012/13 R'000
Opening balance	274	-
Interest and penalties were incurred due to late rendition and payment of PAYE returns.	552	271
Overpayment of Directors' Fees (Not recoverable as Director is now deceased)	-	3
Workmen's Compensation Fund Penalty	18	-
Interest on Late Payment of Operating Lease Rent	7	-
Conference Venue Bookings Cancellation	13	-
Leave Payout	24	-
	888	274

- i) The LGSETA has incurred interest and penalties on late submission of returns and payment thereof to SARS for the previous financial years. This has only been accounted for by management in the current financial year.
- ii) The LGSETA has incurred penalties and interest on late submission of returns and payment thereof to the Department of Labour for the Workmen's Compensation Contributions. This is all with respect to the previous years and was resolved by the current management team.
- iii) The LGSETA has been charged interest on late payments on operating lease rentals during the current financial year.
- iv) The LGSETA has been charged a cancellation fee on a booking for a venue that was never utilised. The event planned was a legitimate event that had to be cancelled due to other pressing business requirements.
- v) The LGSETA has made overpayments of leave due to employees that resigned between September 2013 and December 2013. This was due to a system error caused by the service provider, and management is still considering ways and means to recover the money.

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 medium 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:

Year Ended 31 March 2014	Fixed Amount R'000	Floating Amount R'000	Non-Interest Bearing Amount R'000	Effective Interest Rate	Total R'000
ASSETS					
Investments				6,1%	
Cash Cash in Bank	-	330 816	-	3,2%	330,816
Cash on Hand	-	-	7	-	7
Short Term Investments	306,073	-	-	4,3%	306,073
Accounts Receivable-Exchange Transactions	-	-	2,329	-	2,329
Accounts Receivable-Non Exchange Transactions	-	-	-	-	-
Total Financial Assets	-	-	-	-	-
	306,073	330,816	2,336		639,225
LIABILITIES					
Borrowings					
Skills Development Grants Payable	-	-	21 265	-	21 265
Trade and Other Payables - Non-Exchange Transactions	-	-	91,270	-	91 270
Trade and Other Payables - Exchange Transactions	-	-	15,291	-	15,291
	-	-	127,826	-	127,826
NET FINANCIAL ASSETS	306,073	330,816	(125,490)		511,399

Year ended 31 March 2013	Fixed Amount R'000	Floating Amount R'000	Non-Interest Bearing Amount R'000	Effective Interest Rate	Total R'000
ASSETS					
Investments				6.1%	
Cash cash in bank	-	214,655	-	4.9%	214,655
cash on hand	-	-	19		19
Short term investments	291,021	-	-	10,1%	291,021
Accounts receivable - Exchange Transactions	-	-	2 221	-	2,221
Accounts receivable - Non exchange transactions	-	-	1 630	-	1,630
	291,021	214,655	3,870		509,546
LIABILITIES					
Skills Development Grants Payable	-	-	95 701	-	95 701
Trade and Other Payables - Non-Exchange Transactions	-	-	26 267	-	26 267
Trade and Other Payables - Exchange transactions	-	-	3,305	-	3 305
	-	-	125,273		125,273
NET FINANCIAL ASSETS	291,021	214,655	(121,403)		384,273

The ageing of other receivables from exchange transactions:

	2013/14		2012/13	
	Gross	Impairment	Gross	Impairment
Not past due				
Past due 1 - 30 days	2 329	-	2 510	-

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.

2013/14	Carrying Amount	Contractual Cash Flows	
		6 Months Or Less	6 - 12 Months
Trade And Other Payables From Exchange Transactions	15 291	15 291	-

2012/13	Carrying Amount	Contractual Cash Flows	
		6 Months Or Less	6 - 12 Months
Trade And Other Payables From Exchange Transactions	5 366	3 679	-

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 through the approval of their investment policy in terms of Treasury Regulation 31. The LGSETAs exposure is continuously monitored by the Chief Executive Officer and the Finance Committee 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 LGSETAs 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.

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.

Financial Instruments

The LGSETAs 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.

Borrowings

The fair value of interest-bearing borrowings is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile and effective interest rate with similar cash flows (only if applicable). The fair value of interest-bearing borrowings with variable interest rates approximates their carrying amounts.

Accounts payable

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

26 RELATED PARTY TRANSACTIONS

26.1 Transactions with other SETAs

Interseta transactions and balances arise due to the movement of employers from one SETA to another.

The transactions which occurred during the year are:

Receivables	2013/14 R'000		2012/13 R'000	
	Transfers in/out during the year	Amount receivable/ payable	Transfers in/out during the year	Amount receivable/ payable
AGRISETA	-	-	150	150
	-	-	-	-
AGRISETA	-	-	(38)	(38)
	-	-	112	112

26.2 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:

The Department of Higher Education and training (DHET), with whom the LGSETA has entered into transactions as listed below has the controlling interest in the LGSETA.

Organisation	Accounting Authority Member	Nature of Transaction	2013/14 R'000 Amount of the Transaction	2012/13 R'000 Amount of the Transaction	2013/14 R'000 Amount of the Commitment	2012/13 R'000 Amount of the Commitment
JOHANNESBURG CITY PARKS	N/A	Mandatory Grants	-	150	-	-
IMATU	Clr. G Lobelo	Discretionary Grants	-	-	-	3
SALGA	F Shabangu,	Discretionary Grant	-	2 484	-	1695
COGTA	S Greyling, N Mokhoto	Discretionary Grants	-	3 188	-	1688
Amathole District	M Seloane	Discretionary Grants	-	-	-	471
SAMWU	Clr Mashilo	Discretionary Grant	-	1 135	-	1950
ETDPSETA	N/A	Administration	172	-	1 647	-
DHET	N/A	Administration	263	-	354	-
			435	6 807	2 001	5 807

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

27 TAXATION

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

28. CONTINGENT LIABILITIES

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

Name	Reason	Amount
1. M A King Consultants CC	Claim	R 30,700
2. PMC Holistic Solutions CC	Litigation	R 79,800
3. Murray and Roberts	Guarantee	R 9,170
TOTAL		R 119,670

1. AM King Consultants CC, are former service providers of the LGSETA, that had a contract terminated before the end of it's duration. They then claimed the balance of their contract fees to be paid despite the fact that for the period they are claiming for, the LGSETA did not receive any services from them. The matter is still pending.
2. PMC Holistic Solutions CC, are former service providers of the LGSETA, that had a contract terminated before the end of it's duration. They then claimed the balance of their contract fees to be paid, and as part of their claim, their assertion is that the services being claimed for have already been received by the LGSETA. The matter is still pending. Consultation with our Legal Representatives indicated that as at the end of the financial year, it was not clear as to whether these liabilities were going to be incurred.
3. Murray and Roberts

29. CONTINGENT LIABILITIES

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

Leave overpayment to employees:				
Employee Name	Leave days	Value Paid	Correct Value	Difference
1. S Kunene	29.837	79,248.85	71,539.76	7,709.09
2. J Davies	13.004	42,147.79	40,554.43	1,593.36
3. R Ngwenya	27.087	76,783.19	64,944.49	11,838.70
4. V Mashigo	31.002	99,296.57	96,683.45	2,613.12
		297,476.40	273,722.13	23,754.27

This was due to leave overpaid on employees leaving the employ of the LGSETA. The error occurred between September 2013 and December 2013. The error was due to incorrect changes made on the system by the service provider. Management is still exploring ways and means to recover the overpayments from either the employees or the service provider.

30. EVENTS AFTER THE BALANCE SHEET DATE

Due to an error on the payroll system caused by the service provider that led to an overpayment of leave days on resigning employees, the service provider has offered part payment (R 12000.00) towards the loss (R23,754.27) as a gesture of goodwill. This offer was made on 30 June 2014. In all likelihood, management will accept this offer.

31. NEW ACCOUNTING PRONOUNCEMENTS

At the date of authorisation of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective.

	Effective date
GRAP 18 Segment Reporting	TBA
GRAP 20 Related Party Disclosures	TBA
GRAP 105 Transfer of Functions Between Entities Under Common Control	TBA
GRAP 106 Transfer functions Between Entities Not Under Common Control	TBA
GRAP 107 Mergers	TBA
GRAP 108 Statutory receivables	TBA



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