LGSETA

CREATING GREATER IMPACT

ANNUAL REPORT 2018

LOCAL GOVERNMENT SECTOR EDUCATION AND TRAINING AUTHORITY

CREATING GREATER IMPACT

Naledi Pandor
Minister of Higher Education and Training

PRESENTATION OF THE LGSETA 2017/18 ANNUAL REPORT TO THE MINISTER OF HIGHER EDUCATION AND TRAINING

In terms of Section 65 of the Public Finance Management Act of 1999, I am privileged to present the Local Government Sector Education and Training Authority (LGSETA) Annual Report for the period 1 April 2017 to 31 March 2018 to the Minister of Higher Education and Training, Ms Naledi Pandor.

It is hereby specifically recorded that even though the current Chairperson, Mr James Nxumalo, resumed his duties on 01 April 2018 and whereas the financial statements refer to a period ending on 31 March 2018, Mr Nxumalo is duly authorised to sign off as the Chairperson of LGSETA.

Discussions pertaining to and the ultimate approval of the financial statements under review were conducted under his Chairmanship.

This report reflects the overall performance of the LGSETA against its mandate and its contribution, in partnership with its stakeholders.

The LGSETA is committed to working with the Department of Higher Education and Training in delivering on its mandate and creating a greater impact within the skills development arena.

James Nxumalo
Chairperson of the Accounting Authority
Local Government SETA

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CORPORATE **INFORMATION**

REGISTERED NAME OF PUBLIC ENTITY	Local Government Sector Education and Training Authority
ISBN	987-0-621-46293-7
RP NUMBER	206/2018
REGISTERED OFFICE ADDRESS	47 Van Buuren Road Bedfordview
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FAX NUMBER	+27 (0) 11 450 4948
E-MAIL ADDRESS	info@lgseta.org.za
WEBSITE	www.lgseta.org.za
AUDITORS	Auditor-General South Africa 300 Middel Street New Muckleneuk Pretoria
BANKERS	ABSA Bank Standard Bank Nedbank First National Bank

ABBREVIATIONS AND **ACRONYMS**

AGSA	Auditor-General of South Africa
AQP	Assessment Quality Partner
ARC	Audit and Risk Committee
BAC	Bid Adjudication Committee
BEC	Bid Evaluation Committee
BSC	Bid Specification Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGICT	Corporate Governance of Information and Communication Technology Policy Framework
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
CIP	Councillor Induction Programme
CMP	Coastal Management Plans
COGTA	Department of Co-operative Governance and Traditional Affairs
COO	Chief Operating Officer
CPUT	Cape Peninsula University of Technology
DHET	Department of Higher Education and Training
DPSA	Department of Public Service and Administration
DSBD	Department of Small Business Development
EISA	External Integrated Summative Assessment
EUP	Enterprises University of Pretoria
EWSETA	Energy and Water SETA
EXCO	Executive Committee
FINCO	Finance and Operations Committee
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
HRD	Human Resource Development
HSRC	Human Science Research Council
ICT	Information and Communications Technology
IDP	Integrated Development Plan
IGR	Inter-Government Relations
IMATU	Independent Municipal and Allied Trade Union
KZN	KwaZulu-Natal
LGSETA	Local Government Sector Education and Training Authority
LGTAS	Local Government Turnaround Strategy
LMIP	Labour Market Intelligence Project
M&E	Monitoring and Evaluation
MANCO	Management Committee
NABISA	National Association of Building Inspectors of South Africa
NAMB	National Artisan Moderation Body
NEDLAC	National Economic and Development Labour Council
NEHAWU	National Education, Health and Allied Workers' Union
NGO	Non-Governmental Organisation
NHBRC	National Home Builders Registration Council
NLPE	Non-Levy-Paying Employer
NQF	National Qualifications Framework
NRCS	National Regulator for Compulsory Specifications
NSDS	National Skills Development Strategy
NW	North West
OFO	Organising Framework for Occupations
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical and Academic Learning
QCTO	Quality Council for Trade and Occupation
RPL	Recognition of Prior Learning
SACAP	South African Council for the Architectural Profession
SACNAPS	South African Council of Natural Scientific Professions
SACPVP	African Council for the Property Valuers Profession
SADC	Southern African Development Community
SAESI	Southern African Emergency Services Institute
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SCM	Supply Chain Management
SDF	Skills Development Facilitator
SDL	Skills Development Levy
SDP	Skills Development Provider
SETA	Sector Education and Training Authority
SIP	Strategic Integrated Projects
SMME	Small, Medium and Micro-sized Enterprises
SP	Strategic Plan
SPL	School of Public Leadership
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training
UIF	Unemployment Insurance Fund
VTSD	Villages, Towns and Small Dorpies
WSP	Workplace Skills Plans

PART A

STRATEGIC OVERVIEW

STRATEGIC **OVERVIEW**

The Local Government Sector Education and Training Authority (LGSETA) is one of 21 SETAs established in terms of Section 9 of the Skills Development Act, 97 of 1998, as amended, and reports to the Honourable Minister of Higher Education and Training. The mandate of the LGSETA is to promote skills development for the local government sector.

LEGISLATIVE MANDATES AND **SCOPE OF COVERAGE**

The Minister of Higher Education and Training relicensed the SETAs for the period of April 2011 to March 2018 and extended it by a further two-year period until 31 March 2020, to operate within the skills development framework articulated in the National Skills Development Strategy III (NSDS III) framework and other policies and strategies presented below.

Legislation/Policy/Strategy	Description
South African Constitution 1996	Section 29(1) (a) and (b) provides for the state to take reasonable measures to make adult and further education accessible to citizens as a human right.
	Sections 152 and 153 of the Constitution outline the role of local government in promoting social and economic development, while maintaining and improving service delivery to all community members.
	Section 156 speaks of local government as the foundation for participatory democracy and service delivery.
	Section 195(1) (a) to (f) articulates the values and principles governing public administration.
Public Finance Management Act, No. 1 of 1999	The LGSETA is a public entity that falls under Schedule 3A of the Public Finance Management Act, No. 1 of 1999.
Skills Development Levies Act, No. 9 of 1999	The Act makes provision for leviable employers to pay 1% of their payroll to the South African Revenue Service (SARS).
Municipal Systems Act, No. 2 of 2000	Section 68(1) of the Municipal Systems Act requires that municipalities comply with the Skills Development Act, and the Skills Development Levies Act, to develop their human resource capacity, to perform its functions and exercise its powers in an economical, effective, efficient and accountable way.
National Qualifications Framework Act, No. 67 of 2008	The LGSETA employs the provisions of Chapter 5 of the National Qualifications Framework Act, No. 67 of 2008 (NQF) to design training programmes, to carry out quality assurance, assess learner achievement and accredit training providers.
Skills Development Act, No. 98 of 1998	To develop the skills of the South African workforce – to improve the quality of life of workers, their prospects of work and labour mobility; to improve productivity in the workplace and the competitiveness of employers; to promote self-employment; and to improve the delivery of social services.
Skills Development Amendment Act, No. 26 of 2011	To amend provisions relating to the establishment, amalgamation and dissolution of SETAs; to provide for the incorporation of a subsector of one SETA into another SETA; to provide for the composition of an Accounting Authority for each SETA; to regulate the eligibility to become a member of an Accounting Authority; and to provide for a constitution for every SETA.
White Paper on Post-School Education and Training	The White Paper on Post-School Education and Training aims to establish a vision for the type of post-school education and training system that the Department of Higher Education and Training (DHET) desires, by 2030 (DHET, 2013).

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

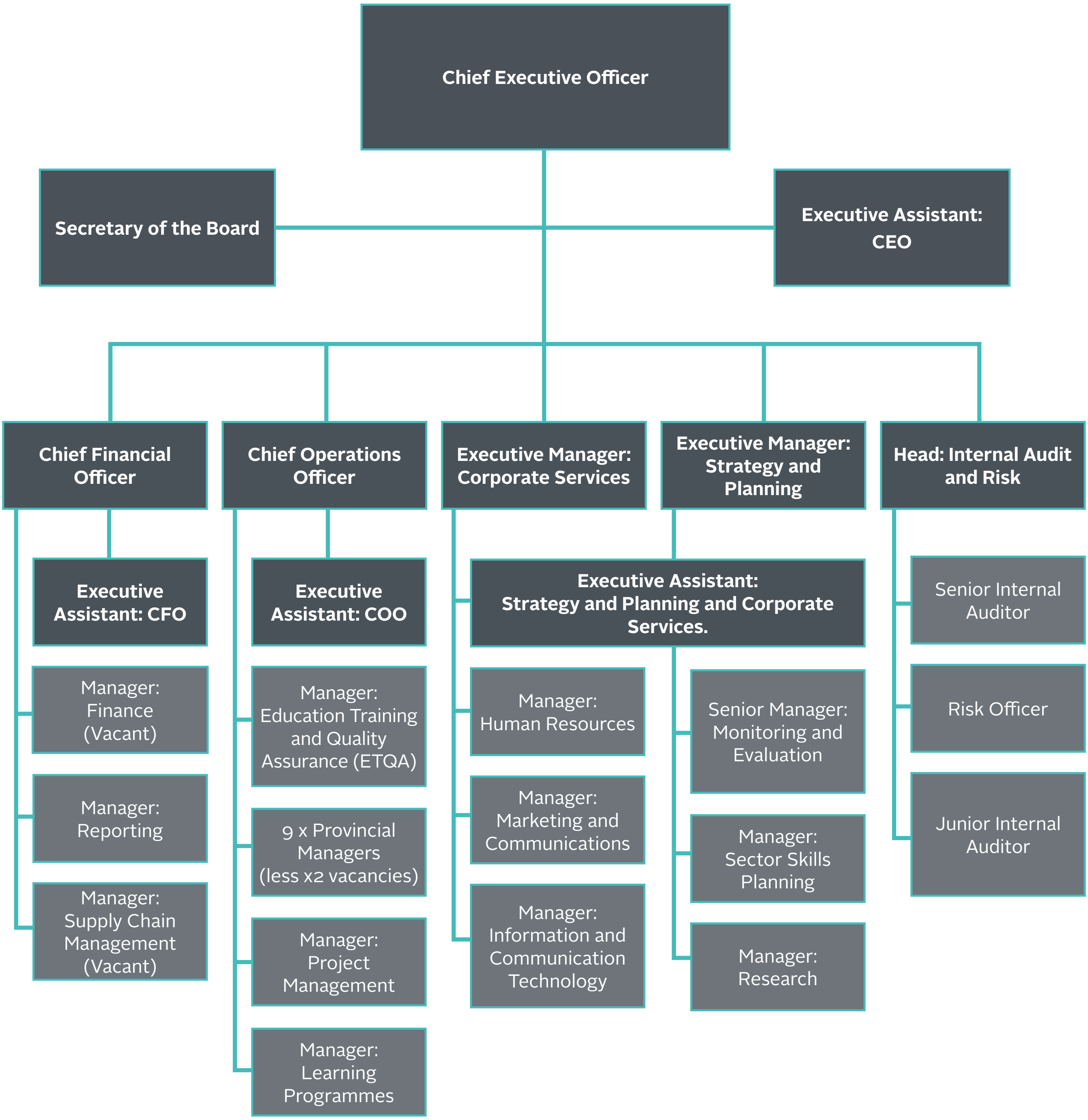
LGSETA SCOPE OF COVERAGE

The scope of coverage for LGSETA, as determined by the Minister of Higher Education and Training:

SIC CODE	SCOPE OF COVERAGE / DESCRIPTION
30101	Production, processing and preservation of meat products by local governments
41110	Production, collection and distribution of electricity
41117	Generation of electric energy by local governments
50223	Construction of pylons for electric transmission lines by local government
50493	Any utility or agency, wholly or partially owned by a municipality, providing local government services under contractors or municipality
62520	Retail trade via stalls and markets
71213	Urban, suburban and inter-urban bus and coach passenger lines operated by local government
71220	Other non-scheduled passenger land transport
74132	Salvaging of distressed vessels and cargoes
74133	Maintenance and operation of harbour works, pilotage, lighthouses, etc.
74134	Operation of airports, flying fields and air navigation facilities
88217	Roads
88218	Municipal public works functions (specifically assigned)
88219	Municipal fencing and fences
8821A	Municipal roads
8821B	Street lighting
88930	Building and industrial plant cleaning activities
91200	Regional services council activities
91201	All functions, services and facilities provided by a metropolitan council as determined by Sections 84(1); (2) and (3) of Act 117 of 1998 – Local Government Municipal Structures Act of 1998
91202	Category B Municipalities: All functions, services and facilities provided by local council as determined by Sections 84(1), (2) and (3) of Act 117 of 1998
91203	Category C Municipalities: All functions, services and facilities provided by a district council and district area management as per Act 117 as determined by Sections 84(1), (2) and (3) of Act 117 of 1998 Local Government Municipal Structures Act of 1998
91204	Organised local government – any statutory or regulatory body assigned the function as per the constitution of the RSA, to deal with the matters at the executive level within local government

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

ORGANISATIONAL **STRUCTURE**



EXECUTIVE **MANAGEMENT**

MRS GUGU DLAMINI
CHIEF EXECUTIVE OFFICER

MS CONNY PHALANE
CHIEF FINANCIAL OFFICER

MR KHULEKANI MKHIZE
CHIEF OPERATIONS OFFICER

MR LWANDLE DYASI
CORPORATE SERVICES EXECUTIVE MANAGER

MRS NONHLE MASHININI
STRATEGY AND PLANNING EXECUTIVE MANAGER

MR DENZIL SAWMAN
HEAD OF INTERNAL AUDIT AND RISK

* Ms Conny Phalane, new CFO was appointed 1 July 2018.

MANAGEMENT

PUMLA MKELE
Manager: ETQA

LINDA BUDAZA
Manager: Learning Programmes

SEGOFATSO THEPA
Manager: Project Management Unit

MATODZI RALUSHAI
Manager: Research

JOSIE SINGARAM
Manager: SSP

NAMHLA MFUKU
Manager: Reporting

ODWA CHABULA
Manager: Human Resources Management

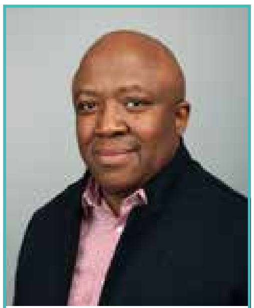
CLARA VILANKULU
Manager: Marketing and Communication

MANDLAKAYISE THABETHE
Manager: ICT

SABELO MPUNGOSE
Senior Manager: Monitoring and Evaluation

THANDO NOGWAZA
Provincial Manager: Gauteng

MARGARET MARAKALALA
Provincial Manager: Limpopo



JERRY THOTHELA
Provincial Manager: Free State

ZIPHO MAZIBUKO
Provincial Manager: KwaZulu-Natal

IDANI KUDZINGANA
Provincial Manager: Mpumalanga

THANDUXOLO MOLELI
Provincial Manager: Northern Cape

ANEEKA JACOBS
Provincial Manager: Western Cape

FOREWORD BY THE **CHAIRPERSON**

Mr James Nxumalo
LGSETA Chairperson

The LGSETA has continued to execute its mandate effectively as directed by the Skills Development Act and other applicable laws.

INTRODUCTORY REMARKS

It gives me great pleasure, as the Chairperson of the LGSETA Board, and on behalf of the Accounting Authority, to table this 2017/18 Annual Report in line with the applicable legislation.

It is hereby specifically recorded that even though I resumed my duties on 01 April 2018 and whereas the financial statements refer to a period ending on 31 March 2018, I was duly authorised to sign off as the Chairperson of LGSETA.

Discussions pertaining to and the ultimate approval of the financial statements under review were conducted under my Chairmanship.

MANDATE OF THE LGSETA

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

MANDATE AND PERFORMANCE OF THE BOARD

It is the mandate of the Board to leverage its collective strategic leadership ability in order to provide oversight, guidance and to steer the LGSETA towards a direction of the policy and legislative imperatives of the Department of Higher Education and Training in advancing post school education. Accordingly, the Board has implemented the mandate of the LGSETA with the view to enable the organisation to perform optimally. It is pleasing to see that all the meetings of the Board and its committees have met as planned in order for the Board to perform its fiduciary duty.

STRATEGIC OVERVIEW

In the year under review, as the Chairman of the Board, I am pleased to report that the LGSETA is showing signs of recovery in terms of the investments made to build the organisation since the administration period. While a lot remains incomplete, there is a noticeable difference in the pace and progress that is being made. The organisation is much more responsive to the needs of the stakeholders and this resulted in innovative capacity building initiatives, which were implemented to ensure that both the mandatory and the discretionary grants were utilised. With more prudent management in terms of the quality programmes that are being implemented, there was a decrease in spending of the discretionary grants, although the commitments were high. It is pleasing to see that the participation rate in the discretionary grant process is now no longer limited to the municipalities, but this also expanded into the municipal entities which engaged the LGSETA more actively in the year under review.

The Board provided much needed strategic advice to management in terms of strategic initiatives that should be implemented by the organisation to respond to the high levels of unemployment and the need to assist young people in our country. To this end, a number of new strategic initiatives were introduced to ensure that the organisation responds to the needs of the Sector. In the year under review, there was an increase in co-operation an increase in co-operation between the Sector, provincial and national stakeholders, although these relationships still need to be nurtured.

MOVING FORWARD

The LGSETA still needs to make improvements, especially in its core business. It is the intention of the Board to ensure that proper systems are put in place in the next financial year. In addition to this, due to growing needs on the ground, the LGSETA also needs to review its organisational structure to ensure that it has the capacity to deliver on the ever-changing needs of the Sector. It is the plan of the Board to be more visible in the Sector during the coming year, especially after the launch of the Board provincial stakeholder consultations and meetings which proved to be well received in all the provinces. These sessions contributed positively to the increasing participation rate of the municipalities and other stakeholders in the work of the LGSETA.

It also pleases me to report that a conceptual document was approved by the Board in the year under review which is designed to consolidate and implement a much more comprehensive programme for the unemployed youth. It is therefore planned that in the coming year, the programme will be piloted with the possible full rollout in the 2019/2020 financial year.

CONCLUSION

I wish to extend my appreciation to the former Board, under the leadership of Dr Mike Sutcliffe, for the outstanding work which the Board carried out during their term of office. As we take the organisation forward, it is pleasing to note that a steady foundation was laid and we need to continue to build and ensure that the investments that the organisation made in the past, yield the kind of impact that the Sector requires.

Mr James Nxumalo
LGSETA Chairperson

CHIEF EXECUTIVE **OFFICER'S REPORT**

Gugu Dlamini
Chief Executive Officer

The skills development programme posted a solid 100% performance. This is despite the changes in the procurement systems that had to be implemented during the year under review.

INTRODUCTION

It gives me pleasure to provide an overview of LGSETA's performance during the year under review. This report is being presented two years after the administration period. The results of this current year are not at the levels that the LGSETA had hoped to finish with in this financial year. The past two years assisted us to steer the organisation in the right direction while trying to address the administrative problems. These administrative systems proved to be deeper rooted than we thought, which resulted in posting a result that is less than satisfactory. While the administrative challenges will be addressed during the next financial year, the programme that is necessary for a proper systems overhaul, will take many years to yield the required results.

The skills development programme posted a solid 93% performance. This is despite the changes in the procurement systems that had to be implemented during the year under review. The learning programme show a marked decrease, it is this programme, together with the quality assurance programmes, which lowered and prevented the organisation from reaching its target. The low expenditure in the administration programme, was a direct result of the low performance by the two programmes.

This result means that the organisation must go through a change management process which must lead to better performance in the next financial year.

PERFORMANCE OVERVIEW

As already indicated above, the performance of the LGSETA in the year under review, came under strain. While the performance was below the 80% mark, there was a marginal decrease in performance from the previous year, from 88% to 73% in the current year. This strain presented itself in a variety of forms which included delays in payments because of incorrect and lost documentation between the implementing agencies and the LGSETA. This was the largest operational hurdle.

Furthermore, the implementation of the projects on the ground were delivered slowly, despite the increase in the participation of the provinces in the LGSETA programmes. This signals that more capacity building is necessary at the coalface of these projects. This slow rate of delivery is unfortunate, given the number of stakeholder engagements that were held with the various stakeholders. However, the LGSETA itself failed to monitor the projects on the ground due to internal capacity constraints. This capacity will now be intensified in the next financial year.

SUPPLY CHAIN MANAGEMENT

The LGSETA has implemented effective and efficient SCM systems through policies and procedures that are aligned to the Public Finance Management Act of 1999 (Act No. 1 of 1999) (PFMA), National Treasury regulations and other related legislation. There was no irregular expenditure incurred in the 2017/18 financial period however, there was fruitless and wasteful that resulted from contracts from prior years that were still in existence. Management is also reviewing project expenditure emanating from the findings of Auditor General's report to ensure that expenditure incurred is in line with the Grant Regulations and funding agreement signed with the LGSETA.

PLANS FOR THE FUTURE

The plans for the next financial year include the need to pin down a proper IT system which can address the systems failures which the organisation experienced during the past year. In addition to that, the necessary investments must be made in terms of staff development and reconfiguration of the structure of the organisation to respond to the growing needs on the ground. Restructuring the organisation may be necessary to also further implement the performance management system. Capacity building of the service providers to LGSETA, must become one of the key initiatives in the new year as, without the service providers, delivery will continue to be disappointing. The organisation also needs to strengthen its performance review programme during the year in a much more vigorous way than was the case to date.

APPRECIATION

I wish to thank the outgoing Board for the strategic leadership that they have provided to the Executive management team. We thank the current Board for their guidance. Our staff continues to do their best in doing their work and we appreciate their contribution.

Our work would be in vain without the municipal sector stakeholders participating in our programmes. We would like to express our sincere appreciation to all our stakeholders. In particular, special thanks to the Skills Development Facilitators for their support and hard work.

Lastly, but by no means the least, we would also like to thank the Department of Higher Education and Training for guidance during the year. We undertake to improve the results during the next financial year.

Dlamini

Gugu Dlamini
Chief Executive Officer

PART B

PERFORMANCE INFORMATION

ORGANISATIONAL **PERFORMANCE OVERVIEW**

The LGSETA performance for 2017/18 embraced the maturity of service delivery through provision of skills development in the local government sector. This was a year whereby a performance management system was implemented as a tool to measure performance across organisational, divisional and individual levels.

The LGSETA's achievements during the year under review showed steady performance during the past two financial years. The Operations contributed to the LGSETA performance, achieving 17 out of the 30 planned indicators for the Learning Programme department, and 7 out of 12 planned indicators for ETQA department. This impacted positively on the lives of many young South Africans.

In the 2016/17 and 2017/18 financial years, respectively, the LGSETA Board proposed a framework on how it will influence and positively impact the LGSETA's work through implementing medium- and long-term strategic initiatives, aimed at contributing to professionalise the local government sector through skills development.

In addition, this proposed framework covered the short-term period (2016/17 financial year), the medium-term period (2017/18 financial year), as well as the long-term period which is the 2018/2019 until 2020 financial years. Given the SETA's landscape process, these focus areas took a conservative view and limited the focus areas until 2020, which is in line with the SETA licence period.

These priority areas are aimed at addressing skills gaps and facilitating skills development in the local government sector. Significant progress was made across the six strategic focus areas and it impacted and contributed positively in professionalising local government sector as one of the requirements of the National Development Plan 2030.

The National Development Plan 2030 and the Medium-Term Strategic Framework on skills development in local government, outline that the local government sector should be professionalised through vigorous skills development approaches, which include both long-term training and medium-term professional occupations. In response to the National Development Plan 2030 requirements, the LGSETA prioritised building skills and professionalising the managerial echelon in the local government sphere through providing long-term training to enhance service delivery and optimise performance on local level.

The LGSETA will roll out these initiatives focusing on the assessment of management capability and a competency programme with specific focus on the Municipal Finance division, Infrastructure/Technical division in a municipality and Municipal/City Manager divisions for municipalities.

The country had local government elections in the year 2016/17. Thus, the local government sector had newly elected municipal councillors who assumed their duties and responsibilities in the latter part of August 2016. It is for this reason that the LGSETA set aside funding during the past year to fund the Councillor Induction Programme (CIP), which is inclusive of traditional leaders. This programme was implemented by SALGA on behalf of the sector.

To date, the LGSETA trained both municipal councillors and traditional leaders in various training interventions across all municipalities. In addition, training programmes were designed for medium- and long-term training programmes based on needs assessments for municipal councillors and traditional leaders. In the next financial year, the focus of the LGSETA will be to conduct a skills audit so that the appropriate training interventions can be designed for each municipality across the country. It is therefore anticipated that most of the pivotal programmes will only take place once the skills audits have been completed at the councillor/traditional leader level. Councillor training will become a multi-year programme of the LGSETA. It is the view of the LGSETA that a five-year programme for municipal councillors needs to be put in place, which will allow them to complete some sort of formal qualification.

In relation to the Traditional Leadership Programme, the LGSETA provided capacity building programmes and initiatives to the Traditional Leadership Programme, in the year under review. The Department of Traditional Affairs, together with the LGSETA, commenced rolling out the Traditional Leadership programme to all nine provinces in the year under review. In addition, the rollout of the Traditional Leadership programme will include the induction of the Executive of Traditional Leaders, which focuses on CIP initiative, assistance and support in the reconstitution of the traditional leader election process, capacity building for the traditional leaders after the election process in terms of their leadership role in the 21st century. The training of Traditional Leadership programmes shall be completed in the next Medium-Term Expenditure Framework.

In relation to the organised labour leadership programme, the LGSETA continued to provide capacity building programmes and initiatives to union leadership within the local government sector, which are SAMWU and IMATU.

Legislation requires municipalities to submit their mandatory grant applications and PIVOTAL plans annually. This is to ensure credible information from our stakeholders, which contributes to LGSETA's research agenda, which assists with the identification of the current and future skills needs of the sector. The mandatory grant information requirements were designed to go beyond the minimum compliance requirements. The new format supports the emphasis on high quality skills planning and reporting in relation to NSDS III. As a result of the constructive and well-directed advocacy campaign implemented in the various regions, the mandatory grant results were encouraging. In the past two years, which includes the period under review, we saw a 100% submission of compliant workplace skills plans (WSP).

STRATEGIC OUTCOME – ORIENTED GOALS

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

PROGRESS REPORT 2017/18

During the period under review, the performance in terms of NSDS III goal 1 improved from 84% in the previous period, to over 100%, despite a 44% increase in the target from 13 696 learners to 19 730. Unlike previous years, the sector responded well in recruiting and placing unemployed learners. As a result, both targets for skills programme entered and completed, were met.

During the period under review, the performance in terms of NSDS III goal 2 dropped from 135% in the previous period, to 95%. Included in the 135% performance was a once-off 8 486 learners in the form of councillor induction programme that took place after the conclusion of local government elections. In real terms, the performance grew from 16 853 (last year's performance adjusted for CIP), to 21 971, despite lacklustre performance in completions of learnerships, which is 1 883 learners, or 63%, below target. The other reason for improvement in performance, is attributed to the change in the discretionary grant process that saw the SETA contracting with skills development service providers, resulting in the reduction of delays in terms of recruitment of learners and validation of learner documents.

Performance decreased from 56% to 27% in the year, the main reason being the drop in TVET placements completions. Out of the targeted 2 800 learners, the SETA managed to place 578, which is 2 222 below target. The delays in payments meant that most contracts could not finish in the anticipated time.

Performance increased from 66% to 165%. This is attributed to the partnership the LGSETA entered into with TVET and community colleges reporting to the Department of Basic Education who is responsible for the AET roll-out nationally. The LGSETA maintained similar performance as last year. The implementation of a MoU with the Department of Small Business, which saw the SETA supporting the training of CBOs, NGOs and SMMEs, is beginning to yield results.

One of the key learning programmes that the LGSETA is investing in, is the development of the councillors which it is implemented together with SALGA. In addition to this, traditional leaders who have a role in the local government sector, were also invited to participate in the programme. Plans are now afoot to assist the traditional leaders to be trained for the next five years. All these initiatives point to how the LGSETA is assisting the capacitation of the sector.

The LGSETA maintained similar performance as during the previous period and held 96 career events. During the year under review, the LGSETA supported five rural municipalities listed under "Presidential Poverty Nodes" across nine provinces.

STRATEGIES TO ACHIEVE GOAL 1 IN 2018/19

- The Operation will continue with the implementation of the LP module as part of process improvement.
- In enhancing AET completion and its enrolment, the LGSETA will adopt a new approach through ensuring that learners will also enrol in other programmes where a stipend is paid in order to encourage completion of and enrolment into the AET programmes in the 2018/19 financial year.
- The LGSETA signed co-operation agreements with TVETs and community colleges. NSDS lll states that programmes contributing towards the revitalisation of vocational education and training, including the competence of lecturers and trainers to provide work-relevant education and training, as well as to promote occupationally-directed research and innovation, must be implemented.

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

PROGRESS REPORT 2017/18

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

In the year under review, the LGSETA continued setting the right tone within the organisation through making effective decisions as well as improving Board effectiveness. Both the LGSETA Board and Board committees met at least four times during the year under review and ensured that Board resolutions were monitored and reported on, as required by the LGSETA constitution.

The LGSETA Board continued to focus on the Board strategic focus areas and ensured that these strategic initiatives were implemented in the year under review. This year was the second year of the implementation of the Board strategic focus areas and it impacted positively in the sector.

In the year under review, the Board continued to build strong and credible partnerships with stakeholders in the sector, through constant engagement with municipalities, provinces, national departments and government entities with the purpose of establishing synergy in the work of the LGSETA. This rigorous and robust stakeholder engagement by the Board impacted positively on the relationship between the LGSETA and its stakeholders and it provided an opportunity to listen and attend to stakeholder needs and views.

STRATEGIES TO ACHIEVE GOAL 2 IN 2018/2019

- The LGSETA board will continue to oversee the implementation of the Board's strategic focus areas in the next financial year.

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

PROGRESS REPORT 2017/18

In the year under review, the LGSETA has piloted an operational system in order to be more efficient. However, due to the technical corrections that had to be affected in the course of the year, this process took longer than planned and contributed to the delays in the implementation of various learning programmes.

The LGSETA ICT vision is to become a strategic enabler of change within the organisation by enhancing productivity through the innovative use of technology. This is done by providing appropriate and cutting-edge information and communication technologies that will enable the organisation to be a SETA of excellence, facilitating skills development at local government level across South Africa.

STRATEGIES TO ACHIEVE GOAL 3 IN 2018/2019

In 2018/2019, the process of modernising both the hardware and software infrastructure will continue, with the main focus on enterprise business applications improvements, which will include the implementation of business intelligence, as well as on unified communication (aimed at having a seamless unified voice and video collaboration).

The focus, going into the new financial year 2018/19, is going to be on key strategic, priority training, the aim of which is to build capacity which is geared towards delivering on the strategic objectives of the organisation and enhancing managerial skills at middle management to implement the programmes that the Human Resources Department introduced.

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

PROGRESS REPORT 2017/18

The research in the Local Government SETA responds to Goal 4.1 in the National Skills Development Strategy III, which is to establish a credible institutional mechanism for skills planning.

It is pleasing to report that in the year under review, the LGSETA met all its research targets and also facilitated a number of seminars where the outcomes of the research were undertaken. It should also be noted that, in addition to this, the LGSETA is training the sector on how to efficiently submit WSPs, and this has resulted in the municipalities delivering 100% WSPs in the year under review.

During the year under review, the Local Government SETA implemented research projects, amongst others, the following:

Developing marine resources at the local government level by identifying the role of local government in the development and management of marine resources: The study found that capacity constraints linked to limited funding and expertise gaps resulted in mixed results for the South African local government. Whilst the Coastal Management Plans (CMPs) provided lofty goals aligned to legislation, their implementation was hamstrung by a combination of budget deficits, inadequate human resource endowment (to undertake planning, implementation and monitoring), limited understanding of the importance of the marine economy as a developmental lever and low prioritisation of marine-related issues given 'more pressing service delivery' demands. CMPs were found to be insufficiently integrated with IDPs, SDFs and other core local government planning documentation, precluding resource allocation through budgets and IGR structures. Finally, CMPs were found to be unrealistic in their stated 5-year goals, not accounting for the realities of local government capacity constraints.

Mapping of the Local Government Sector Occupations: The primary objective of this research project was to conduct a mapping of the local government sector occupations. The study found that it is not always possible to directly link qualifications and occupations. Further, whereas the qualifications associated with a given occupation may be relatively easy to identify, the reverse is not always the case. Five classifications were identified to reflect this nuance. With nine per cent of occupations remaining unclassified, this left over a third of all occupations being classified as having no link to a qualification or specific learning pathway.

An assessment of skills capacity requirements for traditional leadership and its institutions in delivering their mandate in municipalities: This research project is aimed at understanding the capacity-building challenges faced by the traditional leadership and their institutions. The project also intended to propose the interventions that should address such challenges, conducting skills audit for the traditional leadership and their institutions and exploring the best practices in the SADC on capacity-building matters for the traditional leadership and their institutions. This research project explored whether traditional authorities have a role in formal decision-making through a formed special body or procedure to guarantee an advisory function or to consult with the traditional authority prior to a decision.

Evaluation of municipal wastewater treatment for reuse: The purpose of this research project was to evaluate the existing wastewater treatment capacity and consider improvement to produce potable water by integrating new technologies, investigate the challenges faced by municipalities regarding the wastewater treatment capacity, develop a framework on the wastewater capacity and to propose new technologies that will yield positive results in the wastewater treatment. The study found that the general public's knowledge of water resources was poor, while their awareness of reclaimed water reuse was high. The project also explored that the stakeholders' perception of reclaimed water was influenced by their social-economic attributes.

Local Government Sector Skills Plan

The fact that all municipalities submitted their WSP and ATR, enabled the local government sector to have 100% baseline data that contributed, once again, to updated sector profile data and information contained in the Sector Skills Plan (SSP). The final Local Government Sector Skills Plan (SSP) for 2018/2019 was submitted to the DHET on 1 August 2017 and was approved along with the Strategic Plan (2016-2020) and Annual Performance Plan (2018/2010). Some of the key elements of the SSP focused on revising the LGSETA Strategic Focus Areas and sub-focus areas with Board priorities. The priority occupations relating to occupational shortages informed the PIVOTAL list and the skills gaps relating to management, skills for traditional leaders, as well as skills for local economic development, skills planning and human resource development and the green economy.

The research projects conducted by the LGSETA were also fully integrated throughout the SSP. As part of implementing the skills priority actions, partnerships are an important service delivery mechanism aimed at contributing to a skilled and capable workforce for the development of a responsive, accountable, efficient and effective local government sector.

The main challenges relating to SSP development is that, to date, LGSETA had been working in partnership with the Enterprises University of Pretoria (EUP) and the support has yielded quality submissions and processes. A key area to focus on during the next financial year, will be to analyse district WSP data and develop provincial SSP reports, but additional resources are required to finalise this process.

SDF Capacity Building

The capacity building of Skills Development Facilitators (SDFs) was conducted by the School of Public Leadership (SPL) at Stellenbosch University through a partnership agreement. The training was conducted across all nine provinces and focused on a 20-credit course titled Human Resource Development (HRD) for Good Municipal Governance, which is linked to the Diploma: Public Accountability, Level 6. The number of participants who attended in each province was 341 participants who attended three days and wrote the formative test. The reason why the target was exceeded, is due to the fact that the NW and KZN provinces over-exceeded their allocated target and the additional participants had to be accommodated.

The focus going forward, is to target the training of the Human Resources Manager, the Director of Corporate Services and the Municipal Manager so that they can receive a similar type of training in order to better support and understand the role of skills planning in the workplace, as well as the work of the SDFs going forward.

STRATEGIES TO ACHIEVE GOAL 4 IN 2018/2019

- The LGSETA intends to interact with the key stakeholders in the local government sector with an aim of establishing an integrated research repository regarding all the research projects conducted in the local government sector for the local government sector. This strategic direction will help to avoid the duplication of the research studies conducted in the local government sector.
- In addition to this, the LGSETA will publish some of the research projects in the academic journals by collaborating with the research partners with expertise in research publications.

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

PROGRESS REPORT 2017/18

Stakeholder management

The dialogue between the various stakeholders and the LGSETA must be continuous, open, inclusive, relevant, clear, secure and reliable as communication is a reciprocal process.

The following activities highlight the Marketing and Communication Department's role and support in stakeholder management during the period under review.

- The LGSETA hosted nine successful Provincial Stakeholder Engagements in the year under review. The Provincial Stakeholder Engagements are annual conferences that the organisation hosts in order to engage with stakeholders on the strategic objectives and goals that the organisation sets out to achieve during the given financial year. These events were convened in the last quarter of the financial year.

- The Western Cape, Eastern Cape, North West, Limpopo and Free State provinces held excellent research seminars which can be described as "'a reservoir of knowledge" that have strengthened partnerships with our stakeholders. The research seminars have proven to be useful platforms that afford the stakeholders an opportunity to cross-examine the reports through meaningful engagement and robust discussions, fostering a greater journey to success.

- As part of the LGSETA's commitment to developing future leaders, the LGSETA outgoing Board approved an allocation of 700 bursaries, which were to be awarded to previously disadvantaged learners. The Executive Management thus visited the Eastern Cape, Western Cape and North-West provinces, to engage the students who are bursary recipients and found them to be enthusiastic and diligent, which speaks well for the future of South Africa.

It is imperative for LGSETA to continue to build and strengthen mutually beneficial strategic partnerships with universities, TVET colleges, municipalities and private organisations in order to overcome and address the current challenges and to exploit the skills development opportunities that exist within the local government sector.

The LGSETA and the Department of Small Business Development (DSBD) signed a Memorandum of Understanding (MoU) of which the aim is to formalise relations between the DSBD and the LGSETA in order to achieve the capacity building (training and development) objectives of the DSBD in local government.

Furthermore, the organisation signed another MoU with the Department of Public Works to train temporary employees participating in the Expanded Public Works Programme, which will provide lifelong learning to its recipients, fulfilling the LGSETA's commitment to unemployed youth in South Africa.

In further strengthening our organisation's stakeholder relationships, the opening of the fourth DHET Research Colloquium marked the 40th anniversary of the death of Bantu Stephen Biko, a revolutionary and inspiration of the struggle, who aspired to achieve a just and inclusive society. The purpose of the Colloquium was to engage with a wide range of stakeholders including SAQA, Quality Councils, Government Departments including the Department of Basic Education, SETAs, Business and Industry, Education and Training Service Providers both private and public, Student Unions, and Labour to discuss the review and implementation of the NQF Act.

To further highlight the organisation's ongoing stakeholder engagements, which is an integral part of our operations, the LGSETA, together with other stakeholders, participated in the Villages, Towns and Small Dorpies (VTSD) Programme in the North West Province. Through the VTSD Economy programme, the North-West province aims to develop the economies of its villages, townships and small "dorpies" (towns).

STRATEGIES TO ACHIEVE GOAL 5 IN 2018/19

- Implement a Customer Relationship Management (CRM) system.

- Continue to work with Key Stakeholders that are implementing the LGSETA-funded programmes, to highlight the projects impacts.

- Continue to strengthen relations with Key Stakeholders in all provinces to advance the LGSETA programmes, including capacitation of career and vocational guidance.

OVERVIEW BY THE CORPORATE **SERVICES EXECUTIVE**

Mr Lwandle Dyasi
Corporate Services Executive

The LGSETA Corporate Services vision is to become a strategic enabler of change within the organisation by enhancing productivity through innovative best practices.

The Corporate Services division accounts for part of Programme 1: Administration within the LGSETA's Annual Performance Plan. This division is entrusted with the responsibility of establishing functional management and support systems to enable LGSETA to achieve its strategic objectives and deliver on its mandate.

The objectives of the Corporate Services are to achieve:

- Best practice human resources management, administration, information management, marketing and communication management and implementation.
- An organisational culture that is recognised for professional excellence and effective strategic planning, monitoring and performance management.
- An enabling environment for the LGSETA to achieve its strategic objectives.

This division delivers these strategic objectives through operational interventions of the Human Resources, Information and Communications Technology, and Marketing and Communication Departments. These three departments currently share the facilities management function among them.

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) BUSINESS UNIT, 2017/2018 AT A GLANCE

In the period under review, the ICT governance structures continued to operate effectively. The ICT team completed the review of all ICT policies and frameworks as per the approved ICT policy framework. Different initiatives were undertaken in line with the two programmes (foundation and business enablement), which are further divided into ten strategic themes identified within the ICT strategy. For instance, under the foundation programme (innovation strategic theme), a Board pack solution (Diligent Boards) was successfully implemented and all Board members trained. This solution will increase collaboration among Board members, increase efficiency and effectiveness, eliminate the costly paper-based processes and improve data security.

Furthermore, under the business enablement programme (processes strategic theme), a workflow management solution (K2) was implemented as part of the continual process of automating all business processes that are not covered by current LGSETA enterprise applications.

MARKETING AND COMMUNICATION

The Marketing and Communication Department is the custodian of the LGSETA brand and is responsible for implementing various initiatives, which are designed to generate awareness of the organisation's brand identity, reputation management, stakeholder relations, event management and various activities to positively impact on the image of the LGSETA. The Marketing and Communication team ensures that the department supports the work programme and overall strategic objectives of the LGSETA.

Career guidance

The emphasis on providing career and vocational guidance to school leavers and unemployed youth, was singled out as the most crucial information intervention to assist them to make meaningful and informed choices about careers they wish to pursue.

Career guidance activities are implemented throughout the nine provinces with the support of partnerships that are formed with various government departments and private organisations alike. A significant number of young learners from grade 10 to 12 were provided with the opportunities to learn about pursuing possible careers in the local government sector through the career guidance events that the LGSETA participated in.

The planned target for the year under review, was to engage with learners and life orientation teachers at schools to distribute 24 000 career guide handbooks. 96 career guide engagements, including school visits, were conducted and 25 188 career guides were distributed, which exceeded the target by a very satisfactory margin.

Some of the career guide engagements that the LGSETA participated in, include:

- The Annual Nelson Mandela Career Development Exhibition, hosted by the Department of Higher Education and Training (DHET) at the military base at Roodepan, Kimberley.
- The Western Cape Provincial Office hosted a very successful career expo in conjunction with Rocklands High School in the Mitchell's Plain area. Thirty exhibitors, including TVET colleges, higher education institutions and industry partners, participated in the expo by exhibiting various career opportunities.
- Gauteng Department of Economic Development, in partnership with the Department of Education, hosted the 2nd Annual Gauteng Tourism Career Exhibition, for a duration of three days at the Orlando Communal Hall (Soweto).
- The Marketing and Communication team attended the Annual Educational Expo, hosted by the Fochville Parliamentary Constituency Office. Over 1 000 learners attended the two-day expo from the Merafong Local Municipality.

Publications

The Marketing and Communication Department is also responsible for the designing and printing of all LGSETA literature and ensures that publications and information available on the website, meet and comply with relevant government regulations, standards and policies, regarding the management of information. The department produced publications such as the LGSETA Annual Report, Skills Development Handbook, the Learning Programmes Manual, the widely distributed Career Guide and the Scarce and Critical Skills Handbook. The department also introduced a quarterly stakeholder publication, "Impact", which is used to inform and communicate to stakeholders.

Website

The Marketing and Communication team continues to utilise the LGSETA website as one of their key communication tools. The team continuously ensures that the website is updated with the most recent information and latest developments within the skills development sector.

The Marketing and Communication Department also reviewed and developed various marketing and communications tools utilised to create awareness and promote the LGSETA. These included printed, electronic and face-to-face platforms. Printed media included the external quarterly newsletters, the LGSETA being profiled in various publications such as Vision 2030, Post Matric Magazine and Municipal Focus Magazine. The team was also responsible for developing the LGSETA's first corporate video, project highlight video, as well as the company profile.

FACILITIES MANAGEMENT

LGSETA extended its lease agreement for its head office accommodation to March 2020. This decision was taken after a proper assessment of the suitability of the premises was conducted. This assessment recommended that some reconfiguration of the office plan be implemented to utilise the available floor plan effectively and efficiently.

All leases of provincial offices were extended to March 2020. The LGSETA also took a resolution that the provincial office situated in Pretoria to service Mpumalanga stakeholders, be relocated to Nelspruit. This relocation must be completed by March 2020. A process of securing accommodation in Nelspruit has commenced to ensure that this office is established as soon as possible.

OVERVIEW BY THE STRATEGY AND **PLANNING EXECUTIVE**

Ms Nonhle Mashinini
Strategy and Planning Executive

The research portfolio grew during the past two years, facilitating the establishment of partnerships between the LGSETA and research bodies, institutions of higher learning, employers and TVET colleges, in delivering the mandate of the SETA.

OVERVIEW OF SKILLS PLANNING

The Skills Planning is a budget programme in the Annual Performance Plan of the LGSETA, which is headed by the Strategy and Planning Executive Manager. There are three functions and sub-units within the Skills Planning programmes, namely:

1. Research
2. Skills Planning
3. Monitoring and Evaluation

The following are highlights and strategic initiatives implemented in the skills programme under each subunit.

RESEARCH

The objective of the research unit is to conduct a sectoral research in the local government; engage with the research community with an aim of soliciting input; disseminate the research information to both primary and secondary stakeholders through the seminar series and publications; create partnerships with the institutions of higher learning and research bodies, with an aim of sharing the best practice; render research services in order to develop sector skills plans; strategy development; and development of qualifications.

In addition to this, the Research Unit also conducts the seminar series with a focus on the completed research projects. The research output feeds to the entire value chain as an input to the implementation of skills development initiatives and programmes of the LGSETA.

The research portfolio grew during the past two years, facilitating the establishment of partnerships between the LGSETA and research bodies, institutions of higher learning, employers and TVET colleges, in delivering the mandate of the SETA. The partnership model was implemented in the LGSETA and expanded its output through delivering research papers and it has enabled the SETA to deliver training programmes.

In addition to the above, the research portfolio established a research structure called the National Research Forum, which comprises research experts from the institutions of higher learning and research bodies. This forum further advices the LGSETA on the development and implementation of the research agenda. All research papers are presented to stakeholders in order to share the research outputs to the local government sector through the National Research Forum.

In the year under review, this portfolio has since published research papers in both academic journals and local government magazines in an effort of communicating research findings to the country in order to inform decision making in the sector. The vision of the research unit is to be a thought leader and produce credible and reliable information for the local government sector.

The following are the key research reports and findings that were conducted in 2017/18 financial year:

Challenges faced by local government leadership councillors that impede optimal functioning in their various portfolios and enhancement of good corporate governance:

This research project examined the political-administrative interface, the level of expertise and experience councillors have and the pressures that they face from their parties and communities.

It discovered that political instability, political interference and unstable governance were factors contributing to service delivery failures, with ill-defined roles and responsibilities between councillors and municipal managers, leading to fractious working relationships in local government. The study further found that a lack of skills in the leadership of councils was creating problems, leading to the ineffective supervision of municipal administrations, and an inability to hold administrations to account.

Improving the process of collection, collation, analysis and planning of the WSP/ATR in order to improve SETA planning and implementation of programmes:

This study focused on the following:

- An assessment of municipal human resource systems in collecting skills planning data;
- assessing the improvement of the process of collection, collation, analysis and planning of the WSP/ATR that will assist in the SETA skills planning and implementation of skills development interventions;
- analysis of the municipal human resource systems in collecting skills planning data;
- exploring the challenges facing the levy-payers (municipalities, entities and other stakeholders) in the development of the WSP/ATR;
- as well as the collation of credible, reliable and accurate data.

The study revealed that there is a lack of executive and broader management buy-in and support, as some managers do not prioritise training and development of their workforce. There is therefore a need for a comprehensive appreciation of skills development by managers for effective skills development processes.

Addressing the state of financial management in the municipalities focusing on: Managing audit outcomes and financial capabilities, including the implementation of budgets; and the ability of municipalities to improve their revenue collection and revenue sources:

This research project intended to achieve the following objectives:

- Understanding the challenges faced by municipalities in managing their financial affairs;
- assessing the factors that lead to the deterioration of audit outcomes in municipalities;
- developing an audit framework that will be useful in assisting the municipalities to improve their audit performance;
- and understanding the relationship between political and administrative leadership in shaping the audit outlook.

This research project revealed that the municipalities surveyed, performed well on expenditure management, budget preparation, and budget implementation. They perform the least well on asset and liability management, preparation of annual financial statements and revenue management. With regard to expenditure management, the results are a mixed bag. While municipalities have a handle on expenditure monitoring functions, supply chain management requires further attention.

Funding model for managing the mediated Recognition of Prior Learning (RPL) process in South African municipalities:

This research project aimed at developing a concept document on the RPL funding model in the South African municipalities, reflecting on the international literature of the best funding models in the implementation of the RPL, and proposing the best RPL funding model, taking into consideration international practices. The study found that the majority of the municipalities have not included RPL in their training budget, and it is, amongst other reasons, why the RPL was not implemented.

Water Sector Skills Supply-Demand Forecasting in local government:

The study aimed at developing a robust skills demand and supply (skills needs) forecasting model that will enable the LGSETA to project skills needs, supply and demand for the local government sector. The study confirmed the poor availability of water sector skills data. Although skills supply-demand forecasting models exist locally and internationally, there is none for local government water sector skills supply-demand forecasting.

During the year under review, the Local Government SETA hosted Seminar Series with an aim of communicating the research findings with its stakeholders in the local government sector. The Seminar Series were held in the Provinces and this strategy will be replicated in the year 2018.

In an attempt to take research activity to greater heights, the Local Government SETA has established a research repository where all of its research projects are placed. In addition to this, the Local Government SETA was also very supportive of the National Department of Higher Education and Training's Labour Market Intelligence Project (LMIP) initiative through sharing its information on research projects executed during the year under review.

During the year under review, the research articles were profiled in the **Municipal Focus Magazine and Service – Leadership in Local Government.**

MONITORING AND EVALUATION IMPACT STUDIES

The LGSETA conducted two impact studies in the year under review, with the purpose of assessing the impact made on the various learning interventions in the past five years. The following are the key findings and outcomes noted in the impact studies:

Impact Study 1:
Assessment of the implementation of the LGSETA learning interventions

- This impact study was conducted by the LGSETA in partnership with the Human Science Research Council (HSRC) and the following were key findings noted:
- The levels of satisfaction among the learners were so high that they recommended the widening of enrolment to other employees in their municipality.
- Almost all of the learners indicated that they had acquired communication skills. Learners included, were from the following disciplines: road construction, fire and rescue operation, horticulture, disaster management, human resources management support, or local economic and development.
- They all said they could now appreciate different methods of communication in the workplace.

Some of the learners across the spectrum of learning interventions reported that they have obtained higher qualifications because of their involvement in the interventions and realised the positive impact on their performance in the workplace.

Impact Study 2:
A qualitative assessment of minimum competencies of municipal officials who completed the Municipal Finance Management and Administration Course in the Financial Year 2013/14

This impact study was conducted by the internal LGSETA staff and which indicates that the Monitoring and Evaluation union has built capacity to manage impact studies of this nature. This study intended to answer the following question: *"To what extent has the intervention yielded the immediate intended outcomes?"*

The findings with regard to the above-stated question were:

- Some of the officials who participated in the training did not necessarily have financial and/or supply chain management functions and responsibilities in their respective municipalities. The magnitude of this problem is unknown and it was outside of the evaluation scope to interrogate this question.
- The evaluation also pointed to some possible challenges with the recruitment and selection of programme participants.
- The overall impression was that the intervention was useful and beneficial. Participants indicated that they applied some of the 'soft skills' they learned immediately in their working environment. Skills such as Communication and Report Writing were particularly highlighted as useful to programme participants, as was the overview of how different departments within municipalities function.
- The downside of this intervention was that some of the participants only completed this first level of training in the hierarchy of training courses that officials need to complete to acquire the minimum competencies.
- On the upside, some participants expressed a need to be enrolled in the next level of training so that they can complete the full suite of courses meant for the acquisition of the minimum competencies, as required by legislation.

SECTOR SKILLS PLANNING

Skills planning is a key component of skills development and the SETA relies on the workplace skills plans and reports to help inform the local government sector skills plan (SSP). It therefore becomes crucial that municipalities and other levy-paying entities provide current and reliable data when they submit their workplace skills plans. Such data feeds into the institutional mechanism for skills planning which requires current and up-to-date information to inform planning and decision-making for the sector. Most important is the process to analyse and confirm the scarce and critical skills required in the local government sector as it informs decision-making on the resources to be appropriately allocated to meet the skills needs of beneficiaries.

WSP and ATR submissions for 2017 and 2018

A target of 257 Workplace Skills Plans and Annual Training Reports (WSPs and ATRs) was set for the 2017/18 financial year, which speaks to the total number of municipalities, including 205 local, 44 district and 8 metropolitan municipalities, across South Africa. The LGSETA not only achieved this target, but an additional 21 entities, including local government and private levy-paying entities submitted, to bring the total to 278 WSPs and ATRs received. After the 2016 local government elections, a number of municipalities were either merged, split, or no longer existed and this process reduced the number from 278 to 257 municipalities. However, despite the challenges associated with this process, all 257 municipalities managed to submit their WSPs and ATRs, ensuring 100% submission rate was achieved for the second consecutive year. Out of the 278 submissions received, only two entities did not meet the criteria to be granted approval for mandatory grants and this included one municipality. The main reason for non-compliance related to inadequate consultation with key role-players not signing the stakeholder form.

One of the significant strategies that were undertaken during 2017, was to compile a comprehensive WSP and ATR Evaluation Report. The evaluation report included a compliance section and an analysis of key information and outlined key areas for the municipalities to work on in their next submission. Evaluation reports were presented to a number of municipalities which highlighted areas of strength and weaknesses and these items were engaged with. It is hoped such engagements with key role-players provided the impetus to improve their skills planning processes and submit better quality data going forward.

The main challenges relating to WSPs and ATRs submitted by municipalities, relate to the process of consultation and supporting documentation as well as the identification and alignment of skills planning to the Integrated Development Plan (IDP) and budgetary processes. These areas will form the key focus going forward for the next financial year's submission.

Local government sector Organising Framework for Occupations Code Handbook

The development of the local government sector OFO Code Handbook was compiled by the Enterprises University of Pretoria (EUP) through a partnership agreement. The purpose of developing the OFO Code Handbook was to provide a user-friendly planning tool to help guide the SDFs to better understand the logic and application of the OFO codes to enable alignment of job titles to occupational codes. The intention is to ensure that the submission of workplace skills plans and annual training reports (WSPs and ATRs) will have accurate and reliable data on occupations in the workplace in order to better inform analyses of scarce and critical skills in the sector. The process of developing the OFO Code Handbook involved provincial consultations with a range of role-players.

The focus, going forward, is to engage with the Department of Water and Sanitation and the Energy and Water SETA (EWSETA) so that we can collaborate on reviewing the OFO Code Handbook with the intention of including all water-related OFO codes.

OVERVIEW BY **THE CHIEF OPERATIONS OFFICER (COO)**

Mr Khulekani Mkhize
Chief Operations Officer

In line with LGSETA's values, the division aims to continue to provide quality services to internal and external stakeholders, inclusive of maintaining good relationships with government

OVERVIEW OF OPERATIONS

The Operations Division consists of two departments; these are Learning Programme, and Quality Assurance. The two departments provide systems-based support for all the administrative processes, in collaboration with LGSETA's nine provincial offices. The functions of the two divisions synergise in collaborating towards achieving the goals of the National Skills Development Strategy III (NSDS III), and the implementation of LGSETA's Annual Performance Plan.

In line with LGSETA's values, the division aims to continue to provide quality services to internal and external stakeholders, inclusive of maintaining good relationships with government, in addition to provincial departments, public institutions, communities and special interest groups through a range of partnerships and other agreements.

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

The ETQA has two mandates, namely the development and quality assurance of new occupational qualifications, as well as the quality assurance of legacy qualifications.

DEVELOPMENT OF NEW QUALIFICATIONS AND PARTNERSHIPS

The LGSETA, in partnership with the Department of Water and Sanitation, developed the Water Sanitation Co-ordinator and the Water Infrastructure occupational qualifications, respectively. The former qualification focussed on the safe collection, treatment and disposal of human waste and the latter is geared towards the planning and maintenance of water infrastructure, and alleviating future shortages in water resources.

The SETA also developed the Building Inspector qualification in partnership with municipalities, banking and insurance sectors, National Association of Building Inspectors of South Africa (NABISA), the Regulator for Compulsory

Specifications (NRCS) and the NHBRC. The SETA is proud to be the development partner of this qualification as there is no qualification in place in South Africa that focusses solely on building inspectors. Building inspectors are sourced from engineers, architects and other professions in the building environment. The South African Council for the Architectural Profession (SACAP) will facilitate the registration of successful learners against the correct professional designation.

The LGSETA also recurriculated the Environmental Practice qualifications NQF level 1 to 5 to Occupational Certificate (OC): Environmental Practitioner and OC: Environmental Monitor. Re-alignment or recurriculation means the rewriting of qualifications into the QCTO occupational qualification model. The thrust of the model is its three components – the knowledge, and practical and workplace components. The key role-players in the development process of these qualifications were SAMWU, SALGA, the Department of Environmental Affairs, municipalities and the South African Council of Natural Scientific Professions (SACNAPS).

The Ward Committee and Councillor Practice was re-aligned to the OC: Councillor and OC: Ward Committee member. The OC: Councillor provides key competencies to councillors to fulfil their mandate in respect to improving the lives of all people in their municipalities. The OC: Ward Committee, on the other hand, facilitates communication between the citizens and the council by communicating the aspiration and problems of the people to the council. The major stakeholders were COGTA, SALGA, municipalities, SAMWU and the National School of Governance.

The University of Venda pioneered the implementation of the newly registered Environmental Science Technician qualification. The university enrolled 100 learners in the programme and the programme is facilitated by experienced lecturers. The institution was approved by the QCTO as a Skills Development Provider and Assessment Centre.

Cape Peninsula University of Technology (CPUT) was accredited as a Skills Development Provider for the Municipal Property Assessor qualification. They will be working closely with the South African Council for the Property Valuers Profession (SACPVP) and LGSETA as Assessment Quality Partners.

The QCTO encourages partnership with Professional Bodies and is of the view that Professional bodies should:

- Register the learners against the appropriate professional designation
- Moderate assessment and instruments and assessment tools
- Administer the External Integrated Summative Assessment (EISA).

CIGFARO has been approved to be the Assessment Quality Partner for OC: Municipal Finance Manager.

The SETA is partnering with South African Emergency Services Institute (SAESI) which were approved Assessment Quality Partner (AQP) for the OC: Fire Fighter SAESI and will offer technical expertise and resources to the programme. SAESI and LGSETA are in the process of signing a funding agreement for the implementation of an RPL project for 100 learners.

The SETA supported the following entities to be accredited as Skills Development Providers (SDPs) and assessment centres:

- Ekurhuleni Emergency Services Training Centre
- ETS Emergency training solutions
- Sol Plaatjie Emergency Services Training Centre
- City of Cape Town Emergency Services Training Centre

QCTO AND NAMB RE-ESTABLISHING PROCESSES AND PROTOCOL WITH LGSETA

During the year under review, the Quality Council for Trades and Occupations (QCTO), and the National Artisan Moderation Body (NAMB) facilitated a workshop for all quality assurers and co-ordinators on the processes of trade tests certification from start to end. This was extremely beneficiary for the LGSETA and allowed for a smooth transition of this process from Learning Programmes back to ETQA. The backlog in issuing of trade tests certificates was greatly reduced. Both the City of Cape Town and Tshwane, who were mainly affected by the backlog, received outstanding certificates. We now report to them and other stakeholders on a weekly basis on the progress at NAMB.

IMPLEMENTATION OF LPD MODULE

During the year under review, management restructured the Learning Programme Department, owing to the failings of the department. This restructuring entailed bolstering the management capacity of the unit and reassignment of roles and responsibilities, and implementation of the Learning Programme module. The module will eliminate the problem of linking documents to the learner, learning intervention, funding agreement, employer/SDP, and disbursement, and retains documentation into the system for an audit trail.

AUDIT AND RISK COMMITTEE WORKSHOP ON BUSINESS PROCESSES

Operations presented to the Audit and Risk Committee (ARC) the review of its business processes, following a three-day management workshop on the same. This emanated from the Auditor-General's management letter issued after the 2016/17 year-end audit. The ARC had requested the COO to provide a diagnosis of what happened at year-end and also refer to the current business process and its associated risks; its control weaknesses and improvements in control weakness – comparison between old and new per business process.

The ARC members, some Board members, the Auditor-General and LGSETA executive team attended this workshop. Every business process that makes up the LGSETA's value chain was discussed and linked to strategic risk, control weakness and associated control improvements.

The ARC appreciated the work done by management and further requested the office of the Auditor-General to conduct an interim audit as a way of providing assurance that what is being implemented in indeed working.

IBM SOLUTIONS

LGSETA engaged IBM Corporate Service Corps on a pro bono basis to assist with the following:

- development of a blueprint for a data analytics and information management system for the LGSETA Sector Skills Plans (SSPs) and municipalities' Workplace Skills Plans (WSPs) compatible with the current process; and
- development of M&E framework and toolkits to monitor every facet of organisational performance.

Implementation of the recommendations will be concluded in the current financial year.

SDF TRAINING AND PROFESSIONALISATION OF SDFS

LGSETA held interprovincial skills development forums aimed at promoting best practices amongst skills development facilitators (SDF) throughout the country and deal with the challenges that SDF faces with the municipalities. The following were the highlights of the forums:

- Presentation and discussion of the research conducted by Stellenbosch University of SDFs
- Candidacy programme funded by LGSETA aimed at the professionalisation of the SDF
- Introduction of the LDP modules and the involvement of the SDF
- Feedback on WSP and OFO codes
- Recognition of SDFs by the SETA

ORGANISATIONAL **PERFORMANCE**

INTRODUCTION

The performance analysis and ratings were carried out in line with the approved policy on Organisational Performance Management (hereafter "The Policy"). The Policy prescribes a colour coding system to depict overall performance against predetermined objectives as follows:

- = 100% and above
- = 71% to 99%
- = 0% to 70%

Furthermore, the calculation for overall performance took into account all indicators that were fully achieved against those that were either partially, or not achieved, and the formula used for calculating overall performance is shown below:

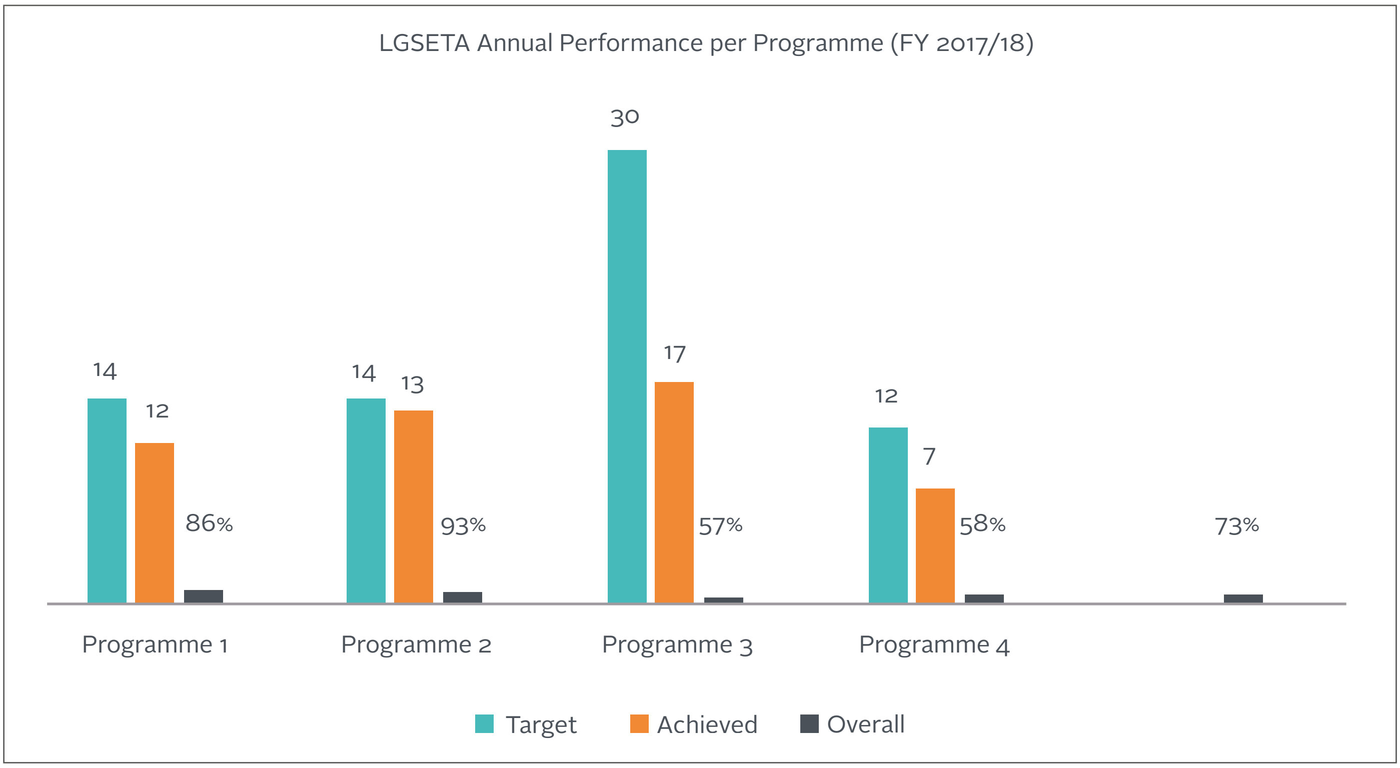
$$\text{Overall Performance} = \frac{A}{T} \text{ X } 100$$

A = Actual (sum of all indicators that were fully achieved)

T = Target (sum of overall indicators)

ORGANISATIONAL PERFORMANCE OVERVIEW

The LGSETA achieved an overall annual performance of 73% for FY 2017/18 as at 31 March 2018. This achievement was recorded against the backdrop of a challenging operating environment characterised by both external and internal constraints.



PROGRAMME 1: ADMINISTRATION

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

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

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

Annual performance analysis for FY 2017/18

The programme had a total number of 14 indicators for FY 2017/18; of those only 12 (86%) indicators were fully achieved and two (14%) were not achieved.

The table below provides a detailed analysis of performance per indicator:

Strategic objective	NSDS 2011 – 2018 objectives	Performance indicator	Annual target 2017/18	Achievement 2017/18	Variance (%)	Comments
To implement an efficient, effective and transparent administration and governance in the LGSETA	Not in the NSDS III	1.1 Percentage of vacant funded positions filled within the LGSETA	90%	96%	7%	Target over-achieved
		1.2 100% compliance with the implementation of performance management policy	100%	100%	0%	Target achieved
		1.3 Number of external stakeholder newsletters published to enhance stakeholder relations and create awareness of the LGSETA's services	4	4	0%	Target achieved
		1.4 Number of external stakeholder sessions held by the LGSETA to enhance stakeholder relations and create awareness of the LGSETA's services	45	35	-22%	Target not achieved

Strategic objective	NSDS 2011 – 2018 objectives	Performance indicator	Annual target 2017/18	Achievement 2017/18	Variance (%)	Comments
To implement an efficient, effective and transparent administration and governance in the LGSETA		1.5 Number of internal newsletters published to communicate with LGSETA staff	4	4	0%	Target achieved
	Building career guidance and vocational guidance	1.6 Number of career guidance textbooks distributed to learners with information pertaining to local government occupations	24 000	25 188	5%	Target over-achieved
	Not in the NSDS III	1.7 Percentage of approved LGSETA ICT policies and plans	100%	100%	0%	Target achieved
		1.8 Percentage of IT projects and initiatives successfully implemented and delivered	80%	80%	0%	Target achieved
		1.9 Number of workflow solutions implemented to improve the integration between units in the LGSETA	2	2	0%	Target achieved
		1.10 Unqualified audit opinion at the end of the external audit by the Auditor-General	Unqualified audit		0%	Unqualified audit outcome for 2017/18 achieved.
		1.11 Percentage of audit (internal and external) findings resolved, based on findings of the prior financial year	80%	84%	5%	Target over-achieved
		1.12 Percentage reduction in the value of cash reserve at the beginning of the financial year to measure overall progress of the LGSETA's projects	10%	37%	-27%	The challenges of slow-moving projects hindered the ability to achieve this target. As at 31 March 2018, the operating surplus amounts to R150 million and efforts will be intensified to reduce cash-flow in the last quarter of the financial year, however, it remains unlikely that this target will be met.
		1.13 Number of Board engagement sessions held with national departments and municipal leadership on the LGSETA's strategic issues	7	9	29%	Target over-achieved
		1.14 Number of Board Governance workshops conducted in relation to the Board's fiduciary duties and responsibilities	2	2	0%	Target achieved

PROGRAMME 2: SKILLS PLANNING

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

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

- Research
- Sector Skills Planning
- Monitoring and Evaluation.

Annual performance analysis for FY 2017/18

The programme had a total of 14 indicators, of which 13 indicators were fully achieved for FY 2017/18, which reflect 93% of overall performance for the Skills Planning programme.

The table below shows a detailed analysis of performance per indicator for Programme 2: Skills Planning.

Strategic objective	NSDS 2011 – 2018 objectives	Performance indicator	Annual target 2017/18	Achievement 2017/18	Variance (%)	Comments
To conduct responsive and credible research on skills development to inform policy development, development of qualification and learning intervention in the local government sector	Establishing a credible institutional mechanism for skills planning	2.1 Number of research projects on skills development conducted in the local government sector	10	10	0%	Target achieved
		2.2 Number of research seminars held to communicate research findings with stakeholders	4	5	25%	The target was over-achieved due to stakeholders' interest in the research seminars
		2.3 Numbers of research papers published by the LGSETA	5	5	0%	Target achieved
		2.4 A research repository established to enhance the accessibility of research information by LGSETA	1	1	0%	Target achieved
Establish a credible institutional mechanism for skills planning and encourage better use of workplace-based skills development		2.5 Percentage of workplace Skills Plans and Annual Training Reports submitted by municipalities and municipal/ traditional entities for skills planning	100%	100%	0%	Target achieved

Strategic objective	NSDS 2011 – 2018 objectives	Performance indicator	Annual target 2017/18	Achievement 2017/18	Variance (%)	Comments
Establish a credible institutional mechanism for skills planning and encourage better use of workplace-based skills development	Establishing a credible institutional mechanism for skills planning	2.6 Number of SDFs trained to improve skills development in the local government sector	257	341	33%	Target over-achieved due to training of HR officials and union representatives at municipal level
		2.7 Number of provincial skills development forums held to improve skills development in the local government sector	36	36	0%	Target achieved
		2.8 A local government handbook for occupations and skills planning development	1	1	0%	Target achieved
To establish monitoring and evaluation frameworks and systems for programmes and projects of the LGSETA and conduct policy evaluations to assess impact of the LGSETA programmes		2.9 Monitoring and Evaluation Framework that determine monitoring and reporting in the LGSETA approved	1	0	-100%	The Monitoring and Evaluation Framework was developed and full implementation will take place in the 2018/19 financial year
		2.10 A Monitoring and Evaluation System for projects and programmes for the LGSETA developed	1	1	0%	Target achieved
		2.11 Monthly performance reports compiled to determine progress on the predetermined objectives	12	12	0%	Target achieved
		2.12 Quarterly performance reviews held to determine progress on the predetermined objectives	4	4	0%	Target achieved
		2.13 Number of Monitoring and Evaluation visits conducted on projects and or programmes of the LGSETA	514	630	23%	Target over-achieved
		2.14 Number of Impact Evaluations completed on the LGSETA skills development programmes	2	2	0%	Target achieved

PROGRAMME 3: LEARNING PROGRAMMES

Strategic goal: To create a skilled and capacitated local government sector that performs.

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

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

Annual performance analysis for FY 2017/18

This programme had a total of 30 indicators for FY 2017/18 financial year; of those only 17 (57%) were fully achieved and 13 (43%) indicators were not achieved for the period under review.

The table below shows a detailed analysis of performance per indicator for Programme 3: Learning Programmes

Strategic objective	NSDS 2011 – 2018 objectives	Performance indicator	Annual target 2017/18	Achievement 2017/18		Achievement 2017/18	Variance (%)	Comments
				SETA Funded	SECTOR Funded			
Increasing access to occupationally direct programmes	Encouraging better use of workplace- based skills programmes	3.1 5000 employees entered learnerships per annum	5000	1899	0	1899	-62%	The partial achievement is due to the SETA not being able to conclude funding agreements owing to the submission of non-compliant documents by training service providers.
		3.2 6000 employees entered skills programmes	6000	4759	986	5745	-4%	The target was partial met, the SETA sent back non-compliant documentation resulting in the target not been met by 255 learners. 986 learners were funded from the sector.
		3.3 250 employees entered awarded bursaries	250	256	0	256	2%	The target was exceeded due to increased interest from the sector

Strategic objective	NSDS 2011 – 2018 objectives	Performance indicator	Annual target 2017/18	Achievement 2017/18		Achievement 2017/18	Variance (%)	Comments
				SETA Funded	SECTOR Funded			
Increasing access to occupationally direct programmes	Encouraging better use of workplace- based skills programmes	3.4 450 employees entered candidacy	450	238	0	238	-47%	Target was not met due to delays in finalising contracts with professional bodies
		3.5 400 employees entered apprenticeship programmes	400	293	0	293	-27%	The target was partially met ,the Sector applied to the LGSETA for trade testing of Artisans for both employed and unemployed which was 107 learners short of the set target
		3.6 1100 employees RPL'd against a qualification	1100	175	0	175	-84%	The majority of the on-going RPL projects will be completed in the Financial Year 2018/19
		3.7 3000 employees entered AET programmes	3000	482	3138	3620	21%	16% of the target or 482 learners were funded by the SETA and 3138 were SECTOR FUNDED, as a result of the partnerships the LGSETA entered into with TVET and Community Colleges under the department of Basic Education who are responsible for the AET role out nationally.
	Promoting the growth of public TVET college system that is responsive to the sector, local, regional and national skills needs and priorities	3.8 20 TVET lectures developed	20	35	0	35	75%	The target was exceeded due to increased interest in the lecturer development programme by various TVET colleges.

Strategic objective	NSDS 2011 – 2018 objectives	Performance indicator	Annual target 2017/18	Achievement 2017/18		Achievement 2017/18	Variance (%)	Comments
				SETA Funded	SECTOR Funded			
Increasing access to occupationally direct programmes	Encouraging better use of workplace- based skills programmes	3.9 2750 employees completed learnerships per annum	2750	889	322	1211	-56%	The target was not met due delay in payments resulting into projects not finishing on time. 322 Learners completing the learnership were funded from the sector and thus excluded from 889 achievement.
		3.10 4950 employees completed skills programmes per annum	4950	7889	0	7 889	59%	The target was exceeded due to increased interest from the Sector.
		3.11 250 employees awarded bursaries graduated	250	72	0	72	-71%	The bulk of the 250 intake are in their second year of study and are expected to be graduating in two years' time.
		3.12 3000 employees completed AET programmes	3000	190	3277	3467	16%	6% of the target or 190 learners were funded by the SETA and 3277 were SECTOR FUNDED, as a result of the partnerships the LGSETA entered into with TVET and Community Colleges under the department of Basic Education who are responsible for the AET role out nationally.
		3.13 3900 unemployed learners entered learnerships per annum	3 900	4626	0	4626	13%	The target was exceeded due to increased interest from the Sector.

Strategic objective	NSDS 2011 – 2018 objectives	Performance indicator	Annual target 2017/18	Achievement 2017/18		Achievement 2017/18	Variance (%)	Comments
				SETA Funded	SECTOR Funded			
Increasing access to occupationally direct programmes	Encouraging better use of workplace-based skills programmes	3.14 3360 unemployed learners entered skills programmes	3360	1880	3593	5473	63%	Unlike in the previous years, the sector responded well in recruiting and placing unemployed learners. As a result, 3593 learners entered for skills programme were SECTOR FUNDED.
		3.15 240 bursaries awarded to unemployed learners	240	229	54	283	18%	The target was partially met, 54 learners were funded from the sector thus excluded from the achievement of 229.
	Addressing the low level of youth and adult language and numeracy skills to enable additional training	3.16 650 unemployed learners entered for internships	650	287	0	287	-56%	The target was exceeded due to increased interest from the Sector.
		3.17 1000 unemployed learners entered for work integrated learning	1000	462	438	900	-10%	The target was met, 438 learners were funded from the sector thus excluded from the achievement of 462.
		3.18 150 unemployed learners entered apprenticeships	150	139	0	139	-7%	The partial achievement is due to the SETA not being able to conclude the projects due to delays experienced with certification of artisans.
	Encouraging and supporting cooperatives, small enterprises, worker initiatives, NGO's and community training initiatives	3.19 20 NGOs supported on skills development programmes	20	20	0	20	0%	The target was met

Strategic objective	NSDS 2011 – 2018 objectives	Performance indicator	Annual target 2017/18	Achievement 2017/18		Achievement 2017/18	Variance (%)	Comments
				SETA Funded	SECTOR Funded			
Increasing access to occupationally direct programmes	Encouraging and supporting cooperatives, small enterprises, worker initiatives, NGO's and community training initiatives	3.20 15 CBOs supported on skills development programmes	20	20	0	20	0%	The target was met
		3.21 20 cooperatives supported on skills development programmes	20	30	0	30	50%	The target was met
		3.22 20 SMMEs supported on skills development programmes	20	21	0	21	5%	The target was met
		3.23 15 NLPEs supported on skills development programmes	20	35	0	35	75%	The target was met
		3.24 Two trade unions supported on skills development programmes	2	2	0	2	0%	The target was met
		3.25 Five rural projects supported on skills development programmes	5	15	0	15	200%	The target was met
	Addressing the low level of youth and adult language and numeracy skills to enable additional training	3.26 2800 unemployed completed learnerships per annum	2800	1993	0	1 993	-29%	The target was not met due delay in payments resulting into projects not finishing on time.
		3.27 3800 unemployed completed skills programmes per annum	3800	556	0	556	-85%	The target was not met due delay in payments resulting into projects not finishing on time. completed were met

Strategic objective	NSDS 2011 – 2018 objectives	Performance indicator	Annual target 2017/18	Achievement 2017/18		Achievement 2017/18	Variance (%)	Comments
				SETA Funded	SECTOR Funded			
Increasing access to occupationally direct programmes	Addressing the low level of youth and adult language and numeracy skills to enable additional training	3.28 780 unemployed awarded bursaries graduated	780	279	0	279	-64%	The bulk of the 700 intake are in their second year of study and are expected to be graduating in two years' time
		3.29 350 unemployed completed internships	350	170	0	170	-51%	The target was not met due delay in payments resulting into projects not finishing on time.
	Encouraging better use of workplace-based skills programmes	3.30 257 Municipality Council committees trained on skills development programmes by LGSETA	257	257	0	257	0%	The target was met

PROGRAMME 4: QUALITY ASSURANCE

Strategic goal: To create a skilled and capacitated local government sector that performs.

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

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

Annual performance analysis for FY 2017/18

This programme had a total of 12 indicators for the FY 2017/18; only 7 indicators (58%) were fully achieved and 5 indicators (42%) were not achieved.

The table below shows a detailed analysis of performance per indicator for Programme 4: Quality Assurance.

Strategic objective	NSDS 2011 – 2016 objectives	Performance indicator	Annual target 2017/18	Achievement 2017/18	Variance (%)	Comments
To develop occupational qualifications, build quality skills development capacity and ensure certification of learners	Increase access to occupationally-directed programmes	4.1 Five occupational qualifications developed in line with sector needs and schedule 4B of Constitution	5	6	20%	The target was met due to an improved working relationship between the SETAs and QCTO
		4.2 200 Skills Development Providers (SDPs) issued with new accreditation for both primary and secondary	200	189	-5%	The target was not met, the SETA received only 187 applications during the year under review
		4.3 110 Skills Development Providers (SDPs) issued with reaccreditation for both primary and secondary	110	153	39%	The target was met due to an increased number of Skills Development Providers (SDPs) requesting re-accreditation during the year
		4.4 350 assessors registered and re-registered	350	369	5%	The target was met due to increased number of assessors registering during the year
		4.5 120 moderators registered and re-registered to moderate the LGSETA qualifications	120	101	-16%	The target was not met; the SETA received only 101 applications during the year under review

Strategic objective	NSDS 2011 – 2016 objectives	Performance indicator	Annual target 2017/18	Achievement 2017/18	Variance (%)	Comments
To develop occupational qualifications, build quality skills development capacity and ensure certification of learners	Increase access to occupationally-directed programmes	4.6 17 000 learners endorsed against unit standards	17 000	10 967	-34%	The target was not met; the target of 17 000 was not adjusted for once-off qualification which by nature will not be recurring
		4.7 2 400 learners certified against full qualifications	2400	3 363	41%	The target was exceeded due to the high number of uploads from SDPs during the year
		4.8 Three assessment centres established for the quality of assurance of occupational qualifications	3	3	0%	The target was met
		4.9 300 RPL learners endorsed against full qualifications and/or unit standards	300	447	49%	The target was met due to sufficient interest in municipalities and national departments to implement RPL
		4.10 Five new Inter-SETA SLAs signed with relevant SETAs for certification of learners outside the LGSETA scope	5	7	40%	There was an improvement in interest with institutions wanting to work with LGSETA
		4.11 250 monitoring visits conducted on the quality of delivery of learning intervention	250	226	-10%	The target was not achieved
		4.12 250 verification audits conducted on learners' achievements	250	246	-2%	Target not met

PART C

GOVERNANCE

MEMBERS OF THE **BOARD**

MR JAMES NXUMALO
CHAIRPERSON

MRS GUGU DLAMINI
CHIEF EXECUTIVE OFFICER

MR NKOSINJANI WILSON SPEELMAN
SALGA

MR LERATA SHADRACK MASHEE
SAMWU

MS THEMBISILE NKADIMENG
SALGA

MS SHOKY MOGALADI
COGTA

MR PULE MOLALENYANE
SAMWU

MRS NIRMALA DEVI NAIDOO
INDEPENDENT

MEMBERS OF THE **BOARD**

MS NOMAVA NOBATANA
IMATU

MS VUYOKAZI NGWENYA
INDEPENDANT ATTORNEY

MR XOLILE GEORGE
SALGA

MS JESTA SIDELL
SALGA

MS ONALEMANG MAKOATSANE
SAMWU

MR BAREND JOHANNES KOEN
IMATU

MS ZUKISWA VEZI
SAMWU

REPORT BY THE
ACCOUNTING AUTHORITY

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

Introduction

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

Executive Authority

The Executive Authority for the LGSETA is the Minister of Higher Education and Training. The Minister has a responsibility to approve the Sector Skills Plan (SSP), Strategic Plan (SP) and Annual Performance Plans (APP) for the SETA. The Minister is also responsible for approving any deviations from the approved budget that may be warranted. During the year under review, the SETA complied with all PFMA and other compliance requirements and submitted its first draft SSP, SP and APP before 31 August 2017, followed by the subsequent drafts on 30 November 2017, and 31 January 2018, respectively. These were duly approved by the Minister.

Accounting Authority (the Board) and Board committees

It is the responsibility of the Accounting Authority to prepare financial statements that fairly present LGSETA's financial position at 31 March 2018 and also the financial performance and summary cash-flow activities for the year ending 31 March 2018.

The Accounting Authority believes that appropriate accounting policies, supported by reasonable and prudent judgement and estimates, were applied on a consistent, going-concern basis and the Annual Financial Statements comply with GRAP and the PFMA (1999) as amended.

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

Board committees

COMMITTEE	RESPONSIBILITIES
Audit and Risk Committee (ARC)	The Audit and Risk Committee assists the Board in carrying out its responsibilities with respect to financial management, internal controls, management of risks and monitoring of risk management policy and planning, compliance with laws, regulations and ethics, accounting and financial reporting, and responsibilities related to the internal and external audit function.
Finance and Operations Committee (FINCO)	The Finance Committee's primary responsibilities include monitoring and reporting on the financial operations, internal financial policies, budget performance, consolidating and recommending the annual budget, providing guidelines on reporting on levy collections and grant disbursements, receiving, considering and recommending the financial reports, and recommending plans for, and monitoring the progress of, project implementation.
Executive Committee (Exco)	Exco's decision-making authority is delegated to the committee by the Board. Exco's primary role is to supervise the proper financial management of all financial matters; co-ordinate and supervise the implementation of the Board's policies; co-ordinate the functioning of committees and monitor their activities; and manage LGSETA's budgets and strategic plans.
Remuneration Committee	The Remuneration Committee advises LGSETA management and makes recommendations to the Board on establishing and maintaining competitive,fair and equitable conditions of service for employees as well as other HR-related matters to attract, motivate and retain talented people.

Management committees

COMMITTEE	RESPONSIBILITIES
Management Committee (MANCO)	MANCO's primary role is to implement Board policies and strategic objectives, as presented in the Annual Performance Plan (APP).
Risk Committee	The Risk Committee (comprised of MANCO) was established as a subcommittee of the ARC to assist the Board in discharging its accountability for risk management by reviewing the effectiveness of the organisation's risk management systems, practices and procedures, and providing recommendations for improvement. During the period under review, the Committee compiled the significant risk register and conducted an annual review of the entire risk universe. Monitoring and reporting to the ARC and Board, was also done periodically on the work undertaken by management.
ICT Steering Committee	ICT Governance forms part of the broader governance function within LGSETA, but with its own specific focus. Oversight for this function is provided by ARC and reports to the Board on a quarterly basis. This includes the management of IT risks and the reporting thereon, as well as ensuring compliance with the necessary standards and framework. The ICT Steering Committee is in place, spearheaded by management, and reports to the ARC with roles and responsibilities of this committee outlined in the committee's terms of reference. A key focus area for this committee is to ensure the operationalisation of IT as a strategic enabler in the organisation and that the necessary strategies, policies and procedures are in place, ensuring the effective governance of IT. The committee also ensures that the following governance processes are in place: • Oversee the alignment of ICT strategy to the business strategy; • Updating the IT policy and procedure as part of the annual organisation-wide process of reviewing policy documents; • Completion of the readiness status for the Corporate Governance of Information and Communication Technology Policy Framework (CGICT) as required by the Department of Public Service and Administration (DPSA);

COMMITTEE	RESPONSIBILITIES
Supply Chain Committees: Bid Specification (BSC); Bid Evaluation (BEC); Bid Adjudication (BAC)	Section 51(1)(a) of the PFMA prescribes that the Accounting Authority must ensure that LGSETA has an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective. The Supply Chain Management (SCM) is in line with the functions, on behalf of LGSETA, in an honest, fair, impartial and accountable manner, in accordance with the Board's delegated powers.
Quality Assurance and Compliance Committee	This committee fulfils its obligation as an ETQA in terms of the SAQA Act No. 58 of 1995.

Going concern

The Accounting Authority has reviewed LGSETA's financial budgets for the period 1 April 2017 to 31 March 2018 and is satisfied that adequate resources exist to continue as a going concern for the foreseeable future. The Accounting Authority confirms that it has assessed key sustainability risks and there is no reason to believe the SETA will not be a going concern in the year ahead.

Request for roll over of funds

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

Subsequent events

There were no material significant circumstances which affected the financial position of the SETA. Subsequent to that, the Minister of Higher Education and Training appointed new Board members with effect from 01 April 2018. Refer to note 31 in the financial statements.

AUDIT AND RISK **COMMITTEE**

AUDIT AND RISK COMMITTEE

Internal audit and risk management

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

During the period under review, the LGSETA had an internal audit function that was assisted by external service providers for specialised work that was guided by the nature of audit interventions that were required. The Committee approved the following:

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

Fraud and Corruption Prevention Plan

During the period under review, the LGSETA monitored the fraud hotline and implemented interventions as were dictated by the nature of the calls that were received. The fraud line is an anonymous service that allows employees and the public to report suspected fraudulent behaviour by LGSETA employees, management and service providers. The line is managed by the independent audit firm KPMG.

External audit

Audit findings raised by the Auditor-General in the previous financial year, were sufficiently addressed during the current year. There is a good and functioning relationship between the external auditors and the internal auditors which resulted in a co-ordination of efforts that prevented a duplication of work.

Audit and Risk Committee

The Audit and Risk Management Committee comprises four (4) non-executive independent members, including its Chairperson and two (2) additional members nominated by the LGSETA Board of Directors.

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

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

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

NAME	NON-EXECUTIVE INDEPENDENT MEMBERS	NUMBER OF MEETINGS ATTENDED		
		Ordinary	Special	AGM
Michael Mamotheti	Chairperson	4	5	1
Nontokozo Gxumisa	Member	4	5	1
Thomas Kgokolo	Member	4	4	-
Belese Majova-Nkomo	Member	4	3	-

AUDIT COMMITTEE **REPORT**

AUDIT COMMITTEE REPORT

It is with pleasure that we present this report for the financial year ended 31 March 2018.

Audit and Risk Committee Members and Attendance

The Audit and Risk Committee consists of the members that are listed on page 54 of the annual report, and is required to meet at least four times per annum as per its approved terms of reference. The Committee members' meeting attendance is disclosed on page 54 of the annual report.

Resignation of the Chairperson of the Audit and Risk Committee

The Chairperson of the Audit and Risk Committee, Mr Michael Mamothethi, resigned after the financial year end and before the finalisation of the financial statements on 3 July 2018. Sebsquent to the resignation of the Chairperson, a member of the Audit Committee, Ms Belese Majova was appointed as the new Chairperson of the Audit and Risk Committee.

Responsibilities of the Audit and Risk Committee

The Audit and Risk Committee complied with its responsibilities arising from Section 51(1) (a) of the Public Finance Management Act (Act No. 1 of 1999) and

Treasury Regulation 27.1. The Committee has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

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

Effectiveness of Internal Control

The Audit and Risk Committee provides an oversight function of the system of internal control. In line with the PFMA requirements, Internal Audit provides the Audit and Risk Management Committee and management with the assurance that the internal controls are appropriate and effective.

This is achieved through a quarterly reporting process to both management and the Audit and Risk

Committee, as well as the identification of corrective actions and recommended by means of enhancements to the controls and processes.

Controls over financial management and operations were adequate, effective and efficient. However, controls over performance management and monitoring, require further enhancement to detect inaccuracies, invalidity and incompleteness of data or evidence thereof.

There was no improvement in these control deficiencies from prior years and the Board of Directors have asked the Executive Management team to put measures in place to mitigate identified weaknesses and improve existing control measures. The Committee will monitor the effectiveness and efficiency of measures put in place to improve performance management and reporting thereof and report progress thereon to the Board of Directors.

Evaluation of Financial Statements

The Committee has:

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

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

Internal Audit

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

AUDIT AND RISK **COMMITTEE**

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

Enterprise-Wide Risk Management

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

Performance Information

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

Compliance with Legal and Regulator Provisions

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

Corporate Governance

The Audit and Risk Committee provides an oversight function of corporate governance and nothing came to our attention that suggest that principles of good governance were compromised. Instances of fruitless and wasteful expenditure have been identified and is disclosed in terms of the relevant accounting principles related thereto.

Auditor-General of South Africa

The Audit and Risk Committee has met and discussed with the Auditor-General South Africa their report, to ensure that there are no unresolved issues and to co-ordinate their activities in order to prevent duplication of effort in order to realise efficiencies.

Assessment of the Audit and Risk Committee

The Accounting Authority evaluated the performance of the Committee during the year under review and assessed them to be competent.

Belese Majova-Nkomo
Chairperson of the Audit and Risk Committee - LGSETA

PART **D**

HUMAN RESOURCE MANAGEMENT REPORT

INTRODUCTION

The year 2017/18 saw the desired result of the expanded organisational structure, which was approved in the previous financial year. The expanded national footprint, through the establishment of the new provincial offices, ensured greater visibility and accessibility by our stakeholders.

Application of the Performance Management and Remuneration Policy

The LGSETA Board approved the new Performance Management and Remuneration Policy as part of the organisation's increasing employee value proposition. The Board's approval of the new policies was complemented by an organisation-wide training of all staff. The introduction of the new performance management policy was complemented by 100% compliance of drawing up and entering into performance contracts. The organisation is looking forward to the application of the Remuneration Policy in September 2018, following the conclusion of the performance assessment.

Highlighted achievements and challenges

The year 2017/18 saw the stabilisation of the standardised (uniform) conditions of service for all staff members, which were introduced in the previous financial year. The LGSETA commissioned and carried out an organisation-wide skills audit exercise. This intervention assisted the organisation to establish, for the first time, its competency base and helped to identify the presenting competency gaps, and the future organisational skills requirements, based on the strategic direction. The results of the skills audit were communicated and informed the submitted 2018/19 Workplace Skills Plans / Annual Training Report.

Some members of the Executive Management were nominated to attend an Executive Development Programme with a reputable business school to build some depth into the leadership of the organisation. Full bursaries were awarded to qualifying staff in pursuit of the preferred full qualification, in line with the organisational needs. The focus, going into the new financial year 2018/19, is going to be on key strategic priority training, the aim of which is to build capacity which is geared towards delivering on the strategic objectives of the organisation and enhancing managerial skills at middle management to implement the programmes that the Human Resources Department introduced.

As part of improving internal client service and processes, the Human Resources Department implemented two ICT workflow management systems. These were meant to automate the declaration of interest and approval of external work processes, whilst also driving the organisation towards a paperless environment.

Employee relations

The LGSETA continuously worked, over the last two years, to improve the service conditions of its employees, with great success. These improved conditions of service contribute to the overall staff (personnel) budget. The LGSETA remains consistently clear about this aspect of organisational management in its ongoing engagements with NEHAWU. The salary negotiations for the year 2017/18 saw management implementing a seven per cent (7%) increase across the board, following long protracted salary negotiations with NEHAWU.

The implemented increase reflected an average increase which was offered broadly within the SETA landscape.

HUMAN RESOURCES STATISTICS

PERSONNEL COSTS BY PROGRAMME					
Programme	Total expenditure for the entity (R'000) 2017/18	Personnel expenditure (R'000) 2017/18	Personnel expenditure as a % of total expenses (R'000) 2017/18	Number of employees 2017/18	Average personnel cost per employee (R'000) 2017/18
Board	2 623	2 213	84%		
CEO	9 306	5 810	62%	7	830
Finance	33 807	10 945	32%	14	781
Corporate Services	15 636	9 241	59%	13	710
Operations	56 615	39 471	70%	67	589
Strategy and Planning	7 262	6 852	94%	9	761
Total	**125 248**	**74 532**		**110**	

PERSONNEL COST BY SALARY BAND				
Level	Personnel expenditure (R'000) 2017/18	% of personnel expenditure to total personnel cost 2017/18	Number of employees 2017/18	Average personnel cost per employee (R'000) 2017/18
Board	2 213	3%		
Top management	11 634	16%	6	1 939
Senior management	21 513	29%	19	1 132
Professional qualified	24 342	33%	37	658
Skilled	11 676	16%	37	316
Semi-skilled	3 154	4%	11	287
Total	**74 532**	**100%**	**110**	

TRAINING COSTS (BURSARIES FOR 2017 TO 2018)					
Programme	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	Number of employees	Average training cost per employee (R'000)
CEO	5 810	49	0,8%	7	7
Finance	10 945	86	0,8%	13	7
Corporate Services	9 241	157	1,7%	14	11
Operations	39 471	749	1,9%	67	11
Strategy and Planning	6 852	186	2,7%	9	21
Total	**72 319**	**1 227**		**110**	

Performance rewards

Performance rewards in respect of the financial year under review will be paid to qualifying employees in the 2018/19 financial year where performance was achieved. Performance is measured at individual, divisional and organisational level .

Employment and vacancies (as at 31 March 2018)

Programme	2016/2017 Number of employees	2016/2017 approved posts	2016/2017 vacancies	2017/2018 Number of employees	% of vacancies
CEO Office	5	8	1	7	13%
Finance	15	15	2	13	13%
Corporate Services	14	15	1	14	7%
Operations	57	71	4	67	6%
Strategy and Planning	5	12	3	9	33%
Total	**96**	**121**	**11**	**110**	**10%**

Employment changes

The list includes all staff movements, including positions that were added to the establishment, but excluded interns*.

Salary bands	Employment at the beginning of period	Appointments	Terminations	Employment at the end of the period
Top management	5	1	0	6
Senior management	18	0	2	16
Professional qualified	28	12	1	39
Skilled	34	7	3	38
Semi-skilled	11	0	0	11
Unskilled	0	0	0	0
Total	**96**	**20**	**6**	**110**

REASONS FOR STAFF LEAVING		
Reason	Number	% Total number of employees leaving
Death	1	17%
Resignation	5	83%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
Other	0	0%
Total	**6**	**100%**

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

*The list included all staff movements, including positions that were added to the establishment

EQUITY TARGETS AND EMPLOYMENT EQUITY STATUS AS AT 31 MARCH 2018				
LEVELS	AFRICAN	COLOURED	INDIAN	WHITE
	Current	Current	Current	Current
MALE				
Top management	3	1	0	0
Senior management	12	0	0	0
Professional qualified	20	0	1	0
Skilled	9	1	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	**44**	**2**	**1**	**0**
FEMALE				
Top management	2	0	0	0
Senior management	6	1	1	1
Professional qualified	15	3	0	0
Skilled	19	3	0	1
Semi-skilled	10	1	0	0
Unskilled				
Total	**52**	**8**	**1**	**2**

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

PART E

FINANCIAL INFORMATION

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

The Annual Financial Statements for the year ended 31 March 2018, set out on page 72 to 115 have been approved by the Accounting Authority on 31 July 2018 and are signed on their behalf by:

J. Nxumalo
Chairperson
Local Government SETA

G. Dlamini
Chief Executive Officer
Local Government SETA

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E

The reports and statements set out below comprise the financial statements presented to the Parliament:

STATEMENT OF **RESPONSIBILITY**

The Accounting Authority is responsible for the preparation of the Local Government SETA's 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 designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

In our opinion, the financial statements fairly reflect the operations of Local Government SETA for the year ended 31 March 2018.

The external auditors are engaged to express an independent opinion on the financial statements of Local Government SETA. The annual financial statements of the Local Government SETA set out on page 72 to page 115, which have been prepared on the going concern basis have been approved by the Board on 31 Juy 2018.

J. Nxumalo
Chairperson
Local Government SETA

G. Dlamini
Chief Executive Officer
Local Government SETA

ACCOUNTING AUTHORITY **RESPONSIBILITY AND APPROVAL**

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

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

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

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

The annual report has been prepared in accordance with the guidelines 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 and has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2018.

Yours faithfully

Mr James Nxumalo
Chairperson
31 July 2018

REPORT OF THE **AUDITOR-GENERAL**

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

Report on the audit of the financial statements.

Opinion

1. I have audited the financial statements of the Local Government Sector Education Training Authority set out on pages 72 to 115, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Local Government Sector Education Training Authority as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (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, 1999 (Act No. 97 of 1998) (SDA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matter

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

Fruitless and wasteful expenditure

7. As disclosed in note 26 to the financial statements, the public entity incurred fruitless and wasteful expenditure amounting to R35 892 000.

Responsibilities of the accounting authority for the financial statements

8. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and the SDA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting authority is responsible for assessing the Local Government Sector Education Training Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

REPORT OF THE **AUDITOR-GENERAL**

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

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

Introduction and scope

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

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

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

PROGRAMMES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Programme 2: Skills planning	38 – 39
Programme 3: Learning programmes	40 – 45

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

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

Programme 3: Learning programmes

Various indicators

17. The public entity did not have an adequate performance management system to maintain records to enable credible and reliable reporting of the achievement of the indicators listed below. As a result I was unable to obtain sufficient appropriate audit evidence in some instances, while in other cases the reported performance achievements did not agree to the supporting evidence provided. Based on the supporting evidence that was provided, the achievement of these indicators was different to the reported achievement in the annual performance report. I was also unable to further confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported performance achievements of the indicators listed below.

INDICATOR	REPORTED ACHIEVEMENT	AUDITED VALUE
3.1 Employees entered learnerships per annum	1 899	2 325
3.2 Employees entered skills programmes	4 759	2 331
3.3 Employees awarded bursaries	256	198
3.5 Employees entered apprenticeship Programmes	293	15
3.6 Employees RPL'd against a qualification	175	319
3.7 Employees entered AET programmes	482	964

INDICATOR	REPORTED ACHIEVEMENT	AUDITED VALUE
3.9 Employees completed learnerships per annum	889	645
3.10 Employees completed skills programmes per annum	7 889	2 367
3.11 Employees awarded bursaries graduated	72	124
3.12 Employees completed AET programmes	190	190
3.13 Unemployed learners entered learnerships per annum	4 401	2 751
3.14 Unemployed learners entered skills programmes	1 667	2 876
3.17 Unemployed learners entered for internships	287	404
3.18 Unemployed learners entered for work integrated learning	462	205
3.19 Unemployed learners entered apprenticeships	139	216
3.28 Unemployed completed skills programmes per annum	556	751
3.30 Unemployed completed internships	170	94

18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:

Programme 2: Skills planning

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 35 to 47 for information on the achievement of planned targets for the year of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) 16 to 18 of this report.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 3: learning programmes. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA

OTHER INFORMATION

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

REPORT OF THE **AUDITOR-GENERAL**

27. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

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

Leadership

29. Significant control deficiencies occurred in the accounting authority's oversight responsibility over predetermined objectives as well as related internal controls, resulting in material misstatement of the report on predetermined objectives.

Financial and performance management

30. Processes implemented for the preparation of the report on predetermined objectives were ineffective leading to material misstatement thereof. Controls in place with regard to record keeping and review of performance reporting was inadequate to prevent and detect misstatements in the reported performance.

Auditor - General

Pretoria
31 July 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors, which constitutes the accounting authority
- conclude on the appropriateness of accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Local Government Sector Education Training Authority's ability

to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note(s)	2018 ‘000	2017 Restated* ‘000
ASSETS			
Current assets			
Inventories	8	158	153
Receivables from exchange transactions	7	17 645	4 169
Receivables from non-exchange transactions	6	994	1 923
Cash and cash equivalents	5	722 896	588 093
		741 693	**594 338**
Non-current assets			
Property, plant and equipment	3	5 170	5 661
Intangible assets	4	680	540
		5 850	**6 201**
Total assets		**747 543**	**600 539**
Liabilities			
Current liabilities			
Operating lease liability	9	791	101
Trade and other payables from exchange transactions	10	7 358	5 617
Trade and other payables from non-exchange transactions	12	98 401	125 848
Provisions	11	8 627	3 173
		115 177	**134 739**
Total Liabilities		**115 177**	**134 739**
Net assets		**632 366**	**465 800**
Reserves			
Discretionary Grant Reserve		626 516	459 599
Administrative reserve		5 850	6 201
Total Net Assets		**632 366**	**465 800**

STATEMENT OF FINANCIAL PERFORMANCE

AS AT 31 MARCH 2018

	Note(s)	2018 '000	2017 Restated* '000
Revenue			
Revenue from exchange transactions			
Other income	13	572	756
Interest received	14	44 398	40 525
Total revenue from exchange transactions		**44 970**	**41 281**
Revenue from non-exchange transactions			
Transfer revenue			
Skills Development Levy (SDL) Revenue	15	596 946	549 910
SDL penalties and interest income	16	11 169	10 612
Total revenue from non-exchange transactions		**608 115**	**560 522**
Total revenue		**653 085**	**601 803**
Expenditure			
Employee related costs	17	(72 319)	(51 124)
Depreciation and amortisation	3	(2 433)	(1 746)
Employer grant and project expenses	18	(361 271)	(494 709)
General expenses	19	(50 496)	(47 802)
Total expenditure		**(486 519)**	**(595 381)**
Surplus for the year		**166 566**	**6 422**

STATEMENT OF CHANGES IN NET ASSETS

AS AT 31 MARCH 2018

	Employer Grant Reserve '000	Discretionary Grant Reserve '000	Administrative reserve '000	Total reserves '000	Accumulated surplus '000	Total net assets '000
Balance at 01 April 2016	**-**	**455 925**	**3 456**	**459 381**	**-**	**459 381**
Changes in net assets						
Surplus for the year	-	-	-	-	6 422	6 422
Transfer to Mandatory Reserve	1 231	(3 526)	8 717	6 422	(6 422)	-
Transfer to discretionary reserves: Excess funds	-	-	-	-	-	-
Allocation of Net Surplus	(1 231)	7 200	(5 972)	(3)	3	-
Total changes	-	3 674	2 745	6 419	3	6 422
Balance at 31 March 2017	**-**	**459 599**	**6 201**	**465 800**	**-**	**465 800**
Changes in net assets						
Surplus for the year	-	-	-	-	166 565	166 565
Allocation of unappropriated surplus	16 396	138 753	11 417	166 566	(166 566)	-
Transfer to discretionary reserves: Excess funds	(16 396)	28 164	(11 768)	-	-	-
Total changes	-	166 917	(351)	166 566	-	166 566
Balance at 31 March 2018	**-**	**626 516**	**5 850**	**632 366**	**-**	**632 366**

CASH FLOW STATEMENT

AS AT 31 MARCH 2018

	Note(s)	2018 '000	2017 Restated* '000
Cash flows from operating activities			
Cash Receipts from Stakeholders			
Levies, Interest and Penalties received		608 115	560 522
Interest income		29 601	42 775
Other income		572	811
		638 288	604 108
Payments to Stakeholders			
Grants and project payments		(387 754)	(519 501)
Compensation of employees		(66 622)	(50 093)
Payments to suppliers and other		(47 037)	(50 087)
		(501 413)	(619 681)
Net cash flows from operating activities	**22**	**136 875**	**(15 573)**
Cash flows from investing activities			
Purchase of property, plant and equipment	**3**	(1 484)	(4 081)
Purchase of other intangible assets	**4**	(588)	(317)
Net cash flows from investing activities		**(2 072)**	**(4 398)**
Net increase/(decrease) in cash and cash equivalents		134 803	(19 971)
Cash and cash equivalents at the beginning of the year		588 093	608 062
Cash and cash equivalents at the end of the year	**5**	**722 896**	**588 093**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

AS AT 31 MARCH 2018

Budget on Cash Basis

	Approved budget '000	Adjustments '000	Final Budget '000	Actual amounts on comparable basis '000	Difference between final budget and actual '000	Reference
Statement of Financial Performance						
Revenue						
Total Revenue						
Administration levy income (10,5)	75 030	4 501	**79 531**	78 284	**(1 247)**	
Mandatory grant levy income (20%)	142 914	8 575	**151 489**	148 505	**(2 984)**	
Discretionary grant levy income (49,5%)	353 711	21 223	**374 934**	370 157	**(4 777)**	
Penalties and Interest	5 400	-	**5 400**	11 169	**5 769**	**30.1**
Other Income	500	-	**500**	572	**72**	
Investment income	22 500	12 500	**35 000**	44 398	**9 398**	**30.2**
Total revenue	**600 055**	**46 799**	**646 854**	**653 085**	**6 231**	
Administration Expenditure						
Employee related costs	(57 258)	(8 743)	**(66 001)**	(72 319)	**(6 318)**	**30.3**
Internal Audit Fees	(1 100)	-	**(1 100)**	(435)	**665**	**30.4**
Governance Cost	1 500	500	**2 000**	2 525	**525**	**30.5**
Staff Training	(848)	(152)	**(1 000)**	(685)	**315**	**30.6**
QCTO expenses	(3 000)	-	**(3 000)**	(2 975)	**25**	
Travel and accomodation	(14 388)	1 175	**(13 213)**	(13 582)	**(369)**	**30.7**
External Audit Fees	(5 100)	1 100	**(4 000)**	(3 944)	**56**	
Lease rentals on operating lease	(9 000)	-	**(9 000)**	(8 102)	**898**	
Advertising	(3 300)	-	**(3 300)**	(2 756)	**544**	**30.8**
Conferences and workshops	(1 650)	(1 350)	**(3 000)**	(2 711)	**289**	
Repairs and maintenance	(440)	-	**(440)**	(204)	**236**	
Consultancy and Service Provider	(1 000)	-	**(1 000)**	(1 815)	**(815)**	**30.9**
Legal Fees	(1 000)	(1 000)	**(2 000)**	(1 145)	**855**	**30.10**
Printing	(1 100)	(900)	**(2 000)**	(3 803)	**(1 803)**	**30.11**
Telephone and Internet	(2 200)	-	**(2 200)**	(3 150)	**(950)**	**30.12**
other expenses including asset purchases	(3 000)	(700)	**(3 700)**	(3 528)	**172**	
General expenses	(2 792)	(500)	**(3 292)**	(1 565)	**1 727**	**30.13**
Mandatory Grant Disbursement	(142 914)	(8 574)	**(151 488)**	(132 109)	**19 379**	**30.14**
Total Discretionary Grant expenditure	(348 465)	(26 655)	**(375 120)**	(229 165)	**145 955**	**30.15**
Total expenditure	**(600 055)**	**(46 799)**	**(646 854)**	**(486 518)**	**160 336**	
Surplus for the year	**-**	**-**	**-**	**166 567**	**166 567**	

A portion of employee related costs and travel expenditure is budgeted for in the discretionary grant budget. Included in the employee costs is the budget of R31 million and the actual expenditure of R46.52 million relating to the employees in the Operations Divisions which are budgeted for under the Discretionary Grants budget. In addition, travel expenditure budget of R9.21 million and actual expenditure thereto of R11.28 million relates to the Discretionary Grants expenditure. Variances to the budget are detailed in Note 30.

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rands, which is the functional currency of the entity.The disclosed amounts are rounded-off to the nearest R1000.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

- **Impairment of property, plant and equipment**

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

- **Useful lives of property, plant and equipment at cost**

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate.

The estimated residual values of assets is also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

- **Provisions, contingent liabilities and contingent assets**

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and contingent assets. Provisions are discounted where the effect of discounting is material, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

- **Budget information**

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements.

1.4 Property, plant and equipment

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

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

ACCOUNTING POLICIES (CONTINUED)

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses where applicable.

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

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

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

LGSETA separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 19)

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses where applicable.

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	over licence period

Intangible assets are derecognised:

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

ACCOUNTING POLICIES (CONTINUED)

1.6 Financial instruments

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

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

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. All financial instruments for LGSETA are short-term within 12 months and therefore, the effetive interest rate is equivalent to the current interest being charged and therefore there discounting method is not used in determining the interest rate.

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

A financial asset is:

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Classification

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

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at amortised cost.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the amortised cost category

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

Gains and losses

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, are settled or waived.

Financial liabilities

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

1.7 Tax

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

1.8 Leases

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

ACCOUNTING POLICIES (CONTINUED)

Operating leases - lessee

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

1.9 Inventories

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

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

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

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

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

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

1.10 Reserves

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.Equity are sub-classified in the statement of financial position between the following funds and reserves:

- Administration reserve
- Employer grant reserve
- Discretionary reserve

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

Member employer company SDL payments are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act, as follows:

Purpose of total SDL payments from employer	% Allocation 17/18	% Allocation 16/17
Administration costs of the SETA	10,50 %	10,50 %
Mandatory grants	20,00 %	20,00 %
Discretionary grants and projects	49,50 %	49,50 %
	80,00 %	**80,00 %**

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

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

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

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

1.11 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note 29 to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost and
- Contracts should relate to something other than the routine, steady, state business of the entity

1.14 Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

ACCOUNTING POLICIES (CONTINUED)

Interest, royalties and dividends

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

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

Interest is recognised, in surplus or deficit, using the interest rate quoted by the Investment banks

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

Levy Income

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies of the LGSETA pay a skills development levy (SDL) of 1% of the total payroll cost to the South African Revenue Services (SARS). 80% of SDL are paid over to the LGSETA (net of the 20% contribution to the National Skills Fund).

SDL income is recognised on the accrual basis.

LGSETA refunds amounts to employers in the form of grants, based on information received from SARS. Where SARS retrospectively amends the information on SDL collected, it may result in grants that have been paid to certain employers that are in excess of the amount the SETA is permitted to have granted to employers. A receivable relating to the overpayment to the employer in earlier periods is raised at the amount of such grant over payment, net of bad debts and provision for irrecoverable amounts.

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

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

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

Penalties and Interest

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

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

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

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

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

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

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

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

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

1.20 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.21 Budget information

LGSETA is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

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

The approved budget covers the fiscal period from 2017/04/01 to 2018/03/31.

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

ACCOUNTING POLICIES (CONTINUED)

1.22 Related parties

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

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

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

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

1.23 Events after reporting date

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

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

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

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

1.24 Grants and project expenditure

Grants and project expenditure

A registered company may recover its total SDL payment by complying with the grant criteria in accordance with the Skills

Development Regulations issued in terms of the Skills Development Act 1999 (Act No 9 of 1999).

Mandatory grants expenditure

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

Discretionary grants

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

1.25 Segment reporting

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

- Discretionary grants
- Mandatory Grants
- Administration

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2017	The impact of the standard is not material.
GRAP 109: Accounting by Principals and Agents	01 April 2017	

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 34: Separate Financial Statements	Effective Date not yet set	Unlikely there will be a material impact
GRAP 35: Consolidated Financial Statements	Effective Date not yet set	Standard is not applicable to LGSETA
GRAP 36: Investments in Associates and Joint Ventures	Effective Date not yet set	Standard is not applicable to LGSETA
GRAP 37: Joint Arrangements	Effective Date not yet set	Standard is not applicable to LGSETA
GRAP 38: Disclosure of Interests in Other Entities	Effective Date not yet set	Unlikely there will be a material impact
GRAP 110: Living and Non-living Resources	Effective Date not yet set	Standard not applicable to LGSETA
GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Standard not applicable to LGSETA
GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2018	Standard not applicable to LGSETA
IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land	01 April 2019	Standard not applicable to LGSETA
Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

3. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Office furniture and fittings	4 253	(2 448)	1 805	4 137	(2 135)	2 002
Office equipment	1 528	(752)	776	1 322	(697)	625
Computer equipment	6 757	(4 263)	2 494	6 119	(3 266)	2 853
Leasehold improvements	298	(203)	95	234	(53)	181
Total	**12 836**	**(7 666)**	**5 170**	**11 812**	**(6 151)**	**5 661**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Re-assessment of useful life	Total
Office furniture and fittings	2 002	119	-	(394)	78	1 805
Office equipment	625	292	-	(145)	4	776
Computer equipment	2 853	1 010	(80)	(1 320)	32	2 495
Leasehold improvements	181	63	-	(149)	-	95
	5 661	**1 484**	**(80)**	**(2 008)**	**114**	**5 171**

Reconciliation of property, plant and equipment - 2017

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

Other information

The estimated useful life and the residual values of property and plant assets was revised by management during the year taking into account the physical condition and expected usage of the asset and this has resulted in the decrease in depreciation by R113 626.45.

Assets costing R476 529.54 (2016: R2 726 483.88) that have a zero carrying value are still in use.

4. INTANGIBLE ASSETS

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and licences	1 327	(647)	680	2 595	(2 055)	540

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software and licencing	540	588	(392)	(56)	680

Reconciliation of intangible assets - 2017

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

Other information

Obsolete and redundant software which is currently not in use by LGSETA was written off and resulted in impairment loss of R55 419.02 which was recognised in profit and loss.

5. CASH AND CASH EQUIVALENTS

	2018 '000	2017 '000
Cash and cash equivalents consist of:		
Petty cash on hand	6	1
Bank balances	196 127	233 234
Short-term deposits and call accounts	526 764	354 858
	722 896	**588 093**

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

6. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2018 '000	2017 '000
Mandatory grant receivables/recoveries	994	1 923
Bad debt provision	(360)	(360)
Discretionary grant receivables	360	360
	994	**1 923**

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

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

7. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Staff debtors	30	14
Deposits - Lease Agreement	734	674
Prepaid expenses	155	419
Other Receivables	181	1 314
Interest Receivable	16 545	1 748
	17 645	**4 169**

Reconciliation of provision for impairment of trade and other receivables

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

8. INVENTORIES

	2018 ‘000	2017 ‘000
Stationery and other consumables	158	153

8.1 Inventories recognised as an expense during the year

Stationery cost expense	1 409	1 591

Inventory comprises of office stationery, printing paper andother consumables. In the current financial year, LGSETA leased printers for all provincial offices as part of the implementation of the Learning Department online system for grants. The printing lease cost is included in the total amount of R3.8 million. Only R1.409 million relates to inventory/stationery expenditure.

Inventories reconciliation

Opening carrying amount	153	153
Purchases	1 414	1 591
Amount utilised	(1 409)	(1 591)
	158	**153**

9. OPERATING LEASE LIABILITY

Current liabilities	(791)	(101)

The current year lease for rentals expired on the 31 March 2018 in line with the licensing period of LGSETA and the new lease agreements were finalised in April 2018. LGSETA intended to continue/extend the lease agreements for the 2 years ending 31 March 2020 and therefore, lease commitment was raised as at 31 March 2018. The operating lease liability is the difference between the actual lease instalments, as per the lease agreement, and the equalised lease instalment as per GRAP 13: Leases

10. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	4 730	4 374
Accrued expense: Administrative expenses	1 389	891
Employee cost payables	1 239	352
	7 358	**5 617**

11. PROVISIONS

Reconciliation of provisions: 2018

	Perfomance bonus	Leave pay	Levies from exempt companies	Contract provision	Total
Opening balance	-	2 643	531	-	3 174
Amount utilised in profit and loss	-	(1 756)	(88)	-	(1 844)
Additions	4 024	3 141	132	-	7 297
	4 024	**4 028**	**575**	**-**	**8 627**

Reconciliation of provisions: 2017

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

Performance bonuses: LGSETA Board approved the remuneration and performance management policy in the current financial year. This is the first year of implementation of the performance bonuses. These bonuses are payable by the LGSETA annually upon completion of the performance evaluation process for the period 01 April 2017 to 31 March 2018 subject to a performance process post the external audit confirmation of performance.

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

Exempt Levy payer provision: During the financial year the SETA received SDL income from companies whose gross salary cost is less than R500 000.00. DHET issued guidiance to all SETA's indicating that these funds must continue to be accounted for as liabilities for a period of 5 years unless if the related companies claim back these funds during this 5 year period. Thereafter the SETA can recognise these funds as income if they are not claimed. At 31 March 2018 the amount claimable is R574 841 (2017: R 530 782)

12. TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS

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

	2018 '000	2017 '000
Non-exchange payables are as follows:		
Discretionary payables	834	2 950
Discretionary grant accruals	30 848	56 268
Project Creditors	25 538	25 195
Inter-SETA payables - non-exchange	22	22
Mandatory Grants payables	41 160	41 413
	98 402	**125 848**

13. OTHER INCOME

Other Income	572	756

Other income mainly consists of income relating to Employment Tax Incentive (ETI) from SARS.

14. INTEREST RECEIVED

Interest revenue

Finance Income for the period	44 398	40 525

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

15. SKILLS DEVELOPMENT LEVY (SDL) REVENUE

Administration - SDL income	78 284	72 118
Mandatory grant - SDL income	148 505	135 624
Discretionary grants - SDL income	370 157	342 168
	596 946	**549 910**

16. SDL PENALTIES AND INTEREST RECEIVED

Skills development levy interest income	4 406	4 164
Skills development levy penalty income	6 763	6 449
	11 169	**10 613**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

17. EMPLOYEE RELATED COSTS

	2018 '000	2017 '000
Basic	56 350	42 636
13th Cheque	315	724
Medical aid - company contributions	2 176	1 281
UIF	212	171
Workmens compensation	192	68
SDL	592	434
Leave pay provision charge	1 756	516
Provident Fund and related costs	6 567	4 745
Relocation costs	134	550
Performance bonus	4 024	-
	72 319	**51 125**

17.1 Define Contribution Plan

LGSETA provides for retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pension Funds Act, 1956 as amended. Contributions are at a rate of two thirds (66.67%) of pensionable emoluments of which members contribute one third (33.33 %). Liberty Life is the fund underwriter. The LGSETA's contribution to the defined contribution plans is charged to the Statement of Financial Performance in the year to which they relate and there is no further liability for the SETA. The Provident Fund expense relating to Defined Contribution Plan for the current financial period is as follows:

Defined Contribution plan

Provident Fund	4 368	2 127

18. EMPLOYER GRANT AND PROJECT EXPENSES

Discretionary Grant Expenses

Non-pivotal skills project costs	11 103	36 769
Non-pivotal skills project expenses	9 364	6 358
Pivotal skills administrative expenses	9 148	7 445
Pivotal skills project expenses	199 549	309 743
	229 164	**360 315**

Mandatory grant expenditure

Mandatory grant to employers	132 109	134 393

Employer grant and project expenses for the period	361 271	494 709

19. GENERAL EXPENSES

	2018 '000	2017 '000
Internal audit fees	435	463
Advertising	750	925
Auditors remuneration	3 944	3 647
Bank charges	71	268
Audit committee remuneration	410	388
Legal expenses	1 145	1 111
Consumables	126	110
Board fees and expenses	2 117	1 404
Staff Study Fees	194	517
Provision for bad debts	-	824
Insurance	148	320
Conferences, venue hire and catering	2 711	1 532
Parking	828	757
IT expenses	274	222
License costs	891	694
Marketing and communications	2 006	2 213
Repairs and maintenance	204	110
Consultant fees	1 815	6 325
Postage and courier	396	324
Printing and stationery cost	3 803	1 591
Staff recruitment costs	187	492
Staff welfare	295	151
Telephone and fax	3 150	1 506
Staff training and development costs	685	545
Travel costs	10 169	8 136
Accomodation	3 413	3 848
Water, electricity, rates and taxes	908	1 051
Other expenses	78	12
QCTO costs	2 975	2 646
Operating lease costs	6 366	5 667
	50 497	**47 801**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

20. RELATED PARTIES

Relationships

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

Related party balances

Transactions with other SETAs

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

20. RELATED PARTIES (CONTINUED)

Related party transactions

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

	2018 '000	2017 '000
Administration expenses		
PIC	4 382	3 954
ETDP SETA(Salary expense)	1 004	1 124
QCTO	2 975	2 646
ETDP SETA - Skills Development Levy	592	434
Other Income		
ETDP SETA Mandatory Grant	43	38
Payables from non-exchange transactions		
W&R SETA	22	22

Related party	Transaction type	Expenditure 2018	Commitment 2018	Expenditure 2017	Commitment 2017
COGTA	Discretionary grants	931	69	1 242	4 458
SAMWU	Discretionary grants	50	11 931	1 109	9 981
IMATU	Discretionary grants	150	9 416	140	1 650
SALGA	Discretionary and Mandatory grants	4 217	21 313	1 567	35 127
Subtotal	-	5 348	42 729	4 058	51 216
		5 348	**42 729**	**4 058**	**51 216**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

20. RELATED PARTIES (CONTINUED)

Key management information

Board and committee remuneration

2018	Attendance fee	Total
Board members		
Dr MO Sutcliffe (Chairman)	449	449
Mrs TP Lindi	165	165
Ms NA Mbilini	230	230
Mr PS Molalenyane	37	37
Mr CS Nhemo	79	79
Mrs V Ngwenya	149	149
Ms SA Gray	271	271
Mr BJ Koen	278	278
Mr PR Nolutshungu	334	334
Mr NF Ratlhaga	128	128
Mr XC George	83	83
Mr L Merulo	6	6
Audit Committee		
Mr M Mamotheti	165	165
Ms N Gxumisa	106	106
Mr T Kgokolo	46	46
Mrs B Majova-Nkomo	97	97
	2 623	**2 623**

2017	Attendance fee	Total
Board members		
Dr MO Sutcliffe (Chairman)	241	241
Mrs TP Lindi	47	47
Ms NA Mbilini	162	162
Mr PS Molalenyane	58	58
Mr CS Nhemo	16	16
Mrs V Ngwenya	139	139
Ms SA Gray	212	212
Mr BJ Koen	214	214
Ms N Meth	35	35
Mr PR Nolutshungu	141	141
Mr NF Ratlhaga	135	135
Mr XC George	90	90

20. RELATED PARTIES (CONTINUED)

2017	Attendance fee	Total
Audit Committee		
Mr M Mamotheti	177	177
Ms N Gxumisa	79	79
Mr T Kgokolo	45	45
Mrs B Majova-Nkomo	63	63
	1 854	**1 854**

Executive management

2018	Basic salary	Allowances	Company contributions	Total
Chief Executive Officer	1 793	36	333	2 162
Chief Finance Officer*	1 780	30	215	2 025
Chief Operations Officer	1 765	38	279	2 082
Corporate Services Executive	1 142	30	145	1 317
Strategy and Planning Executive	1 418	12	156	1 586
Senior Manager: Monitoring and Evaluation	835	18	178	1 031
Head Internal Audit	926	17	188	1 131
	9 659	**181**	**1 494**	**11 334**

* The CFO resigned on the 3 April 2018

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

21. PRIOR PERIOD ERRORS

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

21.1 Commitment Balance

During the financial year, it was noted that some discretionary grant contracts were allocated to incorrect categories in the prior year and some re-alloations need to be made. The effect of the re-allocations decreased the closing balance of the commitment schedule by R3.9 million as disclosed in Note 29 .

21.2 Workmens' Compensation

In order to ensure accurate reporting, management has identified that the workmens's compensation of R67 842 was previously included in the general expenses line item. This expenditure has been reclassified as employee cost expenditure in the current financial year.

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

	2018 '000	2017 '000
Statement of Financial Position		-
Increase in employee related costs		68
Decrease in general expenses		(68)

22. CASH GENERATED FROM (USED IN) OPERATIONS

Surplus/ (deficit)	166 565	6 422
Adjustments for:		
Depreciation and amortisation	2 433	1 746
Movements in operating lease assets and accruals	690	(35)
Movements in provisions	(416)	-
Changes in working capital:		
Inventories	(5)	20
Receivables from exchange transactions	(13 476)	908
Other receivables from non-exchange transactions	929	1 185
Trade and other payables from exchange transactions	1 742	(99)
Trade and other payables from non-exchange transactions	(21 587)	(25 720)
	136 875	**(15 573)**

23. ALLOCATION OF NET SURPLUS

2017/18	Administration reserve	Employer reserve mandatory grants	Discretionary reserve	Total per statement of performance
Total income				
SDL revenue	78 284	148 505	370 157	596 946
SDL penalties and interest received	-	-	11 169	11 169
Other revenue	572	-	-	572
Finance income	-	-	44 398	44 398
Total income	7 8 856	148 505	425 724	653 085
Total expenses				
Other administrative expenses	(39 211)	-	(11 284)	(50 495)
Depreciation and amortisation	(2 432)	-	-	(2 432)
Employer grants and project expenses	-	(132 109)	(229 163)	(361 272)
Employee related costs	(25 796)	-	(46 523)	(72 319)
	11 417	**16 396**	**138 754**	**166 567**

2016/17	Administration reserve	Employer reserve mandatory grants	Discretionary reserve
Total income			
SDL revenue	72 118	135 624	342 168
SDL penalties and interest received	-	-	10 613
Other revenue	756	-	-
Finance income	-	-	40 525
Subtotal	72 874	135 624	393 306
Total Expenses			
Administration expenses	(39 337)	-	(8 531)
Depreciation and Amortisation	(1 745)	-	-
Employer grants and project expenses	-	(134 393)	
Employee related costs	(23 075)	-	(27 981)
	8 717	**1 231**	**(360 320)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

24. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2018

Financial assets	At amortised cost	Total
Trade and other receivables from exchange transactions	17 645	17 645
Trade and other payables from non-exchange transactions	994	994
Cash and cash equivalents	722 896	722 896
	741 535	**741 535**

Financial liabilities		
Trade and other payables from exchange transactions	(7 347)	(7 347)
Trade and other payables from non-exchange transactions	(93 684)	(93 684)
	(101 031)	**(101 031)**

2017

Financial assets		
Trade and other receivables from exchange transactions	4 169	4 169
Other receivables from non-exchange transactions	1 923	1 923
Cash and cash equivalents	588 093	588 093
	594 185	**594 185**

Financial liabilities		
Trade and other payables from exchange transactions	(5 617)	(5 617)
Taxes and transfers payable (non-exchange)	(125 848)	(125 848)
	(131 465)	**(131 465)**

Financial instruments in statement of financial performance

2018

Interest income (calculated using effective interest method) for financial instruments at amortised cost	44 398	44 398

2018

Interest income (calculated using effective interest method) for financial instruments at amortised cost	40 525	40 525

25. RISK MANAGEMENT

Financial risk management

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

Liquidity risk

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

2017/18	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	More than 2 years
Trade and other trade payables from exchange transactions	(7 358)	(7 358)	(7 358)	-	-
Trade and other payables: Non-exchange	(98 401)	(98 401)	(98 401)	-	-
	(105 759)	**(105 759)**	**(105 759)**	**-**	**-**

2016/17	Carrying Amount	Contractual Cash Flows	Less than 1 year	1 to 2 years	More than 2 years
Trade and other trade payables from exchange transactions	(5 617)	(5 617)	(5 617)	-	-
Trade and other payables: Non-exchange	(125 848)	(125 848)	(125 848)	-	-
	(131 465)	**(131 465)**	**(131 465)**	**-**	**-**

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 maximum exposure to credit risk is equal to the carrying amount of the financial instruments.Trade receivables have been adequately assessed for impairment.

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

Financial instrument	2018	2017
Receivables from exchange transactions	17 645	4 169
Cash and cash equivalents	722 896	588 093
Receivables from non-exchange transactions	994	1 923

25. RISK MANAGEMENT (CONTINUED)

2017/18 Age Analysis	Current	31 to 60 days	60 to 90 days	90 to 120 days	More than 120	Carrying Amount
Receivables from exchange transactions	-	-	-	-	17 645	17 645
Cash and cash equivalents	722 896	-	-	-	-	722 896
Receivables from non-exchange transactions	-	-	-	-	994	994
Trade payables from exchange transactions	(7 321)	(37)	-	-	-	(7 358)
Trade payables from non-exchange transactions	(77 407)	(8 553)	(3 240)	(9 202)	-	(98 402)
Gross before impairment	638 168	(8 590)	(3 240)	(9 202)	18 639	635 775
	638 168	**(8 590)**	**(3 240)**	**(9 202)**	**18 639**	**635 775**

2016/17 Age Analysis	Current	31 to 60 days	60 to 90 days	90 to 120 days	More than 120	Carrying Amount
Receivables from exchange transactions	3 062	-	-	-	1 107	4 169
Cash and cash equivalents	588 093	-	-	-	-	588 093
Receivables from non-exchange transactions	-	-	-	-	1 923	1 923
Trade payables from exchange transactions	(5 605)	(11)	-	-	-	(5 616)
Trade payables from non-exchange transactions	(97 679)	(28 168)	-	-	-	(125 847)
Gross before impairment	487 871	(28 179)	-	-	3 030	462 722
	487 871	**(28 179)**	**-**	**-**	**3 030**	**462 722**

LGSETA limits its counter-party exposure by only dealing with well-established financial institutions approved by National Treasury and in terms of the LGSETA Investment policy. In terms of this policy all investments are monitored by the LGSETA Finance and Operation Committee(FINCO) on a continous basis.

Credit risk with respect to SDL paying employers is limited due to the nature of the income received. LGSETA does not have any material exposure to any individual or counter-party. LGSETA's concentration of credit risk is limited to the industry in which the LGSETA operates. No significant events occurred in the industry during the financial year that may have an impact on the accounts receivable that has not been adequately provided for. Accounts receivable are presented net of allowance for doubtful debt.

25. RISK MANAGEMENT (CONTINUED)

Interest rate risk

The LGSETA manages its interest rate risk by investing in the financial institutions and conservative financial instruments approved by National Treasury.

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

2017/18	Interest bearing amount	Effective interest rate	Non-interest bearing amount
Financial assets			
- Receivables from exchange transactions	-	8,20 %	1 100
- Cash and cash equivalents	722 896	7,35 %	-
- Receivables from non-exchange transactions	-	- %	994
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	- %	(7 358)
- Trade and other payables (non-exchange)	-	- %	(93 401)
	722 896	**15,55 %**	**(98 665)**

2016/17	Interest bearing amount	Effective interest rate	Non-interest bearing amount
Financial assets			
- Receivables from exchange transactions	-	- %	2 234
- Cash and cash equivalents	588 093	6,77 %	-
- Receivables from non-exchange transactions	-	- %	1 923
Financial liabilities			
- Trade and other trade payables from exchange transactions	-	- %	(5 617)
- Trade and other payables (non-exchange)	-	- %	(125 848)
	588 093	**6,77 %**	**(127 308)**

Fair value and market risk

Market risk

The LGSETA is exposed to market risks if there is a sudden reduction in employment at the municipal level which has an impact in wages and salaries. The conclusion of the dermacation processes did not have any material impact on the LGSETA.

Fair values

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

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial instruments.

25. RISK MANAGEMENT (CONTINUED)

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and cash equivalents

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

Accounts receivable

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

Accounts payable

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

26. FRUITLESS AND WASTEFUL EXPENDITURE

	2018 '000	2017 '000
Fruitless and wasteful expenditure incurred	35 892	-
Reconciliation of Fruitless and Wasteful Expenditure		
Fruitless and wasteful expenditure identified in the current year	35 892	-
Amount condoned	-	-
	35 892	**-**

During 2017/18 financial period, LGSETA management identified fruitless and wasteful expenditure of R35.89 million relating to grants expenditure that was incurred in the 2016/17 financial period. The expenditure relates to payments made by LGSETA on fraudulent grant claims submitted by the service provider for training which did not take place. A forensic audit was conducted and concluded in November 2017. Action is being taken by management in terms of criminal and civil action and internal disciplinary processes are underway.

Management is also reviewing project expenditure emanating from the interim findings of Auditor General's report to ensure that expenditure incurred is in line with the Grant Regulations and funding agreement signed with the LGSETA.

In order to be more vigilant in the implementation of the projects, management is a process of reviewing 15 projects to determine extent of non-compliance by the service providers in terms of the implementation of the various learning interventions. The outcome of the review will be communicated and appropiately disclosed once the process has been concluded.

27. IRREGULAR EXPENDITURE

There was no irregular expenditure incurred in the 2017/18 financial period.

Management is also reviewing project expenditure emanating from the interim findings of Auditor General's report to ensure that expenditure incurred is in line with the Grant Regulations and funding agreement signed with the LGSETA.

In order to be more vigilant in the implementation of the projects, management is a process of reviewing 15 projects to determine extent of non-compliance by the service providers in terms of the implementation of the various learning interventions. The outcome of the review will be communicated and appropiately disclosed once the process has been concluded.

28. CONTINGENCIES

Labour matters

As at 31 March 2018 LGSETA had 4 outstanding labour disputes with its employees. Two cases are currently before the Labour Court and the other 2 cases are before the CCMA. Due to the sensitivity of these matters further details of these matters is available from the LGSETA registered office.

Surplus funds

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

Calculation of surplus	**2018 '000**	**2017 '000**
Cash and cash equivalents at year end	722 896	588 093
Add Receivables	17 645	6 092
less liabilities	(105 759)	(131 464)
Less commitment	(605 427)	(477 552)
Cash flow from net investing Activities in Financial Assets	-	-
	29 355	**(14 831)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

29. COMMITMENTS

Commitments

2017/2018 Intervention	Closing Balance 2017 '000	Prior Year Adjustments 2017/2018 '000	Restated Balance 2017/2018 '000	Adjustments/ Addendums 2017/18 '000	New Contracts 2017/18 '000	Project Expenses 2017/2018 '000	Cancelled/ Closed 2017/2018 '000	Closing Balance 2018 '000
AET	13 435	(500)	12 935	-	3 765	(1 406)	(513)	14 781
Apprenticeship	113 667	46	113 713	2 067	20 101	(28 326)	(2 373)	105 182
Bursaries	54 943	(27 196)	27 747	-	37 025	(28 009)	-	36 763
Education and Training Quality Assurance	7 627	-	7 627	-	320	(4 432)	-	3 515
Internships	12 213	-	12 213	-	14 812	(10 228)	(2 487)	14 310
Learnerships	187 178	(5 460)	181 718	923	219 918	(97 315)	(18 262)	286 982
Sector Skills Planning	1 000	-	1 000	-	3 993	(3 993)	-	1 000
WIL	50 611	1	50 612	13	24 409	(15 590)	(530)	58 914
Skills Programme	32 917	-	32 917	-	40 227	(15 008)	(383)	57 753
Policy and Research	453	-	453	-	9 075	(8 917)	-	611
RPL Assessment	2 320	2 000	4 320	-	3 170	(1 611)	-	5 879
Candidacy Programme	1 200	27 150	28 350	-	1 350	(9 963)	-	19 737
	477 564	**(3 959)**	**473 605**	**3 003**	**378 165**	**(224 798)**	**(24 548)**	**605 427**

The balance of the commitments as at 31 March 2018 is R605 427 000 and the balance of the commitments will be funded from the Discretionary Grant Reserves, which at 31 March 2018, has a balance of R626 517 000.00. As per Discretionary Grant regulations, more than 95% of the Discretionary Grant Reserve has been contracted as at 31 March 2018.

29.1 Pivotal and non-pivotal projects split

The Discretionary Grant regulations require that at least 80% of the Discretionary budget be allocated to Pivotal Projects. In 2017/2018, LGSETA had allocated 80% of projects to pivotal and 20% to non pivotal.

29. COMMITMENTS (CONTINUED)

2016/2017 Intervention	Closing Balance 2016 '000	Prior Year Adjustments 2016/2017 '000	Restated Balance 2016/2017 '000	Adjustments/ Addendums 2016/17 '000	New Contracts 2016/17 '000	Project Expenses 2016/2017 '000	Cancelled/ Closed 2016/2017 '000	Closing Balance 2017 '000
AET	9 869	-	9 869	2 377	6 315	(5 041)	(85)	13 435
Apprenticeship	132 272	-	132 272	7 503	45 762	(71 283)	(587)	113 667
Bursaries	20 615	(497)	20 118	40 380	36 825	(38 361)	(4 019)	54 943
Education and Training Quality Assurance	4 061	-	4 061	213	12 578	(9 225)	-	7 627
Internships	7 051	-	7 051	2 328	13 218	(9 754)	(630)	12 213
Learnerships	156 671	16 147	172 818	67 105	106 032	(145 846)	(12 931)	187 178
Sector Skills Planning	4 650	350	5 000	559	1 688	(6 247)	-	1 000
WIL	64 890	-	64 890	11 202	19 522	(44 432)	(571)	50 611
Skills Programme	51 330	(16 000)	35 330	358	17 021	(18 843)	(949)	32 917
Policy and Research	1 448	-	1 448	39	11 286	(12 320)	-	453
RPL Assessment	-	-	-	-	2 650	(330)	-	2 320
Candidacy Programme	-	-	-	-	2 400	(1 200)	-	1 200
	452 857	**-**	**452 857**	**132 064**	**275 297**	**(362 882)**	**(19 772)**	**477 564**

Authorised capital expenditure

Operating leases - as lessee (expense)

Minimum lease payments due	2018 '000	2017 '000
- within one year	7 986	4 628
- in second to fifth year inclusive	7 636	-
	15 622	**4 628**

Operating lease payments represent rentals payable by the LGSETA for its office properties and printing machines.The lease term for the printer is 12 months renewable for a year, and for the properties, the lease term 1 April 2018 until 31 March 2020, as per the licensing period of LGSETA.

30. BUDGET DIFFERENCES

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

30.1 SDL penalty and interest income (Favourable)

Income from penalties and interest arise when employers fail to submit their returns as required by legislation. Increase can be attributed to number of levy payers who have defaulted in their submissions with SARS and this is adversely affecting overall levy income projections and contributes to under collection.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

30.2 Investment Income (Favourable)

LGSETA's investment policy came into effect from March 2017. The increase in revenue is due to the implementation of the investment policy in order to ensure the LGSETA obtains competitive interest rates from the financial institutions. The increase in levy income is further exacerbated by the increase in cash balances over the period due to slow moving projects.

30.3 Employee Costs (Unfavourable)

The increase in the salaries relates to the increased in the organisational structure and the salary increment of 8.5% were effected in the current financial period. LGSETA revised its organisational structure in the 2017/18 financial year and this has resulted in the increased salary cost for the Operations division, where additional co-ordinators and administrators were appointed in order to ensure to lessen the time for the verification of the grant claims payments. Additional staff was appointed in the Monitoring and Evaluation department and the Strategy and Planning.

Furthemore, the Board approved the remuneration and performance management policies, which resulted in the provision for performance bonus of R4.02 million in the current financial year. As this is the first time implementation, this has resulted in the increased spending on payroll costs on overall.

30.4 Internal audit Fees (Favourable)

The decrease in internal audit fees is mainly due to additional staff that was appointed in the Internal Audit unit, resulting in more audits being undertaken by the Internal Audit staff. This has reduced additional work being conducted externally.

30.5 Governance Costs (Unfavourable)

The increase in the governance costs is mainly due to increased stakeholder engagements in the 2017/18 financial year in line with the annual performance plan.

30.6 Staff Training (Favourable)

Management conducted skills audit for the employees in the current year which was completed in August 2017. This has impacted number of staff training sessions taking place in the current financial year.Management is in the process of conducting training as a result of gaps identified by the skills audit which will be implemented in the 2018/19 financial period.

30.7 Travel and Accomodation (Unfavourable)

The increase in travel costs can be attributed to the increase in stakeholder engagements and improved monitoring of projects. Project site visits were increased in the current year as a measure of improving on current controls and to ensure adequate monitoring of the projects.

30.8 Advertising (Favourable)

The decrease in the marketing and advertising costs is attributable to the decrease in number of activities undertaken by the marketing division as more focus was placed on the stakeholder engagements in the current financial period.

30.9 Consultacy costs

Expenditure of R300 000 was incurred by the LGSETA for the skills audit which is critical for the organisation to prepare its annual work place skills plan processes. These services have been procured from an existing service provider to begin to address the performance management challenges that the LGSETA has been experiencing over time.

30.10 Legal Fees (Unfavourable)

Additional legal costs were incurred in the current year, mainly due to the investigations currently underway relating to the discretionary grants expenditure which resulted in fruitless and wasteful expenditure as disclosed in Note 26 to the financial statements.

30.11 Printing (Unfavourable)

LGSETA entered into lease agreements for all printers at the provincial offices including Head office. This has resulted in the increased printing costs in the current financial year by R1.8 million.

30.12 Telephone and Internet (Unfavourable)

The increase in the telephone is attributed to the additional offices which were opened towards the end of the 2016/17 financial period. The full cost of this expenditure was realised in the current financial period.

30.13 General Expenses (Favourable)

The decrease in general expenses is mainly attributed to the decline in the recruitment costs as there were lesser appointments in the current year as compared to prior year. Furthermore, the Board fees were budgeted for in the governance costs for the 2017/18 financial period. These costs were previously included in the general expenses budget.

30.14 Mandatory Grants Disbursement (Favourable)

The decrease in mandatory grants expenditure is attributable to the levy paid by the municipalities. In the current year, number of municipalities were merged which also impacted on the grants disbursements expenditure. The increase in the penalties income reflects the non-compliance on the payment of levies by the municipalities.

30.15 Discretionary Grants (Unfavourable)

The underspending on the discretionary grant is due to a number of factors which include the following:

- Delayed payments to the service providers due to the inadequate and incomplete information which is furnished by the service providers.
- Limited capacity of certain stakeholders.
- Delays in the contracting process resulting in certain terms and conditions not been met and delays in signing of documentation by the LGSETA and service providers.
- Delays in the implementation of projects due to the procurement process that the municipalities need to undertake before accepting the discretionary award from the LGSETA.

31. EVENTS AFTER THE REPORTING DATE

Management considered events that occured after reporting date and is satisfied that there were no material significant circumstances which affect the financial position of the SETA arisen between the date of the balance sheet and the production date of this report.

Board Appointments

The Minister has renewed the contracts of the the following board members ; Mr. Xolile Goerge, Mr Johannes Koen, Mr Pule Molalenyane, and Ms Vuyokazi Ngwenya for another two (2) year term, starting from 1 April 2018. The following new Board members were appointed with effect from 1 April 2018; Mr. James Nxumalo (Chairperson), Ms. Nomava Nobatana, Mr. Nkosinjani Speelman, Ms. Jesta Sidell, Ms. Thembisile Nkadimeng, Mrs. Onalemang Makoatsane, Adv. Lerata Mashee, Ms. Zukiswa Vezi, Ms. Shoky Mogaladi, and Mrs. Nirman Devi Naidoo.

32. GOING CONCERN

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

33. SEGMENT INFORMATION

Segment surplus or deficit, assets and liabilities

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

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The geographical segments have not been disclosed as the necessary information required is not readily available and the cost to develop would be excessive.

33. SEGMENT INFORMATION (CONTINUED)

2018 Revenue	Administration	Mandatory	Discretionary	Total
Revenue from non-exchange transactions				
SDL: Income	78 284	148 505	370 157	596 946
SDL: Penalties and interest	-	-	11 169	11 169
Revenue from exchange transactions				
Other income	572	-	-	572
Interest revenue	-	-	44 398	44 398
Total segment revenue	**78 856**	**148 505**	**425 724**	**653 085**
Entity's revenue				**653 085**
Expenditure				
Employee cost	25 796	-	46 523	72 319
Deprecation and amortisation	2 432	-	-	2 432
Other administration expenses	39 212	-	11 284	50 496
Employer grant and project expenditure	-	132 109	229 162	361 271
Total segment expenditure	**67 440**	**132 109**	**286 969**	**486 518**
Total segmental surplus/(deficit)				**166 567**
Assets				
Non-current assets	5 851	-	-	5 851
Consumables	158	-	-	158
Receivables from exchange transactions	17 645	-	-	17 645
Receivables from non-exchange transactions	-	994	-	994
Cash and cash equivalents (unallocated asset)	722 896	-	-	722 896
Total segment assets	**746 550**	**994**	**-**	**747 544**
Total assets as per statement of financial Position				**747 544**
Liabilities				
Trade and other payables from non-exchange	-	41 240	57 161	98 401
Trade and other payables from exchange transactions	7 358	-	-	7 358
Provisions	8 627	-	-	8 627
Operating Lease Liability	791	-	-	791
Total segment liabilities	**16 776**	**41 240**	**57 161**	**115 177**
Total liabilities as per statement of financial position				**115 177**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

33. SEGMENT INFORMATION (CONTINUED)

2017 **Revenue**	Administration	Mandatory	Discretionary	Total
Revenue from non-exchange transactions				
SDL: Income	72 118	135 624	342 168	549 910
SDL: Penalties and interest	-	-	10 613	10 613
Revenue from exchange transactions				
Other income	756	-	-	756
Interest received - Investment	-	-	40 525	40 525
Total segment revenue	**72 874**	**135 624**	**393 306**	**601 804**
Entity's revenue				**601 804**

Expenditure				
Employee cost	23 075	-	27 981	51 056
Deprecation and amortisation	1 745	-	-	1 745
Other administration expenses	39 337	-	8 531	47 868
Employer grant expenses	-	134 393	360 320	494 713
Total segment expenditure	**64 157**	**134 393**	**396 832**	**595 382**
Total segmental surplus/(deficit)				**6 422**

Assets				
Non-current assets	6 201	-	-	6 201
Consumables	153	-	-	153
Receivables from exchange transactions	4 169	-	-	4 169
Receivables from non-exchange transactions	-	1 923	-	1 923
Cash and cash equivalents	588 093	-	-	588 093
Total segment assets	**598 616**	**1 923**	**-**	**600 539**
Total assets as per Statement of financial Position				**600 539**

Liabilities				
Trade and other trade payables from exchange transactions	5 616	-	-	5 616
Operating lease liability	101	-	-	101
Trade and other payables from non-exchange transactions	12	41 413	84 423	125 848
Provisions	3 173	-	-	3 173
Total segment liabilities	**8 902**	**41 413**	**84 423**	**134 738**
Total liabilities as per statement of financial position				**134 738**

34. SURPLUS FUNDS TRANSFERABLE TO NATIONAL TREASURY & NSF

	2018 '000	2017 '000
Transfers of excess funds from:		
Accumulated Discretionary reserve	626 517	459 599
Less Commitments as at 31 March 2018	(605 427)	(477 552)
	21 090	**(17 953)**
Deficit on commuted funds		
Less closing balance of commitments	-	(17 953)
5% retention of total discretionary reserves	31 325	22 980

Based on the calculation the LGSETA's surplus is committed above the 95% threshold as per the grant regulations as the surplus funds are below 5% of the surplus as prescribed in the Grant Regulations.

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