

Annual Report
2011/2012

Producing a skilled & capable local government sector



Vision

The foremost SETA producing an extraordinarily, skilled and capable local government sector.

Mission

To promote and co-ordinate skills development initiatives and strategic sectoral training interventions, to enhance efficiency and effectiveness of the local government sector through:

- Conducting sectoral skills planning and research.
- Developing and implementing quality learning programmes and relevant occupational qualifications.
- Monitoring and evaluating the performance of training initiatives.
- Communicating and marketing skills development and career advancement opportunities.
- The approval and disbursement of skills development grants.



higher education
& training
Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



Annual Report of the
Local Government Sector Education & Training Authority
1 April 2011 to 31 March 2012



Minister of Higher Education
and Training
Dr. B Nzimande



Chief Executive Officer
LGSETA
N. Nkosi

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Chairperson's Report



Chairperson - LGSETA

Mr Duma Nkosi

I am pleased, as the independent chairperson under the new SETA landscape, to present the Annual Report of the LGSETA for the 2011/2012 financial year.

At the start of the year under review (1 April 2011), the Minister of Higher Education and Training had approved the LGSETA's constitution and subsequent appointments of the new SETA Accounting Authority. These appointments included the independent chairperson, two additional ministerial appointees and the constituency nominees – all of which were gazetted on 8 April 2011.

In addressing the newly elected SETA Boards, the Minister's message to "maintain strategic focus, refrain from spending hours discussing procurement or operational issues and to become professional" was made abundantly clear. Also addressed at the beginning of the new financial year were governance issues and the standardisation of constitutions across all SETA's.

The Local Government SETA was re-licensed for the period 2011-2016. The new SETA landscape aspired to enhance sector focus, ensure the viability of all SETA's, consolidate skills supply planning and to align each entity with government and industrial growth strategies.

Induction and governance related workshops were held to ensure that all Board Members fully understood their respective roles and responsibilities and we were able to facilitate a challenging but relatively smooth transition in promoting the principles espoused in the new SETA landscape.

On 18 May 2011, we witnessed South Africa's fourth democratic Local Government Election in which new councillors for municipalities throughout the country were elected and to accommodate councillor inductions, an amount of R14million was committed to SALGA (South African Local Government Association) by the LGSETA Board.

Municipal boundaries were also redefined during the review period with 8 metropolitan councils, 226 local councils and 44 district councils accounting for some 235 000 employees in the Local Government Sector and approximately 35 000 employees in municipal entities.

In 2010, Cabinet adopted 12 outcomes to address government's strategic priorities and during 2011, SETA's were, for the first time, expected to adopt the outcomes approach in crafting this strategic document. Whilst these expectations presented numerous challenges, they nevertheless proved

extremely rewarding as it allowed the SETA to refocus and align itself as an organisation with government's action programme and strategic priorities.

The SETA's leadership team has responded well to the somewhat formidable challenges of a complex operating environment but acknowledges that there is still a great deal to accomplish. We remain confident however that the demands placed upon us will be met once efficient structures with the required capacity to enable the administration to meet – and possibly exceed – the strategic mandate of the SETA are fully in place.

Whilst the LGSETA will be able to support relevant policies endorsed by the South African Government to transform skills development throughout the country, it is imperative that we accelerate our capacity and extend initiatives to further advance skills development in municipalities – especially within the Planning, Municipal Finance, Infrastructure, Management and Leadership Development arenas.

Although our primary focus remains firmly on the development of the Local Government Sector, it is essential that we maintain and extend our footprint to provide skills to the communities served by Local Government and in this regard, it is equally essential that we remain constantly attuned to their respective socio-economic conditions to enable strategy adjustments where necessary.

I thank the CEO, Management and Staff for their dedication, constant endeavour and enthusiasm in the cause of advancing skills development in the LGSETA. I extend particular thanks to our executive team who were able to juggle responsibilities over the past few months as a result of vacant key-positions within the organisation.

As the LGSETA Board, we remain unreservedly committed to working with the Executive Team in advancing skills development for an efficient, effective and accountable Local Government Sector. I am especially grateful to my colleagues on the Board for their robust debates and invaluable contributions. I am honoured to have been part of the LGSETA's stimulating revitalisation.



Mr Duma Nkosi
Chairperson - LGSETA



Chief Executive Officer's Report



Chief Executive Officer - LGSETA

N Nkosi

During the year under review, or more specifically on 8 May 2011, millions of South Africans cast their votes in the country's fourth democratic Local Government Elections and whilst the LGSETA was fully cognisant of the tremendous strain this event would place on its human- and financial resources, planning for every possible eventuality proved unattainable. Given the volatile backdrop of service delivery protests around the country and a growing outcry for performance improvements within the local sphere of Government, a clear understanding that the "business as usual" tag no longer applied and that the LGSETA required urgent re-gearing to improve its services to the sector at large.

The improvement strategy commenced in 2011 with an internal process of organisational re-design and despite the sector's needs becoming increasingly complicated, we remain confident in our ability to provide all necessary support. And, as the LGSETA continues its restructuring processes, the need to become more responsive to the sector's needs remains the focal point of our endeavours.

Given the necessity to "do more, with less" during the year under review proved extremely demanding and with the restructuring processes still underway, excessive demands on our human resources capacity remained prevalent throughout. This lack of capacity was arguably the most critical factor impacting on our organisational performance during the year. The key-position of CFO remained vacant and with minimum support from the Human Resource Management function forthcoming, negative implications to the organisation as a whole remained evident at all times.

Our Operating Landscape

We were extremely pleased that the LGSETA was recertified with a licence to operate until 2016. The new SETA landscape included a transfer of the SIC - Standard Industry Classification Codes, Metro Police and Traffic Enforcement to SASSETA which presented a number of unforeseen challenges and which at this stage, remain unresolved.

In focusing on the National Skills Development Strategy (NSDS) III and the Ministers' of Local Government and Higher Education and Training Outcomes 9 and 5, it became clear that partnerships remain key to any successful implementation of the strategy. Given that the funding regulation had also not been finalised at the financial year-end, a number of uncertainties prevailed. Following numerous consultation processes between

the board and our stakeholders, our strategic plan – together with our new vision and mission statements – were approved by the Board during the review period. The new LGSETA vision and mission truly encapsulates our ambitions as an organisation as well as our aspirations to contribute to the creation of an extraordinarily skilled and capable workforce. Our deficiencies have been identified and despite the many challenges experienced during the past year, we remain both committed and confident that new controls and business efficiencies already initiated will bring our vision to reality.

Strategic Focus Areas – 2011 / 2012

Our prime focus during the year under review was to ensure that the objectives set out in the 2011 / 2012 Strategic Plan were met and implemented. During this period, the LGSETA maintained a number of partnerships to deliver on our key priority programmes.

The following pages showcase a few examples of developments and projects undertaken by our Sector Skills Planning, Education and Training Quality Assurance (ETQA) and Learning Programmes within our critical focus areas which include Infrastructure Development and Service Delivery, Planning, Management and Leadership Development, Workshop Training Systems and ABET.

The LGSETA wishes to acknowledge the constructive engagement and support it received from the Department of Higher Education and Training. We also highly value the guidance offered by the LGSETA Board and its various committees.

Above all, we extend our gratitude to the LGSETA staff for their commitment and dedication in providing the best possible service to the organisation despite the extremely trying circumstances that presented themselves throughout the year.

Whilst the overall performance of the organisation varied during the year under review, our top priority as we move to the next level remains firmly focused on improving our support of skills development for a more accountable, effective and efficient Local Government Sector.



N Nkosi

Chief Executive Officer - LGSETA

Accounting Authority / Board

In terms of the LGSETA constitution the Board/Authority of the SETA is the main governing body of the organisation and it consists of 15 members with a minimum of the following:

Chairperson	Ministerial Appointee
Labour	2 IMATU (Independent Municipal & Allied Trade Union) 3 SAMWU (South African Municipal Workers Union)
Employer	5 SALGA (South African Local Government Association)
Government	2 CoGTA (Corporate Governance and Traditional Affairs) 2 Ministerial Appointees

The primary functions of the Board/Authority are summarised in terms of the LGSETA constitution and relevant legislation but are not limited to the following:

- Development of the sector skills plan within the framework of the national skills development strategy
- Promote learnerships by identifying workplaces for practical workplace experience
- Report to the Director-General on the income and expenditure including the implementation of its skills plan
- Subject to section 7,9 and 10 of the Skills Development Levies Act, 1999, collect the skills development levies and disburse grants to employers in the sector

The LGSETA Authority meets four times per financial year and as provided in terms of the LGSETA constitution. However should a need arise for the Board/Authority to meet more than the stipulated number of times; the LGSETA chairperson shall convene such meeting as prescribed by LGSETA constitution.

Executive Committee (EXCO)

In terms of the LGSETA constitution the executive committee consists of five (5) members and is chaired by the Ministerial Appointed Chairperson. Two (2) members representing SALGA, one (1) representing the IMATU and one (1) representing the SAMWU. The functions of the executive committee are summarised but not limited as follows:

- Supervise the proper management of all financial matters of the SETA
- Coordinate and supervise the implementation of the policies of the Board/Authority
- Coordinate the functioning of Board committees.
- Perform any other function or duty delegated to it by the Board/Authority

Governance and Strategy Committee (incorporating the previous SSP, ETQA and Learnership committees)

In terms of the LGSETA constitution the Governance and Strategy Committee consists of six (6) members, two (one being the Chairperson) representing the SALGA, one (1) representing the SAMWU, one (1) representing the IMATU the other one (1) DCOG and one (1) independent member. The functions of the Committee are summarised but not limited as follows:

- Supervise the proper management of the SSP, ETQA and Learning Programmes departments.
- Offer guidance for the development of the Learning Programmes and ETQA policies
- Initiate and/or support the implementation of strategic projects
- Ensure the integration of functions in the LGSETA.

The Governance and Strategy Committee meets 4 times per financial year.

FINANCE AND REMUNERATION COMMITTEE MEMBERS

(incorporating the Finance and Human Resources Committees)

The Finance and Remuneration Committee consist of six (6) members and chaired by a representative from IMATU. Two (2) members representing the South African Local Government Association, one (1) representing the South African Municipal Workers Union, one (1) representing the Independent Municipal and Allied Trade Union, one (1) one representing the Department of Cooperative Governance and one (1) individual as an independent member.

The Finance and Remuneration committee meets 4 times per financial year.

Accounting Authority / Board

REPRESENTATIVE	CONSTITUENCY	ORGANISATION	MEETINGS ATTENDED	GENDER	RACE
Mr. D. Nkosi <i>Chairperson</i>	Independent	Ministerial Appointee	5	M	BLACK
Mr. D. Mthlane	Independent	Ministerial Appointee	4	F	BLACK
Mr. P. Mbanjwa	Independent	Ministerial Appointee	4	M	BLACK
Mr. W. Killian	Labour	IMATU	3	M	WHITE
Ms. G. Voigt	Labour	IMATU	4	F	WHITE
Adv. M. Yawa	Employer	SALGA	5	M	BLACK
Clr. S. Mashilo	Employer	SALGA	3	M	BLACK
Clr. S. Somyo	Employer	SALGA	5	M	BLACK
Ms F. Tshabangu	Employer	SALGA	5	F	BLACK
Clr. E. Ndlovu	Employer	SALGA	1	F	BLACK
Mr. J. Khoza	Labour	SAMWU	4	M	BLACK
Mr. W. Mabusela	Labour	SAMWU	1	M	BLACK
Ms. E. Malatji	Labour	SAMWU	5	F	BLACK
Ms. S. Greyling	Employer / Gov.	DCoG	4	M	WHITE
Ms. N. Makgotho	Employer / Gov.	DTA	4	F	BLACK

Executive Committee

REPRESENTATIVE	CONSTITUENCY	ORGANISATION	MEETINGS ATTENDED	GENDER	RACE
Mr. D. Nkosi <i>Chairperson</i>	Independent	Ministerial Appointee	1	M	BLACK
Mr. W. Kilian	Labour	IMATU	1	M	WHITE
Adv. M. Yawa	Employer	SALGA	1	M	BLACK
Clr. S. Mashilo	Employer	SALGA	0	M	BLACK
Ms. E. Malatji	Labour	SAMWU	1	F	BLACK

Finance and Remuneration

REPRESENTATIVE	CONSTITUENCY	ORGANISATION	MEETINGS ATTENDED	GENDER	RACE
Ms. G. Voigt <i>Chairperson</i>	Labour	IMATU	3	F	WHITE
Mr. D. Mthlane	Independent	Ministerial Appointee	2	F	BLACK
Mr. W. Kilian	Labour	IMATU	2	M	WHITE
Mr. Zwe Ndlala (Alt)	Employer	SALGA	2	M	BLACK
Ms F. Tshabangu	Employer	SALGA	1	F	BLACK
Mr. Dumisani Gqada (Alt)	Employer	DCOG	2	M	BLACK
Mr. J. Khoza	Labour	SAMWU	3	M	BLACK
Ms. Emelda Malatji	Labour	SAMWU	2	M	BLACK

Governance and Strategy

REPRESENTATIVE	CONSTITUENCY	ORGANISATION	MEETINGS ATTENDED	GENDER	RACE
Clr. S. Mashilo <i>Chairperson</i>	Employer	SALGA	1	M	BLACK
Mr. P. Mbanjwa	Independent	Ministerial Appointee	1	M	BLACK
Adv. M. Yawa	Employer	SALGA		M	BLACK
Mr. W. Mabusela	Labour	SAMWU		M	BLACK
Mr. J. Khoza (Alt)	Labour	SAMWU	1	M	BLACK
Ms. S. Greyling	Employer	DCoG		M	WHITE
Ms. E. Tau (Alt)	Employer	DCoG	1	M	BLACK

Human Resources

REPRESENTATIVE	CONSTITUENCY	ORGANISATION	MEETINGS ATTENDED	GENDER	RACE
Ms. E. Malatji <i>Chairperson</i>	Labour	SAMWU	6	F	BLACK
Adv. M. Yawa	Employer	SALGA	4	M	BLACK
Mr. W. Kilian	Labour	IMATU	4	M	WHITE
Ms F. Tshabangu	Employer	SALGA	4	F	BLACK
Ms. S. Greyling	Employer	DCoG	5	M	WHITE
Ms. G. Voigt	Labour	IMATU	3	F	WHITE

Departmental Reports



Education & Training Quality Assurance



ETQA Manager - LGSETA
V Mashigo

1. Introduction

LGSETA ETQA, through its mandate for Local Government Sector specific quality assurance for education and training, makes meaningful strides to contribute to the attainment of LGSETA's mission, strategic priorities and key objectives aimed at creating a skilled workforce to meet service delivery objectives of Local Government Sector.

The objective of the Education, Training and Quality Assurance (ETQA) department is to ensure quality education & training in the Local Government sector. To achieve this objective, the Local Government ETQA focused on the following aspects:

- Accreditation and monitoring of training providers;
- Registration of assessors and moderators;
- Development and registration of new unit standards and qualifications with SAQA;
- Quality assuring and certification of all qualifications

within the Local Government Seta Qualifications Framework; and

- Maintaining a national database of all learner achievements, as per the reporting requirements of SAQA and the NLRD.

2. Generation of Qualifications

LGSETA ETQA during the reporting period could not register new qualifications because of the moratorium placed by SAQA for such development. This moratorium was to allow space for the advent of the new Quality Council referred to as Quality Council for Trades and Occupations (QCTO). QCTO was established with a strong resolute to consolidate the occupational qualifications within the OQF (Occupation Qualification Framework).

We are working closely with our sector skills planning in analysing scarce and critical skills directives in order for us to develop and recommend occupational qualifications that will address the shortage of skills and competency levels within the sector and the country at large. Consequent to this exercise, LGSETA has applied to be a Development Quality Partner (DQP) for the following Occupational Qualifications:

Occupation	Status
Fire Fighter	Confirmed DQP process in advance stage
Electrical	Confirmed DQP process in advance stage
Water Process Controllers and related occupations	Initial meeting with stakeholders conducted.
Property Valuers	Application Stage
Disaster Risk Management	Application Stage
Waste Management and Environmental Practice	Application Stage

The ETQA will continue with its quality assurance functions for the current crop of qualifications or legacy qualifications as they are now known. The good news is that SAQA has extended reregistration of the current qualification to allow easy transition to QCTO.

Accreditation

During the reporting period LGSETA ETQA experiences a jittery phase for the new emerging providers, this was rightfully the case under the transitional phase. However we have seen some gains in other provinces like Limpopo, Mpumalanga and the Free State. There was also an influx of providers seeking accreditation on Municipal Financial Management and Waste and Environmental Practices.

In the year under review LGSETA issued **207** providers accreditation certificates.

Providers Accredited from April 2011 to March 2012 Per Province

Eastern Cape	10
Free State	10
Gauteng	23
Kwa-Zulu Natal	5
Limpopo	25
Mpumalanga	13
Northern Cape	1
North West	7
Western Cape	3

Learning Programme Evaluation

One of the mandates of ETQA is to approve learning programmes of providers coming from other ETQA's as well as extension of scope of constituent providers. In the year under review LGSETA approved **75** out of total of **86** applications for extension of scope from both constituent and non constituent providers. **11** applications were unsuccessful.

ETQA NAME	Referrals to other ETQAs from LGSETA		Request from other ETQA to LGSETA		Totals	
	2010/2011	2011/2012	2010/2011	2011/2012	2011	2012
AGRI-SETA	2	1	3	6	5	7
CONSTRUCTION SETA	5	3	3	4	8	7
CHIETA	2	-	3	-	5	-
ETDPSETA	7	25	26	15	33	40
HWSETA	3	15	5	10	8	25
ISSET SETA	4	6	4	8	8	14
SERVICES SETA	8	10	15	5	23	15
TETA	2	3	4	10	6	13
UMALUSI	5	10	12	9	17	19
W & R SETA	4	-	4	-	8	-
FASSET	2	5	6	2	8	7
ENERGYSETA	2	-	2	-	4	-
MERSETA	1	2	3	1	4	3
PSETA	-	3	-	1	-	4
CATHSETA	2	2	4	2	6	4
BANKSETA	-	0	-	1	-	1
FPMSETA	-	-	-	1	-	1
TOTAL	49	85	94	75	143	160

3. Assessors and Moderators

In the year under review, LGGSETA ETQA has seen a definite upward trend in the registration of assessors and moderators in Gauteng, Mpumalanga and Kwa Zulu Natal and a decline in some provinces. A total of 335 assessors were registered nationally, and there has been a decline in the total number of registered assessors as compared to the previous year.

Comparison of Assessor Registration 2010/2011 and 2011/2012

Province	2010/2011	2011/2012
Eastern Cape	17	17
Free State	35	19
Gauteng	148	172
Kwa-Zulu Natal	40	61
Limpopo	20	12
Mpumalanga	9	14
Northern Cape	4	1
North West	11	8
Western Cape	54	38
Total	338	335

Comparison of Moderator Registration 2010/2011 and 2011/2012

Province	2010/2011	2011/2012
Eastern Cape	14	13
Free State	14	9
Gauteng	92	89
Kwa-Zulu Natal	3	23
Limpopo	15	14
Mpumalanga	4	8
Northern Cape	5	3
North West	5	10
Western Cape	12	7
Total	160	176

There has been a 10% increment of the overall moderator registration

4. Quality Assurance on Learner Achievement

The term “**quality assurance**” is an umbrella term that covers a number of facets of the quality of provision. In order to focus on quality assurance of learner achievement, the term verification is used. Therefore a function of the **ETQA** is to give formal recognition to provider’s assessment and related procedures which lead to the issuing of certificates. A total number of **71** verifications of learner achievements were conducted nationally as follows:

VERIFICATIONS

NAME OF PROVINCE	NUMBER OF VERIFICATION VISITS
Eastern Cape	9
Free State	4
Gauteng	35
KwaZulu-Natal	9
Limpopo	3
Mpumalanga	2
North West	4
Northern Cape	3
Western Cape	2
Total	71

5. Certification

Most providers have acquired Learner Management Systems (LMS) and as a result there has been an increased number of learners upload which has resulted in the ETQA issuing 9068 Statement of Results on various qualifications, Unit Standards, Learnership and Skills Programmes. This has assisted the ETQA in being able to issue 453 full learner qualification certificates.

6. Monitoring and Evaluation

The purpose of monitoring visits is to assess whether the services provided by the accredited providers meets required standards. Monitoring of providers through quality assurance is an ongoing process, it provides the opportunity to identify trends, determine corrective action and also assist the ETQA to plan capacity building that addresses the needs of the providers and ensure that they get the best service.

In the current financial year LGSETA ETQA managed to monitor 308 out of 504 providers nationally which is 61% of total accredited providers, this includes induction of Learnership, monitoring of provisionally accredited providers, secondary providers, fully accredited providers, Learnership implementation and support to:

- ensure that homogeneous standards for compliance among constituent providers are adhered to,
- assist the providers on provisional accreditation with regards to attaining LGSETA compliance toward full accreditation.

7. Capacity Building

As it has become our culture, we spared no effort to maintain a high level of development and support for our constituent and aspiring providers. We have put in place initiatives that seek to change how we conduct ourselves and completely change the mindset and the direction of the skills development arena. Capacity building workshops were held in all the provinces which benefited all our providers.

In the year under review the LGSETA ETQA has trained a number of assessors and moderators to increase the pool of practitioners in critical focus areas like fire fighter, environment and waste management qualifications.

8. Stakeholder Relations

LGSETA ETQA works closely with other Setas to forge MOU's in instances where priority strategic areas are a common factor.

WESSA as our ISOE have partnered with LGSETA for the development of Learning Programmes in Environmental and Waste Management Qualifications

LGSETA ETQA has formed a successful relationship with Professional Property Valuers Association of South Africa; this will also yield results in respect of the development of Property Valuers occupational qualifications which will be developed in the coming year to address shortages of Property Valuers in the sector more especially in municipalities.

LGSETA has forged strong working relationship with National Treasury in ensuring that the officials in municipalities such as Municipal Managers, Chief Financial Officers among others achieve their milestone on minimum competency levels as required by their Act.

SAESI as a professional body in assisting LGSETA to develop Fire Fighter Occupational Qualification which will be recommended to QCTO for SAQA registration in the next year.

9. IMPACT ASSESSMENT:

A number of unemployed youth who have gone through some of our programmes, in collaboration with Learnership division, have been gainfully employed or others have started their own businesses, Pikitup for example has absorbed 60% of the unemployed graduates that have gone through some our programme in Waste Management.

Our Municipal Finance programmes have contributed greatly to the governance development in municipalities, and we have assisted the municipal officials to meet the minimum competencies as required by National Treasury

The successful implementation of ward councillor induction programme was run throughout the country this will ensure that the councillors understands their roles and responsibilities during their term of office and do their work effectively and efficiently.

Our Municipal Integrated Development Programmes have been a driving force towards assisting municipalities in proper planning. Our expectation is that this will go a long way improve service delivery in the country.

ETQA in collaboration with other units in the organisation strives to transform the local government sector and improve service delivery.

Learning Programmes



Learning Programmes Manager - LGSETA
R Du Plessis

Introduction

Sector Education and Training Authorities (SETA's) in terms of Section 10 of the Skills Development Act, Act no.97 of 1998 as amended are required to implement its Sector Skills Plan by establishing and promoting learning programmes. Learning Programmes in terms of the Skills Development Act as amended includes a learnership, an apprenticeship, a skills programme and any other prescribed learning programme which includes a structured work experience component.

The LGSETA implements its sector skills plan amongst others by -

- Establishing learning programmes;
- Promote learning programmes by -
 - a) identifying workplaces for practical work experience;
 - b) supporting the development of learning materials;
 - c) improving the facilitation of learning; and

d) assisting in the conclusion of agreements for learning programmes;

- Register agreements for learning programmes.

In ensuring that meaningful effect is given to the aforementioned mandate, learning programmes are aligned to the following strategic priority areas;

1. Infrastructure and Service Delivery
2. Financial Viability
3. Management and Leadership Development
4. Community Based Participation and Planning
5. Adult Education and Training (AET)
6. Workplace Training Systems.

The LGSETA supports a range of learning programmes to address the six (6) strategic priority areas through Discretionary Grant Funding. Discretionary Grant funding allocated for the implementation of learning programmes are disbursed in one of two ways;

(i) *Directly to Municipalities*

The LGSETA has an established process where Municipalities are invited annually to apply for Discretionary Grant funding through a Declaration of Intent (DOI). To be considered for such funding, applications are evaluated against set criteria which includes amongst others;

- i. Submission of Annual Training Report
- ii. Submission of workplace skills plan
- iii. That the application for discretionary is aligned to the workplace skills plan
- iv. That the Workplace vetting report which is undertaken by Provincial LGSETA offices supports the application
- v. That the municipality was able to execute discretionary grant funded projects successfully previously.

(ii) *Projects initiated and implemented by LGSETA*

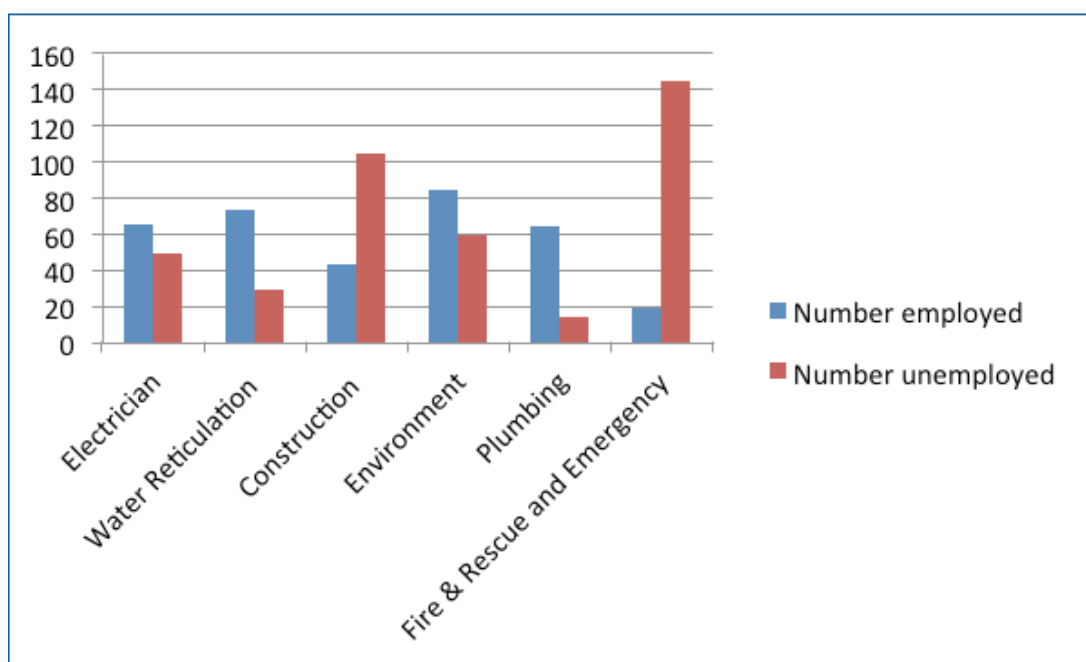
The LGSETA would initiate and manage projects for the benefit of Municipalities under the following circumstances;

- i. The learning programme is a green field's project. (The learning programme is new and untested but shows great potential in benefiting local government);
- ii. Learning programmes are of a large scale nature that is, all (majority) municipalities in the country will benefit from the learning intervention and better rates can be negotiated for training based on economies of scale;
- iii. Municipalities experience great difficulty implementing learning programmes due to a number of reasons including procurement of providers etc.

1. Infrastructure and Service Delivery

Local Government is beset with challenges related to Infrastructure Development and Service Delivery broadly. The Local Government SETA therefore allocates a large portion of its discretionary grant to support learning interventions which aims to enhance the improvement of Infrastructure Development and Service Delivery.

The LGSETA supported 34 Municipalities to implement training on various learning programmes classified as infrastructure and service delivery during the 2011/12 financial year through direct funding to Municipalities. The graph below show the main areas in which support was requested by Municipalities under this priority area during the year under review as well as the split between employed and unemployed. Municipalities have shown great interest in training unemployed learners in Fire and Rescue as well as construction related areas which includes bricklaying and road construction.



1.1 Artisan Development

The Local Government SETA has committed itself to contribute to the goals agreed in the National Skills Development Accord. With a shortage of Artisans in Electrical and Plumbing trades in Municipalities it is important that the LGSETA support Municipalities initiatives to develop Artisans. The LGSETA have continued supporting Artisan Development in partnership with the Development Bank of South Africa (DBSA) during the year under review. The LGSETA also register apprenticeship agreements from the respective Municipal Training Centres. The LGSETA is in process of accrediting Municipal Training Centres in Cape Town, Ethekwini and two in Gauteng viz. Ekurhuleni and the erstwhile Premos now Tshwane Leadership and Management Academy. During the year under review the LGSETA registered 552 Apprentices and Certificated 267 with the Department of Higher Education and Training.

1.2 Social Housing

With a Housing need in South Africa estimated to be over 1,2 million households and with households currently living in informal settlements and backyard shacks there is an urgent need to address this problem. Housing policies including for example the Housing Act, the National Subsidy Programme, the Housing Code and Governments policy have been introduced to start addressing this problem. These policy changes also increased municipalities mandate to meet this housing need.

Municipalities have in most cases strived to meet this challenge by putting in place internal processes, reorganizing departments and recruiting dynamic staff. But the pace of change and complexity of the challenge to be addressed has left many Municipalities struggling to improve housing delivery.

A need was identified for a targeted intervention that will develop existing skills. With limited training programmes available to housing officials and none that are occupationally directed, the LGSETA entered an agreement with the University of Johannesburg who entered an agreement in turn with Shisaka Development Management Services to develop and implement a support programme to increase the capacity and effectiveness of municipal government officials, so as to improve the delivery of housing.

The LGSETA supported the delivery of twelve short learning programmes which have successfully been concluded during the year under review. The target for this programme was 122 officials and 179 officials were reached in total, this means that the programme exceeded its target by 46% with the same funding.

2. Financial viability

Government introduced a number of initiatives aimed at improving the Financial Viability of Municipalities in the country. The LGSETA have been supporting these programmes both by providing Discretionary Grants directly to Municipalities or through managing programmes Nationally.

2.1 Municipal Finance Management Training

The Municipal Regulations on Minimum Competency Levels, Gazette 29967, 15 June 2007 require Municipal officials to meet certain minimum competency requirements. The competencies address financial, supply chain, managerial, occupational skills and Higher Education Qualification (HEQ) requirements.

The Local Government Sector Education Training Authority (LGSETA) supported National Treasury since 2009 by ensuring that Municipal Officials are able to access training with accredited Training Providers. The LGSETA provided financial support to Higher Education Institutions in line with a partnership arrangement with these Institutions in rolling out training to municipal officials that needs to meet the Minimum Competency levels as prescribed by National Treasury viz. that identified categories need to meet minimum competency requirements in the four categories below:

1. Financial and supply chain management competencies, as prescribed in the Regulations
2. Core managerial and occupational competencies, as described in the Municipal Performance Regulations issued in terms of the Municipal Systems Act
3. Higher education qualification at NQF Level 6 or a Certificate in Municipal Financial Management
4. Minimum five years work experience at a senior management level

The Local Government SETA during the 2008/09 financial year started supporting learners who have enrolled with WITS University. The initial phase of pilot studying was done with WITS who also gained the first accreditation against this programme with LGSETA. Since the inception of the programme to date the LGSETA supported a total of 672 municipal officials and councillors to complete this programme.

In the latter part of the 2009/10 financial year the LGSETA extended support to other Institutions viz. University of Fort Hare, Stellenbosch, University of North West and Nelson Mandela Metropolitan University. The LGSETA is supporting a total of 350 Municipal Officials from the respective regions to meet minimum competency levels. It is envisaged that the current projects will come to an end by the end of December 2012.

2.2 Local Government Accounting Certificate (LGAC) and Local Government Advanced Accounting Certificate (LGAAC)

The LGSETA is proud to have been a key partner of the Association of Accounting Technicians on the LGAC since 2009 and from late October 2011 on the Local Government Advanced Accounting Certificate. The programme's objectives are to support the Department of Co-operative Governance efforts in terms of "Operation Clean Audit", to improve the skills of the individuals undertaking this programme and, as a result, to ultimately improve service delivery.

The LGSETA has entered its fourth phase of roll-outs, following the LGSeta's Board approval to the training of a further 500 LGAC and 500 LGAAC municipal officials respectively in October 2011. The fourth phase of the programme has been rolled out in the Eastern Cape; Free State; Gauteng; Kwa-Zulu Natal; Limpopo and the Western Cape. The targeted officials are those at entry level whose opportunities for learning have been limited in the past.

The initial roll-out of the LGAC was a pilot programme in Gauteng being supported by the Gauteng Provincial Government with 200 learners with a resulting 12% competency rate. A number of lessons were learnt since and as the table below illustrates the competency rates have since improved significantly during the period 2010-2012.

PROVINCE	Initial intake	Graduates	% graduates
Gauteng	130	95	86%
Limpopo	197	114	58%
Kwa-Zulu Natal	366	247	68%
Western Cape	303	262	86%
Free State	250	175	70%
Northern Cape (Pixely ka Seme District only)	85	33	39%
Eastern Cape	250	143	57%
Mpumalanga	300	189	63%
North West	300	191	63%
Total	2961	1808	61%

There are various testimonies relating to the difference which this intervention has made in improving the efficiency of a number of Finance Departments which is a confirmation that investment is made in the right places.

3. Management and Leadership

The year under review was a very important one for the LGSETA and the country as we witnessed another Democratic Local Government elections taking place. The LGSETA supported a few programmes to enhance management and leadership in Local Government in addition to inducting councillors into their new roles.

The LGSETA completed its third phase of support on the SALGA / UJ Municipal Governance programme. During the 2011/12 financial year the LGSETA funded 185 municipal officials that have successfully completed the programme.



UJ Municipal Governance participants sitting for 2011 exams

4. Adult Education and Training (AET)

Low literacy levels in our country and amongst Municipal employees are of concern to the LGSETA.

The LGSETA was privileged to also assist people with disabilities to access ABET programmes as the table below indicates. The table below presents the number of learners registered by the LGSETA during the year under review on the various ABET levels.

	Number of employees	People with Disabilities
ABET Level 1	606	57
ABET Level 2	255	22
ABET Level 3	195	5
ABET Level 4	218	2
Total	1274	86

The LGSETA intends to increase its efforts in the new financial year by implementing a AET programmes for Local Government officials.

5. Workplace Training Systems

5.1 Occupational Directed Education and Training Development Practices (ODETDP)

The National Certificate and Diploma: Occupationally Directed Education and Training Development Practices has been identified as key qualifications for Skills Development Facilitators as this provide Skills Development Facilitators(SDF's) and Human Resource Development(HRD) Practitioners in Municipalities with a comprehensive set of knowledge and skills to fulfil their functions.

During the year under review, the LGSETA financially supported SDFs and HRD practitioners from Municipalities from the following Provinces to complete various ETD Qualifications. The success rate on these qualifications varied from Provinces to Province.

Province	Number of Officials Registered
Eastern Cape	65
Western Cape	42
Gauteng/North West	243
Mpumalanga/Limpopo	105
Free State	60
Kwa Zulu Natal	135

5.2 Workplace Assessors and Coaches

The LGSETA also support Municipal Officials with training interventions which allows them to become skilled and qualified Assessors and Coaches to support workplace learning. Training for workplace assessors and coaches were done for 60 Municipal Officials from the Eastern Cape Province during the year under review.

Sector Skills Planning



Sector Skills Planning Manager - LGSETA
J Davies

Introduction

In terms of the Skills Development Act, each SETA is obliged to develop a Sector Skills Plan (SSP) and annual updates for submission to both Dept of Cooperative Governance and the Dept of Higher education and training. In addition to the development and implementation of the sector skills plan, the Sector Skills Planning Dept within the LGSETA has the following Key Performance areas:

1. To maximize participation in the levy grant and skills development system by employers in the sector – this includes skills development facilitator support, and the evaluation of workplace skills plans and annual training reports
2. Strategic Planning and research for the LGSETA, including the development and updating of the sector skills plan
3. Monitoring the performance of the sector and the LGSETA in relation to the implementation of the National Skills Development Strategy
4. Management of discretionary grants, and the identification of strategic projects

1. Maximizing participation in the levy grant and skills development system by employers in the sector:

Skills Development Facilitator (SDF) Support:

Each municipality in the local government sector nominates a fulltime employee of the municipality to act as a Skills Development Facilitator (SDF) who works closely with the Local Labour Forum (LLF) subcommittee on training and human resources development. The LGSETA convenes provincial SDF forums quarterly. The SDF forums provide a direct link between the LGSETA provincial structures and the SDFs. The forums are used both for information sharing and dissemination, and for SDF training and support, including training in the content and objectives of the National Skills Development Strategy, the scarce skill guidelines for the sector and the planning, the implementation of training within local government and career guidance within the sector.

SDF forums by province:

Province	No. of SDF's Attended
Gauteng	29
Limpopo	98
Mpumalanga	68
Kwa-Zulu Natal	72
Western Cape	36
North West	22
Northern Cape	80
Free State	79
Eastern Cape	24
TOTAL	508

Workplace Skills Plan and Annual Training Report submissions:

The LGSETA has a consistently high submission rate of both Workplace Skills Plans (WSP) and Annual Training Reports (ATR) from municipalities. During the course of 2011/2012 the total number of municipalities in the country declined from 283 municipalities to 278 municipalities due to consolidation arising from the redemarcation process. 273 out of 278 municipalities submitted their WSP/ATRs by 30 June 2011, being a 98% submission rate.

WSP and ATR submissions by Province 2011 - 2012: (table)

Province	Category A Metro	Category B Local	Category C District	Total
Gauteng	3	7	2	12
Limpopo	0	25	5	30
Mpumalanga	0	18	3	21
Kwa-Zulu Natal	1	50	10	61
Western Cape	1	24	5	30
North West	0	19	4	23
Northern Cape	0	26	5	31
Free State	0	20	4	24
Eastern Cape	2	33	6	41
Total Submissions	7	222	44	273

The LGSETA encourages municipalities and skills development facilitators to integrate skills planning into the municipal Integrated Development Plan (IDP) and to align the WSP with the IDP objectives. Training in the sector should be planned to support achieving the objectives within each municipal key performance area.

Each WSP and ATR is evaluated against a range of criteria, and written feedback on the evaluation process is communicated to each municipality. The WSP/ATRs are evaluated by LGSETA staff and key provincial stakeholders, including provincial SALGA representatives, provincial Dept of Co-operative Governance officials and organised labour.

Further to the evaluation process, the LGSETA is working closely with the SA Local Government Bargaining Council (SALGBC) to strengthen the Human Resource/ Training subcommittee component of the Local Labour Forums (LLFs), to enable the LLFs to fulfil their workplace monitoring functions regarding both skills planning and implementation more effectively.

Workplace training systems table:

Province	Levy Compliance	Training Committees /skills development committee	HRD Policies	Signed WSP/ ATR	WSP/ATR submission 2011-2012
Gauteng	12	9	9	5	12
Limpopo	30	28	18	26	30
Mpumalanga	21	18	12	15	21
Kwa-Zulu Natal	61	30	32	39	61
Western Cape	30	30	23	22	30
North West	23	16	13	10	23
Northern Cape	31	30	13	26	31
Free State	24	23	13	18	24
Eastern Cape	41	39	29	27	41
Totals	273	223	149	188	273

The table above shows the level of development of workplace training systems within municipalities, as illustrated by compliance with levy payments, existence and signature of Local Labour Forum on the WSP/ATR, and human resource policies.

2. Strategic Planning and research for the LGSETA:

Sector Skills Plan:

The LGSETA reviewed its Sector Skills plan in terms of the requirements of the National skills development Strategy III (NSDS III) and the Dept of Higher Education and Training. The Sector Skills Plan 2011 – 2016 has been aligned with both NSDS III , and with the Local Government Turn Around Strategy and Outcome 9 of the government priority areas being : “A responsive, accountable, effective and efficient local government system “ . The Sector Skills Plan has been developed to realise the LGSETA strategic outcome: “ a skilled and capable workforce supporting a responsive, accountable, efficient and effective local government system”

Scarce and critical skills for the sector were updated. The Sector Skills plan has been conditionally approved by the Dept of Higher Education and training. The Sector Skills Plan forms the basis for the LGSETAs strategic plan. Further to the Sector Skills Plan review conducted by the DHET, the LGSETA commissioned Prof Pundy Pillay to review and suggest ways of strengthening the Sector Skills Plan.

The University of Stellenbosch was commissioned by the LGSETA to compile councillor profiles and training needs information of all the newly elected councillors. The profiles and skills needs of some 4 000 councillors was analysed.

Research was conducted in four provinces, and provincial reports were compiled. The provincial reports cover the structure of the sector within each province, and identify provincial training priorities. They are updated annually.

3. Management of Discretionary Grants

The LGSETA discretionary grant focus areas are aligned to the priority areas of the Local Government turn Around strategy and the municipal Key performance Areas. The discretionary grant is used to support the implementation of the Sector Skills Plan.

The LGSETA discretionary grant is designed to assist with developing the skills profile within the sector in areas which are directly linked to the DCoG identified priority areas for local government. There is a particular focus on infrastructure and service delivery, municipal finance and municipal leadership and governance.

Discretionary Grant Strategic Focuses Areas:

Strategic Priority Area:	Project Name:	Mode of delivery:
Infrastructure and service delivery	<ul style="list-style-type: none"> • infrastructure asset maintenance • labour intensive construction (EPWP) • electricity reticulation • water services • roads 	<ul style="list-style-type: none"> • RPL • Learnership • Skills programme • Internship • Bursary • Apprenticeship
Financial viability	<ul style="list-style-type: none"> • property valuation • audit and procurement • municipal finance 	<ul style="list-style-type: none"> • RPL • Learnership • Skills programme • Internship • Bursary
Community based participation and planning	<ul style="list-style-type: none"> • Ward committees • Planning • IDPs • LED 	<ul style="list-style-type: none"> • RPL • Learnership • Skills programme • Internship
Management and leadership	<ul style="list-style-type: none"> • Councillors • Municipal Leadership Development 	<ul style="list-style-type: none"> • RPL • Learnership • Skills programme
Workplace Training Systems	<ul style="list-style-type: none"> • Training Committees • Local Labour Forums • Stakeholder capacity building • SDF training 	<ul style="list-style-type: none"> • Skills programmes
ABET	<ul style="list-style-type: none"> • Municipal Employees 	<ul style="list-style-type: none"> • Structured learning

Discretionary grant funded strategic projects:

Strategic projects are those which are sector wide in their implementation and are responding directly to a local government policy imperative, the achievement of which is being impeded by a lack of skill in the sector. They are most often implemented in partnership with a national department, national agency or statutory body.

Councillor Induction Programme:

The LGSETA provided financial support to the South African Local Government Association (SALGA) to implement the councillor induction programme for all newly elected councillors. The training was conducted countrywide, and was attended by 7 498 councillors between July and September 2011.

Department of Water Affairs

The LGSETA in partnership with the Dept of Water Affairs is implementing training (learnerships) and recognition of prior learning for 2 000 water and waste water operators and process controllers employed in municipalities nationally. The training will assist municipalities to achieve “Blue Drop” and “Green Drop” status and will facilitate the registration of process controllers. Three training providers have been appointed to train in municipalities country wide. The Gauteng phase of the training has been concluded (approximately 200 learners). Training commenced (1 795 learners) in all other provinces in February 2011, and will conclude in June 2012.

Department of Public works

The LGSETA in partnership with the Dept of Public Works is training municipal officials in Labour Intensive Construction (skills programme). The training is aimed at municipal officials who have the responsibility for the design and supervision of labour intensive projects being implemented through the Expanded Public Works Programme and the Municipal infrastructure Grants. Training commenced in February 2011 for 1 200 municipal officials, and concluded in February 2012.

South African Local Government Bargaining Council (SALGBC)

Labour Relations within the local government sector is a key strategic theme of the Local Government Turn Around strategy. The LGSETA has entered into a partnership with the SALGBC to train shop stewards and local labour forum members in municipalities in an attempt to foster sound and harmonious workplace relationships, and to improve the functioning of the local labour forums. The training also covers the organizational rights agreement for the sector. Training commenced in March 2011. By March 2012, 2 173 local labour forum members had been trained across all provinces and all municipalities. In addition to the training, manuals and guidelines were developed and distributed.

Municipal training Institute: Northern Cape

The Municipal training Institute (MTI), based at Sol Plaatjie municipality is a joint initiative between the Northern Cape Provincial government and SALGA in the Northern Cape. MTI was established to support the training and capacity needs of local government in the Northern Cape. The LGSETA has made a grant available to MTI to train 585 municipal employees in the Northern Cape in technical skills over a two year period. The grant was approved in mid 2011. 139 people had been trained by end March 2012

4. Financial viability

4.1 South African Council for the Property Valuers Profession (SACPVP):

The 2011/12 SSP review demonstrated a lack of capacity within the sector to implement the Municipal Property Rates Act. Consequently, the LGSETA approved a discretionary grant funded project to be implemented in conjunction with the SACPVP and DPLG to contribute to increasing municipal capacity in this area. The programme comprises of Bursary and Internship Schemes. Currently, a Bursary Scheme is suspended due to the fact that UNISA has withdrawn its support for the programme. An amount of R 7,5m has been committed to this project over a three year period. This amount will provide bursaries for 50 students p.a. (150 bursaries over 3 years) and internships for 100 students over 3 years.

4.2 Institute of Municipal Finance Officers (IMFO)

The Institute of Municipal Finance Officers was contracted to administer bursaries and internship schemes. The focus of these schemes was informed by the inadequately qualified internal audit personnel in municipalities. An amount of R 7,900, 000. 00 has been committed to this project over a three-year period. This amount will provide bursaries for 100 students and internships for 100 students per annum.

5. Infrastructure and Service Delivery

5.1 South African Institution for Civil Engineers (SAICE):

The 2011/12 SSP Review revealed a severe shortage within in the sector of suitably qualified engineers and engineering technicians, which affects the sectors capacity to deliver services. Consequently, funding was set aside for both bursaries and internships and SAICE was contracted to administer the project. The project has been running for 3 years and 60 engineering bursaries have been awarded to municipal employees wishing to further their studies in engineering (part time studies). During the year under review, a number of 25 students received a bursary whilst 15 interns were placed in the participating municipalities.

5.2 South African Council for Planners Bursary Scheme:

The 2011/12 SSP Review revealed a severe shortage of professional town planners within the sector, which obviously has an impact on service delivery. Consequently, funding was set aside for both bursaries and internships and South African Council for Planners (SACPLAN) was contracted to administer the project. A number of 30 students from four universities, namely: University of Venda, University of North West, Cape Peninsula University of Technology, University of Johannesburg and University of Kwazulu/Natal have benefited from the Bursary Scheme. The Internship Programme would be implemented in the 2012/13 financial year. An amount of R 2, 068, 000. 00 has been committed to this project over a two-year period.

5.3 Ichthyology Bursary Scheme

The Rhodes University was contracted to administer this bursary scheme. The focus of these schemes was informed by the inadequately qualified ichthyologists in municipalities. An amount of R 180 000. 00 was allocated to this project over a one-year period and a number of six students received funding to study for this programme.

5.4 Marine Resources Management Training

This training programme was implemented by Rhodes University and underpinned by the rationale that local government structures need to begin to play a more active role in the management and development of coastal and marine resources in their respective municipalities. The programme was aiming at building the capacity of local governance structures, namely: municipal officials, councilors and traditional leaders. During the year under review, an amount of R 813, 532.50 was allocated to this project and 64 delegates, i.e. municipal officials and traditional leaders were trained.

5.5 Local Government Network (LGNET)/Local Government Resource Centre (LGRC)

The LGRC powered by LGNET Phase II Training project started in September 2007. To date, three thousand nine hundred and sixty (3960) delegates have been trained on the LGRC powered by LGNET. The training has been on 'Applying principles of computerised systems to manage data and reports relevant to the public sector administration.' The above project is funded by LGSETA and initiated by the Development Bank of Southern Africa. Funded in the amount of R 4 950 000 by LGSETA during the 2011 -2012 period and administered by the DSA, the project will provide some 144 municipalities with basic information technology knowledge and skills.

5.6 Student –to-Government Programme and End-user Training (Information Technology Programme)

The insufficient number of the Information Technology professionals in the municipalities has been one of the areas of concern as it adversely affects the acceleration of service delivery in the local government sector. The South African Local Government Association, Local Government SETA, municipalities and other support agencies (PALAMA, Development Bank of Southern Africa and corporates) have conducted various studies and audits to identify the challenges at a local level and what kinds of skills, legislation and processes are required to enable better service delivery. One key finding from these studies is the need for better IT systems and for the more effective use of such systems. There were two projects funded by the LGSETA, namely: Student-to-Government and End-user training for the Municipal employees. The S2G Project is designed to address this skills deficit and to enable local municipalities to improve their systems, improve their use of IT and to employ and retain qualified IT specialists. For the year under review, the LGSETA has contributed R 1, 500 000.00 and 2571 end-user training delegates from 22 Municipalities have benefited from this intervention. Regarding the S2G project, a number of 26 students participated in the project and the curriculum was structured as follows:

- Life Skills;
- Microsoft Office Specialist/End-user Computing & Assessments;
- A + Essentials;
- A+ Practical Applications;
- Network+;
- Installing & Configuring Windows 7;
- Windows 7 & Enterprise Desktop Support;
- MCITP Enterprise Desktop Support Technician International Examinations

5.7 Association of Municipal Electricity Undertakings: Government Certificate of Competency:

The project is aiming at increasing the numbers of municipal technical employees who have the necessary potential to obtain a Government Certificate of Competency. An amount of R 426 987 has been granted by the LGSETA to the Association of Municipal Electricity Undertakings to fund 15 students (who are current municipal employees) for training which would enable them to achieve the Government Certificate of Competency (GCC).

6. Management and Leadership

6.1 Human Resources Development Bursary

The LGSETA has identified Human Resources Development as one of the scarce and critical skills in the Local Government Sector, which led to the approval of the Bursary Scheme in 2010. Currently, the focus is only on the municipal employees who are working the field of human researches development. For the year under review, a number of three municipal employees benefited from the scheme. An amount of R 45 000. 00 was disbursed to this project over a one-year period.

6.2 Parliamentary Research Internship

LGSETA is committed in assisting the graduates with the workplace experience through its internship programmes. For the year under review, two students through SALGA participated in the Parliamentary Research Internship funded by LGSETA. An amount of R 72 000.00 was allocated to this internship programme.

6.3 Joburg Zoo Internship

In further assisting students with workplace experience, the LGSETA has once more funded the Joburg Zoo to implement its internship programme. Twenty students from the following disciplines benefitted from the programme:

- Horticulture;
- Animal Health;
- Nature Conservation

During the year under review, an amount of R 720 000.00 was allocated to this Internship Programme.

7. Research conducted by the LGSETA

In terms of the Skills Development Act of 1998, a SETA is obliged to research and develop a Sector Skills Plan. For the year under review, the skills development research were conducted in all nine Provinces with an aim of ensuring that the LGSETA has relevant, up-to-date information about the local government sector. The scoping of research embedded on scarce and critical skills in the Municipalities. In addition to this, the research also focused on the difficulties faced by municipalities in implementing skills development programmes or projects within their workplaces in the local government.

LGSETA Consolidated Performance 2011/2012

GOALS / OUTCOME / OUTPUTS	TARGET	QRT 1	QRT 2	QRT 3	QRT 4	TOTAL	VARIANCE
4.2.1 LEARNERSHIPS WORKERS ENTERED							
BLACK MALE		193	44	24	583		
BLACK FEMALE		293	36	159	504		
WHITE MALE		20	-	-	22		
WHITE FEMALE		25	3	-	17		
PEOPLE WITH DISABILITIES		-	-	-	-		
YOUTH (Included in total)		254	14	89	381		
NON SA-CITIZENS		-	-	-	1		
TOTAL	1480	531	83	183	1126	1923	443
4.2.1 BURSARIES WORKERS ENTERED							
BLACK MALE		-	-	-	75		
BLACK FEMALE		-	-	-	100		
WHITE MALE		-	-	-	3		
WHITE FEMALE		-	-	-	3		
PEOPLE WITH DISABILITIES (Included in total)		-	-	-	-		
YOUTH (Included in total)		-	-	-	151		
NON SA-CITIZENS		-	-	-	-		
TOTAL	80	0	0	0	181	181	101
4.2.1 SKILLS PROGRAMMES WORKERS ENTERED							
BLACK MALE		73	1200	920	527		
BLACK FEMALE		70	798	555	244		
WHITE MALE		1	76	83	45		
WHITE FEMALE		7	45	35	24		
PEOPLE WITH DISABILITIES (Included in total)		-	6	6	3		
YOUTH (Included in total)		45	997	868	174		
NON SA-CITIZENS (Included in total)		-	6	6	3		
TOTAL	4200	151	2119	1593	840	4703	503
4.2.1 TOTAL WORKERS ENTERED							
BLACK MALE		266	1244	944	1185	3639	
BLACK FEMALE		363	834	714	848	2759	
WHITE MALE		21	76	83	70	250	
WHITE FEMALE		32	48	35	44	159	
PEOPLE WITH DISABILITIES (Included in total)		-	6	6	3	15	
YOUTH (Included in total)		299	1011	957	706	2973	
NON SA-CITIZENS		-	-	-	-	-	
TOTAL	5760	682	2202	1776	2147	6807	1047

GOALS / OUTCOME / OUTPUTS	TARGET	QRT 1	QRT 2	QRT 3	QRT 4	TOTAL	VARIANCE
4.2.1 LEARNERSHIPS WORKERS CERTIFICATED							
BLACK MALE		30	119	343	16		
BLACK FEMALE		9	132	127	20		
WHITE MALE		-	-	50	0		
WHITE FEMALE		-	-	5	0		
PEOPLE WITH DISABILITIES (Included in total)		-	-	-	0		
YOUTH (Included in total)		13	130	249	16		
NON SA-CITIZENS		-	-	-	-		
TOTAL	495	39	251	525	36	851	356
4.2.1 BURSARIES WORKERS CERTIFICATED							
BLACK MALE		-	-	-	-		
BLACK FEMALE		-	-	-	1		
WHITE MALE		-	-	-	-		
WHITE FEMALE		-	-	-	-		
PEOPLE WITH DISABILITIES		-	-	-	-		
YOUTH (Included in total)		-	-	-	-		
NON SA-CITIZENS		-	-	-	-		
TOTAL	27	0	0	0	1	1	-26
4.2.1 SKILLS PROGRAMMES WORKERS CERTIFICATED							
BLACK MALE		22	82	-	-		
BLACK FEMALE		36	10	-	-		
WHITE MALE		1	1	-	-		
WHITE FEMALE		7	1	-	-		
PEOPLE WITH DISABILITIES (Included in total)		-	-	-	-		
YOUTH (Included in total)		24	4	-	-		
NON SA-CITIZENS		-	-	-	-		
TOTAL	1400	66	94	-	-	160	-1240
4.2.1 LEARNERSHIPS UNEMPLOYED ENTERED							
BLACK MALE		16	247	43	177		
BLACK FEMALE		38	366	44	127		
WHITE MALE		-	-	-	-		
WHITE FEMALE		-	-	-	-		
PEOPLE WITH DISABILITIES (Included in total)		-	-	-	-		
YOUTH (Included in total)		54	613	87	249		
NON SA-CITIZENS		-	-	-	-		
TOTAL	-	54	613	89	304	1060	1060
4.2.1 INTERNSHIPS UNEMPLOYED ENTERED							
BLACK MALE		-	8	8	20		
BLACK FEMALE		-	10	10	30		
WHITE MALE		-	-	-	-		
WHITE FEMALE		-	-	-	-		
PEOPLE WITH DISABILITIES (Included in total)		-	-	-	-		
YOUTH (Included in total)		-	18	18	50		
NON SA-CITIZENS		-	-	-	-		
TOTAL	655	0	18	18	50	86	-569

GOALS / OUTCOME / OUTPUTS	TARGET	QRT 1	QRT 2	QRT 3	QRT 4	TOTAL	VARIANCE
4.2.1 BURSARIES UNEMPLOYED ENTERED							
BLACK MALE		7	5	5	57		
BLACK FEMALE		1	5	5	62		
WHITE MALE		-	6	6	4		
WHITE FEMALE		-	5	5	3		
PEOPLE WITH DISABILITIES (Included in total)		-	-	-	-		
YOUTH (Included in total)		8	19	19	126		
NON SA-CITIZENS (Included in total)		-	1	1	-		
TOTAL	70	8	21	21	126	176	106
4.2.1 SKILLS PROGRAMMES UNEMPLOYED ENTERED							
BLACK MALE		15	-	-	-		
BLACK FEMALE		31	-	-	-		
WHITE MALE		-	-	-	-		
WHITE FEMALE		-	-	-	-		
PEOPLE WITH DISABILITIES (Included in total)		-	-	-	-		
YOUTH (Included in total)		42	-	-	-		
NON SA-CITIZENS		-	-	-	-		
TOTAL	270	46	-	-	-	46	-224
4.2.1 TOTAL UNEMPLOYED ENTERED							
BLACK MALE		38	260	56	254		
BLACK FEMALE		70	381	59	219		
WHITE MALE		-	6	6	4		
WHITE FEMALE		-	5	5	3		
PEOPLE WITH DISABILITIES		-	-	-	-		
YOUTH (Included in total)		104	650	124	425		
NON SA-CITIZENS (Included in total)		-	1	1	-		
TOTAL	995	108	652	126	480	1366	371
4.2.1 LEARNERSHIPS UNEMPLOYED CERTIFICATED							
BLACK MALE		32	59	14	--		
BLACK FEMALE		46	68	5	-		
WHITE MALE		-	-	-	-		
WHITE FEMALE		-	-	-	-		
PEOPLE WITH DISABILITIES		-	-	-	-		
YOUTH		69	102	19	-		
NON SA-CITIZENS		-	-	-	-		
TOTAL	-	78	127	19	-	224	224
4.2.1 INTERNSHIPS UNEMPLOYED CERTIFICATED							
BLACK MALE		-	-	-	-		
BLACK FEMALE		-	-	-	-		
WHITE MALE		-	-	-	-		
WHITE FEMALE		-	-	-	-		
PEOPLE WITH DISABILITIES		-	-	-	-		
YOUTH		-	-	-	-		
NON SA-CITIZENS		-	-	-	-		
TOTAL	218	-	-	-	-	-	-218

GOALS / OUTCOME / OUTPUTS	TARGET	QRT 1	QRT 2	QRT 3	QRT 4	TOTAL	VARIANCE
4.2.1 BURSARIES UNEMPLOYED CERTIFICATED							
BLACK MALE		-	-	-	-		
BLACK FEMALE		-	-	-	-		
WHITE MALE		-	-	-	-		
WHITE FEMALE		-	-	-	-		
PEOPLE WITH DISABILITIES		-	-	-	-		
YOUTH		-	-	-	-		
NON SA-CITIZENS		-	-	-	-		
TOTAL	23	-	-	-	-	-	-23
4.2.1 SKILLS PROGRAMMES UNEMPLOYED CERTIFICATED							
BLACK MALE		85	-	36	-		
BLACK FEMALE		108	-	59	-		
WHITE MALE		-	-	-	-		
WHITE FEMALE		-	-	-	-		
PEOPLE WITH DISABILITIES		-	-	-	-		
YOUTH (Included in total)		69	-	75	-		
NON SA-CITIZENS		-	-	-	-		
TOTAL	90	193	-	95	-	288	198
4.2.1 TOTAL UNEMPLOYED CERTIFICATED							
BLACK MALE		117	59	50	-		
BLACK FEMALE		154	68	64	-		
WHITE MALE		-	-	-	-		
WHITE FEMALE		-	-	-	-		
PEOPLE WITH DISABILITIES (Included in total)		-	-	-	-		
YOUTH (Included in total)		138	102	94	-		
NON SA-CITIZENS		-	-	-	-		
TOTAL	331	271	127	114	-	512	181
4.2.2 TOTAL ARTISAN WORKERS ENTERED							
BLACK MALE		38	19	68	26		
BLACK FEMALE		1	1	1	9		
WHITE MALE		-	1	4	3		
WHITE FEMALE		-	-	-	-		
PEOPLE WITH DISABILITIES		-	-	-	-		
YOUTH (Included in total)		11	11	13	17		
NON SA-CITIZENS		-	-	-	-		
TOTAL	120	39	21	73	38	171	51
4.2.2 TOTAL ARTISAN WORKERS CERTIFICATED							
BLACK MALE		-	-	19	29		
BLACK FEMALE		-	-	6	10		
WHITE MALE		-	-	1	2		
WHITE FEMALE		-	-	-	-		
PEOPLE WITH DISABILITIES		-	-	-	-		
YOUTH (Included in total)		-	-	17	19		
NON SA-CITIZENS		-	-	-	-		
TOTAL	50	-	-	26	41	67	15

GOALS / OUTCOME / OUTPUTS	TARGET	QRT 1	QRT 2	QRT 3	QRT 4	TOTAL	VARIANCE
4.2.2 TOTAL ARTISAN UNEMPLOYED ENTERED							
BLACK MALE		57	84	47	92		
BLACK FEMALE		15	15	8	28		
WHITE MALE		17	5	5	7		
WHITE FEMALE		-	-	1	-		
PEOPLE WITH DISABILITIES		-	-	-	-		
YOUTH (Included in total)		89	98	56	109		
NON SA-CITIZENS		-	-	-	-		
TOTAL	450	89	104	61	127	381	-69
4.2.2 ARTISANS UNEMPLOYED CERTIFICATED							
BLACK MALE		41	25	38	26		
BLACK FEMALE		18	11	18	12		
WHITE MALE		-	4	1	9		
WHITE FEMALE		-	-	-	-		
PEOPLE WITH DISABILITIES		-	-	-	-		
YOUTH (Included in total)		6	35	52	44		
NON SA-CITIZENS		-	-	-	-		
TOTAL	150	58	40	57	47	202	52
4.6.1 CO-OPERATIVES							
TOTAL	390	-	-	-	439	439	49
4.6.3 NGO, CBO, CBC							
NGO		-	-	-	-	-	
CBO		-	-	-	-	-	
CBC		-	-	-	-	-	
TOTAL	20	-	-	-	-	-	-20
4.8 CAREER GUIDANCE							
LARGE FIRMS	8	-	-	7	-	7	-1
MEDIUM FIRMS	203	-	-	108	89	197	-6
SMALL FIRMS	39	-	-	24	16	40	1
TOTAL	350	-	-	208	300	508	158

*Performance Information for the 2011-2012 Financial Year
National Skills Development Strategy Objectives*

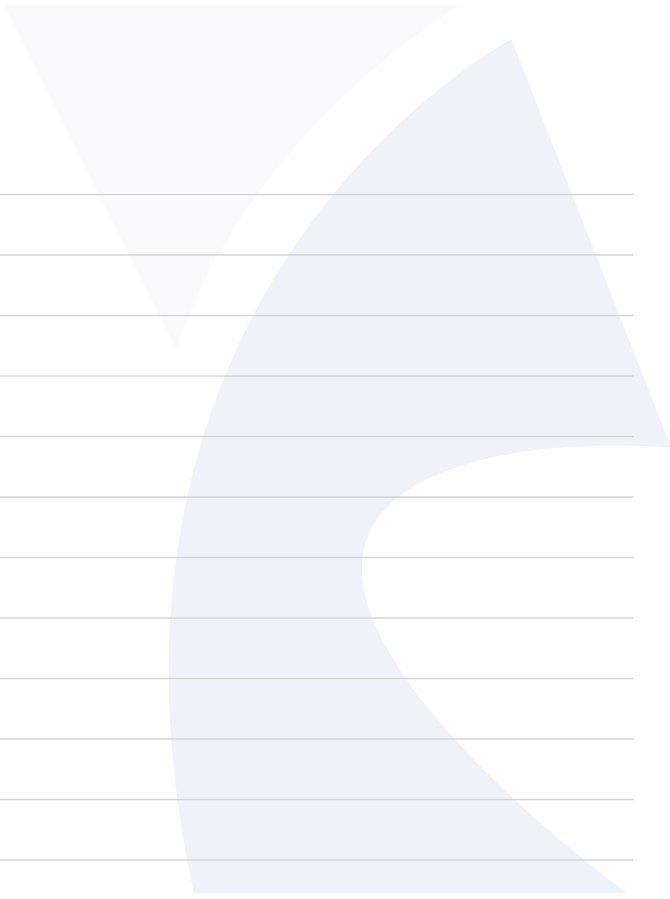
No	NSDS 2011 - 2012 Objectives	NSDS 2011 - 2012 Success Indicators, National Targets & Outcomes	SETA Plan for 2011 – 2012 Annual Targets and Outcomes	Achievements 2011 - 2012	Variance	Comments
1	1. Increasing access to occupationally -directed programmes	Indicator 4.2.1 Middle level skills needs are identified and addressed in all sectors. This includes skills attained through learnerships, bursaries and skills programmes. The category focuses on the workforce.	Target for the sector for the period: Entered 5760 Learners. Completions 1 922	6 807 learners entered structured learning programmes 1012 learners completed structured learning	+ 1047 learners Entered structured learning programs in excess of the 5760 target	The implementation of the learning programmes was a success, as most learners showed much interest in participating in such programmes. High drop-out rate was a challenge experienced in the completions of the programme
2	2. Increasing access to occupationally -directed programmes	Indicator 4.2.1 Middle level skills needs are identified and addressed in all sectors. This includes skills attained through learnerships, bursaries and skills programmes. The category focuses on the unemployed people.	Target for the sector for the period: Entered 995 Learners. Completions 331	1368 learners entered structured learning programmes 512 learners completed structured learning	+ 373 learners Entered structured learning programs in excess of the 995 target +181 learners completed structured learning	The implementation of the learning programmes was a success, as most learners showed much interest in participating in such programmes. A high number of learners completed the Skills Programmes during the time of reporting.
3	3. Increasing access to occupationally -directed programmes (targeting employed)	Indicator 4.2.2 10 000 artisans per year qualify with relevant skills and find employment.	The TARGET for the (employed) artisans: Entered 120 Completion 50	171 learners entered structured learning programmes 65 learners completed structured learning	+ 51 learners Entered structured learning programs in excess of the 120 target +15 learners completed structured learning	The implementation of the artisan programme was a success, as most learners showed much interest in participating in the programme. The programme has gained a momentum from the learners.

No	NSDS 2011 - 2012 Objectives	NSDS 2011 - 2012 Success Indicators, National Targets & Outcomes	SETA Plan for 2011 – 2012 Annual Targets and Outcomes	Achievements 2011 - 2012	Variance	Comments
4	4. Increasing access to occupationally -directed programmes (targeting unemployed)	Indicator 4.2.2 10 000 artisans per year qualify with relevant skills and find employment.	The TARGET for the (unemployed) artisans: Entered 450 Completion 150	171 learners entered structured learning programmes 65 learners completed structured learning	+ 51 learners Entered structured learning programs in excess of the 120 target +15 learners completed structured learning	The implementation of the artisan programme was a success, as most learners showed much interest in participating in the programme. The programme has gained a momentum from the learners.
5	5. Promoting the growth of a public FET college system that is responsive to sector, local, regional and national skills needs and priorities	Indicator 4.3.2 Partnerships between DHET, SETAs, employers, private providers and public FET colleges are resulting in increased capacity to meet industry needs throughout the country.	Not Applicable	Not Applicable	Not Applicable	Not Applicable
6	6. Addressing the low level of youth and adult language and numeracy skills to enable additional training	Indicator 4.2.2 A national strategy is in place to provide all young people leaving school with an opportunity to engage in training or work experience, and improve their employability	Not Applicable	Not Applicable	Not Applicable	Not Applicable

No	NSDS 2011 - 2012 Objectives	NSDS 2011 - 2012 Success Indicators, National Targets & Outcomes	SETA Plan for 2011 – 2012 Annual Targets and Outcomes	Achievements 2011 - 2012	Variance	Comments
7	7. Encouraging and supporting co-operatives, small enterprises, worker-initiated, NGO and community training initiatives	Indicator 4.6.1 Co-operatives supported with skills training and development expand and contribute to sector economic and employment growth	390 Co-operatives	439 Co-operatives	+49 Co-operatives in excess of the 390 target	A high of volume of co-operatives were given support
8	7. Encouraging and supporting co-operatives, small enterprises, worker-initiated, NGO and community training initiatives	Indicator 4.6.2 Partnership projects to provide training and development support to small businesses are established in all sectors and their impact reported on	Not Applicable	Not Applicable	Not Applicable	Not Applicable
9	8. Encouraging and supporting co-operatives, small enterprises, worker-initiated NGO and community training initiatives	Indicator 4.6.3 Worker, NGO and community -based education programmes are supported and their impact measured and reported on In the context of LGSETA, the acronym NGO would represent the traditional leadership institutions	Target for the sector for the period: 20	0	-20	No support was given to the traditional leadership.

No	NSDS 2011 - 2012 Objectives	NSDS 2011 - 2012 Success Indicators, National Targets & Outcomes	SETA Plan for 2011 – 2012 Annual Targets and Outcomes	Achievements 2011 - 2012	Variance	Comments
10	9. Building and vocational guidance	Indicator 4.8 Building career and vocational guidance	350 SDFs or Sector Skills Specialists	508 SDFs or Sector Skills Specialists	+158 SDFs or Sector Skills Specialists in excess of the 350 target	Career-guidance received a momentum amongst the SDFs or Sector Skills Specialists
12	10. Promoting and accelerating quality training for all in the workplace	Indicator 80% of large firms and at least 60% of medium firms' employment equity targets are supported by skills development.	The target for the large firms is 8 The target for the medium firms is 203	7 large firms 197 medium firms	-1 -6	There has been a decrease in the participation of the large firms in the promotion of skills development. There has been a decrease in the participation of the medium firms in the promotion of skills development
14	10. Promoting and accelerating quality training for all in the workplace	Indicator 40% of small levy paying firms supported and the impact of the support measured	The target for different number of small firms is 39 In the context of LGSETA, small firms will represent small local municipalities	40 small firms	+1	There has been an increase in the participation of the small municipalities in the promotion of skills development
15	Promoting a skills development system and architecture that effectively responds to the needs of the labour market and social equity	Indicator Training of youth and adults for the workplace and effective participation in society	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Notes



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Human Resources

Introduction

The LGSETA has taken a stance to reposition itself in alignment with the requirements of NSDSIII and other skills development related strategies. Like many other organisations, the LGSETA faces many challenges, however there is continued commitment to forge ahead to transform the SETA so that delivery on its mandate can be improved. In a continuous effort to strengthen the capacity and capability of the LGSETA to deliver on its mandate, a number of Human Resources initiatives highlighted in this section were introduced.

HR Policy Review

The LGSETA Policies are under review. These include the LGSETA code of conduct whose aim is to support good governance. In reviewing the policies care was taken to ensure alignment with new and amended legislation. In addition the policy review will provide an improved framework within which the Human Resources Management practices are managed.

Organisational Redesign

The LGSETA embarked on a journey to redesign its organisational structure. The aim of the organisational redesign is to establish an enabling organisational structure that supports internal process and efficiency and excellence in service delivery.

An LGSETA operating model that is focused on the customer, (municipalities), the product (skills development) and the delivery mechanisms was created. When completed the organisational redesign process will ensure that the LGSETA has the right skills mix and the capacity and capability to address the requirements as per LGSETA mandate.

Continuous consultation with all the relevant stakeholders is taking place as it is part and parcel of a participative process that ensures that everyone is kept abreast of any developments and decisions made.

Employee Relations

Employee Relations is concerned with maintaining employer-employee relationships that contribute to satisfactory productivity, motivation and morale. In an effort to improve employee relations, the LGSETA initiated interventions that included a culture and climate survey. A strong focus was placed on employees' individual personal issues and their perceptions of the LGSETA. The SETA will endeavour to continuously improve its relations with its employees

Disciplinary action and grievances

Staff was given the opportunity to unearth the past grievances. The objective of the exercise was to ensure that as new strategies are implemented staff are assisted to deal with baggage of the past and that they are ready to take the SETA forward. This process was successful in creating a platform for grievances to be managed. Although staff related challenges still remain it is believed that this process reduced the number of potential grievances.

Minimal disciplinary action was instituted amongst employees and in all instances amicable solutions were arrived at. It is within this context also that efforts are in place to establish a staff committee.

Employee Wellness

During the period under review, great strides were made to assist staff to deal with their day-to-day personal challenges. A few employees were referred for coaching, psychological and financial counselling. It is envisaged that in the new redesigned organisation, wellness will be a key focus.

Organisational culture

An organisational culture and climate survey was undertaken to establish employees' perceptions and experiences at the LGSETA and to put in place measures to build a culture of performance that is shared by all employees. Some of the findings were used in different areas as the basis to create a new LGSETA vision and strategy. There remain great opportunities to continuously improve on the present culture and Climate of the LGSETA.

Vision, Mission and Values

A holistic and integrated process of Strategic planning was undertaken. The process included strategic planning aligned with the objective of NSDS III and other related LGSETA goals. Amongst others the process resulted in a new vision, mission and values which will facilitate the creation of a shared vision amongst employees and stakeholders alike.

Staff Development

The LGSETA provided further study opportunities to staff through study loans, conference attendance, whereby two employees' were supported in their study visit to Singapore and India. It has been noted that more and more staff members capability of supporting the LGSETA to render a skills development service to the local government sector.

Staff Compliment

The total number of staff at the end of the financial year was 55 employees constituted as follows: 18 permanent and 30 fixed-term of which three are casuals and 7 temporary staff members.

Recruitment

Within the context of the organisational redesign exercise, a moratorium on filling vacant staff positions was put in place. The plan is to provide a platform to introduce the right skills mix for the SETA to build capacity

Renewal of Staff Contracts

Fixed term staff contacts were renewed from April 2012 to the end of March 2016 with an exception of a few that were intentionally created as short-term contracts. Contracts have been aligned with the SETA operating licence.

Communication with staff

Communication is a powerful tool that facilitates change and the establishment of good relations amongst employees. In the continuously changing SETA landscape the SETA found it necessary to beef-up its communication with staff. Communication took the form of teleconference, staff and management meetings and workshops. Relations and partnership established are valued to creating well-functioning organisation.

Marketing and Communications

Introduction

Pursuant to the implementation of the NSDS III, the Marketing and Communications unit continues to play a vital role in keeping all stakeholders well-informed on the LGSETA's Skills Development Interventions, its major achievements and notable events within the sector at large.

During the year under review, the unit has further supported the NSDS III in its endeavour to encourage and actively promote the integration of workplace training with theoretical learning through imperative collaborations comprising career development, exhibitions, and rural development campaigns.

The LGSETA's brand image was powerfully promoted through the creation of corporate banners, website upgrades and a broad range of promotional items designed to fulfil stakeholder requirements and to further enhance awareness of the LGSETA's service offerings.

On an internal basis, the Marketing and Communications unit has provided invaluable assistance in editing and preparing information supplied by relevant departments and is solely responsible for the design, layout, artwork and production of LGSETA's quarterly newsletter.

Publications

The following publications were produced in the year under review: Tabakgolo Quarterly Newsletter, brochures and information pamphlets and the SETA Handbook. These publications were designed and digitally distributed to relevant stakeholders and handed out at exhibitions to promote SETA qualifications.

Media Relations and Publicity

Advertisements of job vacancies, tenders and the SETA Profile were placed in the Star Newspaper and in The Sunday Times. An advertorial profiling the LGSETA and introducing the CEO also went to press.

Events Management and Stakeholder Support

An ongoing drive for exposure of the SETA is continually in progress. Showcasing LGSETA's service offerings, provided support and career opportunities. Information brochures and pamphlets were distributed at the following events:

- North-West Skills Summit
- Northern Free-State Career Expo
- Free-State (Xhariep District) Career Expo
- SALGA National Conference
- SAQA Skills Summit
- Ekurhuleni Career guidance
- IMFO Annual Conference
- DWA: Water and Wastewater Process Controller Launch and Graduation
- Jo'burg Zoo Youth Day celebration

Internship

An intern was recruited and successfully placed on a contractual basis to assist in Public Relation, Branding and Content Editing and coordination of exhibitions.

Strategy

The following strategies were successfully implemented:

- Media relations comprising of adverts and advertorials strategically positioned in the media.
- Corporate Identity manual enforced.

Conclusion

In essence, the Marketing and Communications success is highly dependent on constant involvement in stakeholders' relations and efficient communication both internally and externally. A number of aspects including the above mentioned can also be attributed to the efficient and effective functioning of this unit. Developing the right message for the right audience, Communicating through appropriate medium, Monitoring the consistency in the message communicated and following up on the impact of the messages.

The unit strives to keep abreast with the trends within similar sectors such that it responds to goal 4.8 of the NSDS III which states; Career paths are mapped to qualifications in all sectors and sub sectors and communicated effectively, to contribute to greater mobility and progression.

Provincial Reports

Introduction

The Local Government SETA has representation in all nine provinces with six established provincial offices operating under the leadership of a provincial manager. In addition, the structure provides for a co-ordinator, quality assessor and administrative support. Three of our offices namely KwaZulu-Natal, Free State/Northern Cape and Limpopo/Mpumalanga functioned with some vacancies in their respective offices during the year under review.

Province	Office Location	Number of Municipalities	Provincial Manager
Eastern Cape	East London	45	Patrick Nini
Free State and Northern Cape	Bloemfontein	56	Nohayaze Tladi
Gauteng and North West Province	Bedfordview	35	Ricky Ngwenya
KwaZulu-Natal	Durban	61	Sibusiso Kunene
Limpopo and Mpumalanga	Pretoria	51	Idani Kudzingana
Western Cape	Cape Town	30	Aneeka Jacobs

Provincial Offices play a variety of functions related to Sector Skills Planning, Quality Assurance and Learning Programmes. The interrelation between the line departments and Provinces necessitate synergy and co-ordination which is often difficult to manage and maintain. It is pleasing to note that Provincial Offices has relentlessly been working towards maintaining a visible presence and have tried to make a difference to stakeholders in the respective Provinces.

EASTERN CAPE

The Eastern Cape Office held 4 SDF Forums which was held quarterly as well as an Induction workshop which was held for new SDFs. The Office has been providing Municipalities with various capacity building support from Workplace skills plan to attending learnership meetings to provide guidance to Municipalities. Workplace vetting processes were actively undertaken by the Province to facilitate the Discretionary Grant funding process for the implementation of learning programmes in Municipalities.

The Eastern Cape in exercising Quality Assurance role has seen the accreditation of 8 new training providers and 26 Assessors. The Provincial Office cite as some of its highlights for the year under review the fact that the Province boast very knowledgeable Skills Development facilitators which the Office believe contributes a great deal to ensuring good submissions of WSPs and implementation of learning programmes. Furthermore, the hands on support given to Providers in Quality Assurance have seen the reduction of time it takes to achieve accreditation.

FREE STATE AND NORTHERN CAPE

The Office based in Bloemfontein serve both Free State and Northern Cape Provinces. During the year under review three(3) SDF Forums were held in each Province, which are very active and vibrant forums. Monitoring and Support was provided in the form of monitoring visits to Municipalities where guidance is provided. Support to providers was given in three(3) workshops which were conducted during the year under review. Workplace verification was undertaken to assess suitability of workplaces for the implementation of learnerships. Amongst the highlights reported by the province for the year is the graduation of the first Local Government Accounting Certificate learners to complete the learnership. The Moqhaka Municipality have also concluded a funding agreement with LGSETA and is currently running the biggest Adult Education and Training(AET) Programme for disabled learners in Local Government. The Free State/Northern Cape office actively participates in various forums and maintain good relations with stakeholders in both Provinces.

GAUTENG AND NORTH WEST

The office based at the head office in Bedfordview serves both Gauteng and North West Provinces. During the year under review SDF Forums were held on a quarterly basis in each Province. Monitoring and Support was provided in the form of monitoring visits to Municipalities where guidance is provided. Support to providers were given in five(5) Provider forum workshops held in Gauteng and four(4) in North West Province which were conducted during the year under review. The office held special meetings with Municipalities to provide support in the development of workplace skills plans. Workplace verification was undertaken to assess workplace readiness for the implementation of learnerships.

KWA ZULU NATAL

Kwa Zulu Natal have 61 municipalities which ranks it the Province with the most municipalities. With the larger part of the province rural there is a lot of emphasis in the province on rural development. The office experienced capacity problems following the demise of the Co-ordinator, Ms. Mlaba. The office convened three(3) SDF Forums during the year under review.

Monitoring and Support was provided to Municipalities with a number of capacity building workshops provided to assist with the development of Workplace skills plans. The Office was involved in the collaboration agreement signed between FETs and SETAs as well as the launch of Wildlife Environment Society of South Africa (WESSA) as an Institute of Sectoral Occupational Excellence(ISOE).

LIMPOPO AND MPUMALANGA OFFICE

The Office which is based in Pretoria serves both Limpopo and Mpumalanga Provinces. The Office convened four(4) SDF Forums in Mpumalanga and three(3) in Limpopo as well as one(1) Inter-provincial forum.

Monitoring and capacity building support has been provided to both Municipalities and Providers in the provinces through monitoring and verification visits. Workplace vetting was undertaken to assess and evaluate the suitability of workplaces for the establishment of learning programmes. Training Committee Members induction workshops were held at District level during the year. Three workshops took place to induct new Skills Development Facilitators. The Office have actively been participating in a number of skills development structures and steering committees established in the Province. A number of Learning programmes have been overseen by the Office in the Provinces which has been initiated directly by the LGSETA this includes the water, IDP and LED Learnerships.

The Province witnessed a number of learners graduating during the year under review including the graduation of Local Government Accounting Certificate learners.

WESTERN CAPE

The Western Cape Office reported to have held five(5) SDF and four(4) Provider forums during the year under review. Monitoring and capacity building support is continuously provided to both Municipalities and Providers in the provinces through monitoring and verification visits

The Office participates in a number of skills development structures and steering committees established in the Province. A number of Learning programmes have been overseen by the Office in the Provinces which has been initiated directly by the LGSETA this includes the water, IDP and LED Learnerships.

The Province reported the graduation of the first Local Government Accounting Certificate learners which was held on 23 July 2011 and City of Cape Towns Artisan project as some of the highlights during the year under review.



Acting CFO - LGSETA
N Vallabh

Introduction

The mandate of the Finance and IT Department is to plan, execute and efficiently manage the finances of the LGSETA to ensure that the assets of the organisation are properly managed, safeguarded and that a fair and transparent procurement system is implemented in terms of the LGSETA policy and applicable legislation.

In streamlining the objectives of the Finance and IT Department, the Finance and Remuneration Committee plays an important role in ensuring effective and transparent control over the financial processes and procedures which have been implemented to ensure that the finances of the LGSETA are efficiently managed. The committee has met three times during the 2011/2012 financial year.

Revenues

The skills development levy income increased by 30.5% compared to previous year. This increase is due

mostly to the payroll increase in the local government sector. The LGSETA recorded a surplus of R334 thousand in the current year;

Administration Expenditure

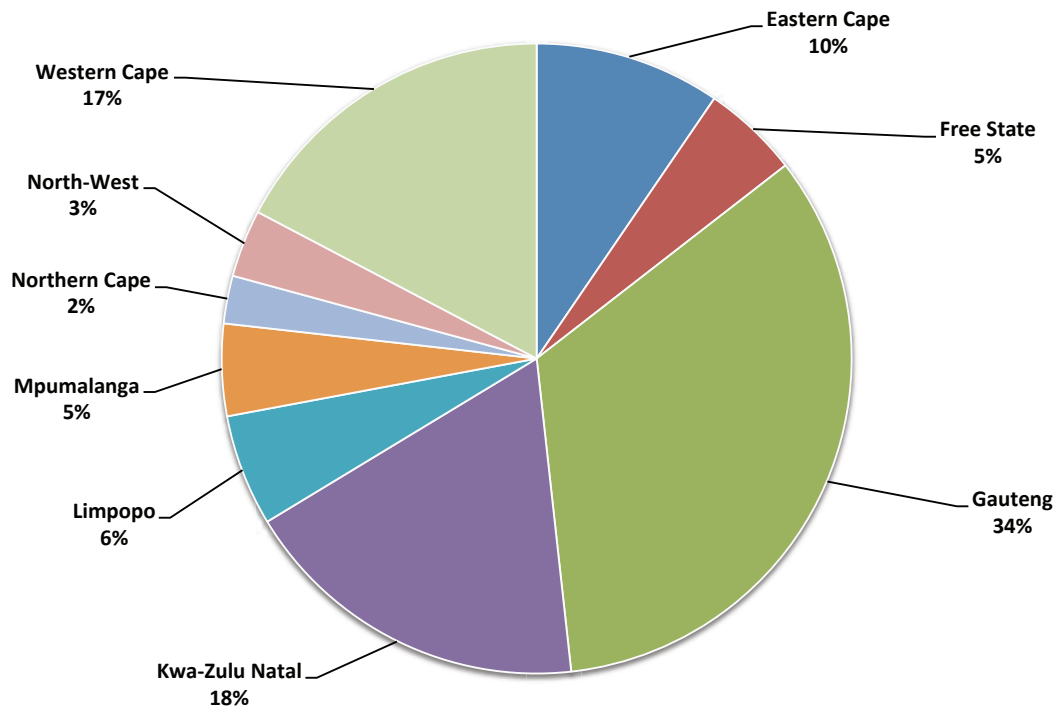
The administration expenditure increased by 24.9% to R39.7 million compared to R31 million in the previous year. Total administration levy income for the year is R45.2 million. Our administration costs are within the regulated 10% mark furthermore the LGSETA was left with a surplus of R3.4 million.

Employer grants and project expenses

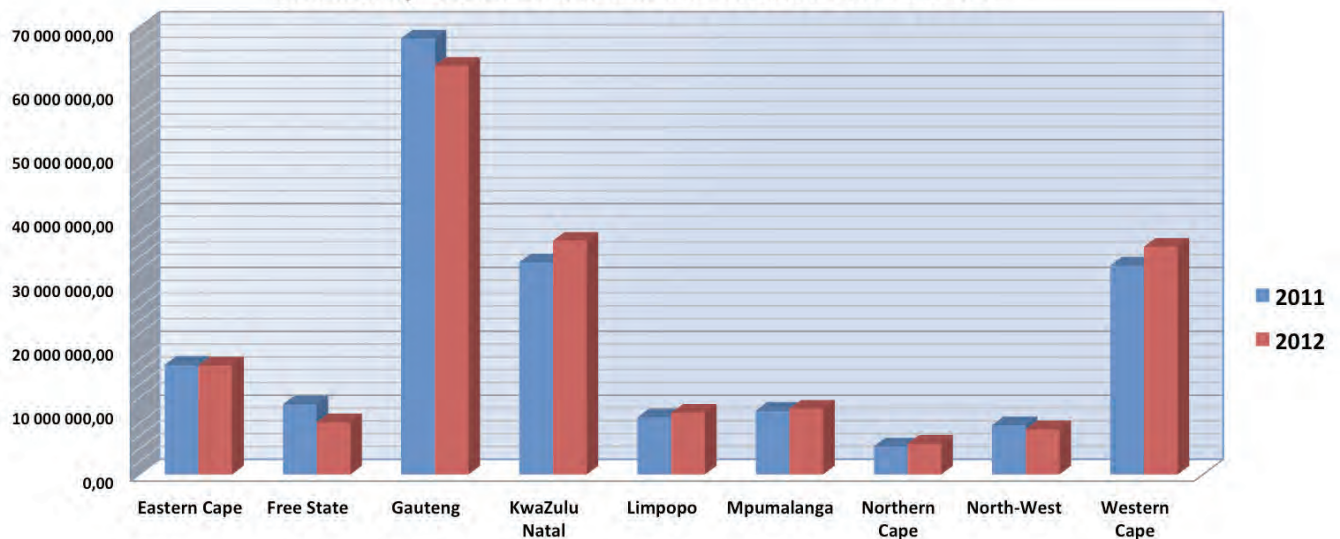
Mandatory grants of R212.8 million were paid out to employers who have complied by submitting their Workplace Skills Plans and Annual Training reports. The participation rate is at 98% of compliance. In the previous year R166.6 million mandatory grants were disbursed for 98% submission of workplace skills plan.

The LGSETA disbursed R 126.2 million in discretionary grants for identified sector initiatives and training on critical and scarce skills. This represents an increase of 14% compared to the previous year expenditure of R 110.4 million.

Levy Income By Province - Levy Period 2011-2012



Mandatory Grants Disbursed Per Province 2011 vs 2012



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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Local Government Sector Education and Training Authority (LGSETA) set out on pages 55 to 88, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority responsibility for the financial statements

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

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Commitments

4. Due to the entity's failure to provide supporting documentation and explanations, I was unable to obtain sufficient appropriate audit evidence to confirm the existence, valuation and completeness of discretionary grants reserve commitments stated at R129,707 million in note 23.1 to the financial statements.

In addition, a difference of R56,972 million was noted between discretionary grants commitments approved and contracted by the accounting authority, as disclosed in note 23.1 to the financial statements, and the related commitments listing. No explanations were provided for this difference. I was again unable to confirm the valuation and completeness of discretionary grant reserve commitments in the financial statements. Consequently, I was unable to determine whether any adjustments to the discretionary grants commitments balance were necessary.

Provision for employee bonus

5. I was unable to obtain sufficient appropriate audit evidence for the provision of R3 300 000 as disclosed in note 19 to the financial statements. The provision was made for employee bonuses. I was unable to confirm the valuation and completeness of this provision by alternative means.

Irregular expenditure

6. The public entity did not include particulars of irregular expenditure in the notes to the financial statements as required by section 55(2)(b)(ii) of the PFMA. The public entity made payments in contravention of the supply chain management legislation, which were not included in irregular expenditure note, resulting in irregular expenditure being understated by R39 454 983 (2011: R13 004 040).
7. Performance bonuses relating to the 2009-10 financial year were paid to the employees of the public entity. This expenditure was not approved as required by section 53(4) of the PFMA. This constituted irregular expenditure, the particulars of which were also not included under the irregular expenditure in the notes to the financial statements, resulting in irregular expenditure being understated by an additional R1 020 576.

Budget reconciliation

8. The public entity did not accurately disclose the approved budget amount in the financial statements in accordance with Standards of Generally Recognised Accounting Practice, GRAP 1 paragraph 11. Consequently, budget revenue is understated by R5 409 000, budget expenses are understated by R27 242 000 and budget surplus is overstated by R21 833 000.

Aggregation of immaterial uncorrected misstatements

9. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position and the statement of financial performance and the notes to the financial statements:
 - Skill development levy income as disclosed in note 3 to the financial statements reflected as R335 006 000 is understated by R136 170.
 - Employee cost as disclosed in note 7 to the financial statements reflected as R21 320 000 is overstated by R723 526.
 - Prepayments and advances as disclosed in note 11 to the financial statements reflected as R0 are understated by R179 488.
 - Trade and other payables from non-exchange transactions as disclosed in note 17 to the financial statement reflected as R15 146 000 are understated by R170 094.
 - Trade and other payables from exchange transactions as disclosed in note 18 to the financial statement reflected as R3 679 000 are understated by R152 893.
 - Operating lease as disclosed in note 23.2 to the financial statement reflected as R4 423 000 is understated by R1 316 529.

In addition, we were unable to obtain sufficient appropriate audit evidence and were unable to confirm or verify the following elements by alternative means:

- Skill development grants payable reflected as R912 408 in the note 16 to the financial statements.
- Accruals reflected as R329 341 in the note 18 to the financial statements.

As a result, we were unable to determine whether any adjustments to these elements were necessary.

Disclaimer of opinion

10. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Additional matter

Material inconsistencies in other information included in the annual report

11. Paragraph 5 of the accounting authority's report, which relates to the audit committee, internal control and risk management, states that the internal auditors monitor and reviewed internal control, irregular expenditure will be dealt with and internal auditors are preparing this report. This is inconsistent with the fact that LGSETA did not have an internal audit function during the financial year under review.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

13. The annual performance report was not presented for audit and consequently my findings below are limited to the procedures performed on the strategic planning and performance management documents.

14. The information was assessed to determine whether performance indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant, as required by the National Treasury's Framework for managing programme performance information.

15. The material findings are as follows:

Usefulness of information

Measurability

16. The National Treasury's Framework for managing programme performance information (FMPPI) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 100% of the targets relevant to NSDS III Goal 4.2: Increasing access to occupationally directed programmes were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles

Compliance with laws and regulations

17. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the General Notice issued in terms of the PAA, are as follows:

Risk assessment

18. Contrary to the requirements of Treasury Regulation 27.2.1, the accounting authority did not conduct a risk assessment to identify the emerging risks of the public entity.

Internal audit

19. The accounting authority did not ensure that the internal audit function was established, as required by section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulations 27.2.2.

Procurement and contract management

20. Goods and services with a transaction value of between R10 000 and R500 000 were procured without obtaining written price quotations from at least three different prospective providers as required by Treasury Regulation 16A.6.1 and Practice Note 8 of 2007-08.
21. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids as required by Treasury Regulation 16A.6.4 and Practice Note 8 of 2007-08.

Expenditure management

22. LGSETA did not take effective and appropriate steps to prevent irregular and fruitless and wasteful expenditure, as required by sections 51(1)(b) and 57(1)(c) of the PFMA, respectively.

Internal control

23. I considered internal control relevant to my audit of the financial statements, report on predetermined objectives and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the report on predetermined objective and the findings on compliance with laws and regulations included in this report.

Leadership

24. Ongoing monitoring and supervision, undertaken to enable management to determine whether internal controls over financial and performance reporting are present and functioning, were not adequate, which resulted in material misstatement of the financial statements, non-submission of the annual performance report for audit purposes and non-compliance with laws and regulations.
25. Controls to ensure compliance with procurement laws and regulations have not been designed and implemented effectively, resulting in poor risk management and increased exposure to possible irregular and fruitless and wasteful expenditure.
26. The accounting authority did not ensure that the entity has sufficient human resources in the finance unit, including the chief financial officer (CFO), to plan, manage and report on its performance against predetermined objectives.

Financial and performance management

27. Management did not have an adequate record-keeping system to ensure that information was available when required for audit review. Delays were experienced in providing information required for audit and in most cases no explanations could be provided for non-submission of information requested. In the procurement and discretionary grants environment, some of the requested information could not be provided at all.
28. Management did not implement controls over daily and monthly processing and reconciliation of transactions relating to disclosure notes and performance information, resulting in material adjustments to the financial statements and non-submission of the annual performance report.
29. Compliance with laws and regulations was not reviewed and monitored, with the result that the entity did not comply with applicable laws and regulations.

Governance

30. Appropriate risk management activities were not performed to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored.
31. Based on a number of repeat findings in the current year, the accounting authority, other governance structures and management did not appropriately address identified internal control deficiencies and non-compliance with laws and regulations reported in the prior year.
32. The accounting authority and management did not expedite the appointment of the internal audit service provider. As a result, there was no internal audit function to review and advise management on the adequacy of existing internal controls which were proven to be inadequate given the significance of the audit findings reported.

Auditor-General

Pretoria

31 July 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

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REPORT OF THE ACCOUNTING AUTHORITY

Responsibilities of the Accounting Authority

The Accounting Authority is responsible for the preparation and presentation of financial statements that are relevant and reliable, the integrity of the information contained therein, the maintenance of effective control measures, compliance with relevant laws and regulations and the related financial information contained elsewhere in this annual report.

General review of the state of affairs

The skills development levy income increased by R82.9 million which is 30.5% compared to prior year. This increase is due to the payroll increase in the local government sector and the improved levy collections by the South African Revenue Services in 2012.

The LGSETA recorded a surplus of R334 thousand in the current year, This is due to the increase in the levy compared to the prior year.

The mandatory grant of R213 million represents an increase of 28% as compared to prior year. Discretionary grants disbursement at R126 million represents an increase of 14% over the previous year.

Going Concern

The Annual Financial Statements for the year ended 31 March 2012 have been prepared on the going concern basis. The LGSETA has been re-established for five years by the Minister of Higher Education and Training until 31 March 2016.

Corporate Governance

As a public entity, the LGSETA is governed by the provisions of the PFMA. The LGSETA has generally performed in terms of the required standards. The LGSETA has complied with the PFMA in maintaining an effective and efficient Audit Committee. The LGSETA has furthermore complied with the principle of corporate governance through its EXCO, MANCOM and all the other policy committees.

As required by National Treasury Regulation 28.1.5 the LGSETA developed a Materiality and Significance Framework to articulate the meaning of the concepts "materiality" and "significance" for purposes of certain events as defined in the Treasury Regulations and the PFMA.

Audit Committee

Reports on the activities and the findings of the Audit Committee are submitted to the Accounting Authority and has complied with the terms stated in its Terms of Reference. The Audit committee was effective for financial year under review. The Report of the Audit Committee is included separately in the Annual Report.

The internal auditors have the responsibility to monitor and evaluate the implementation of prescribed procedures and have direct access to the office of the CEO, the Audit Committee and management.

Internal control and risk management

Internal control focuses on critical risk areas identified by management, and reviewed by the Audit Committee and accordingly evaluated by the internal auditors. The management of the financial affairs of the LGSETA is being overseen by the Finance and Remuneration Committee and quarterly reports are submitted to the Board.

The lack of dedicated CFO has affected the internal controls and segregation of duties within the finance department. This is an urgent matter to be dealt with by the Accounting Authority.

Irregular expenditure as identified in note 24 of the financial statements will be dealt with. The internal auditors are preparing a report and this matter will be finalised in the new financial year.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 REPORT OF THE ACCOUNTING AUTHORITY

Disclosure of Remuneration in accordance with Treasury Regulation 28.1, section 55 of the PFMA

Remuneration was paid to the two independent members of the Accounting Authority appointed by the minister of Higher Education and Training. Costs incurred for travel and accommodation are borne by the LGSETA when members attend official meetings or conduct business on behalf of the LGSETA. Members of the Audit Committee are paid an attendance allowance as approved by the Accounting Authority.

The remuneration of the Chief Executive Officer and management is included in the Accounting Authority Report in accordance with Treasury Regulation 28.1, section 55 of the PFMA and disclosed in the table below.

The audited Annual Financial Statements have been prepared and approved in terms of section 51(1) (f) of the Public Finance Management Act (PFMA), No 1 of 1999 by the Accounting Authority at its meeting held on 29 May 2012.

	Basic Salary R'000	Travel Allowance R'000	Performance Bonus R'000	Med Aid* R'000	Provident Fund* R'000	Group Life* R'000	Total 2011/12 R'000	Total 2010/11 R'000
Chief Executive Officer	901	-	51	-	114	42	1 108	995
Chief Financial Officer - Acting	506	-	40	22	81	23	672	605
Learning Programme Manager	544	28	39	27	94	27	759	628
ETQA Manager	570	84	20	15	87	24	800	647
Skills Planning Manager	605	45	25	24	94	26	819	711
Provincial manager: Western Cape	521	60	-	-	45	25	651	393
Provincial manager: Kwa-Zulu Natal	465	20	31	28	74	21	639	591
Provincial manager: Eastern Cape	539	60	33	19	70	19	740	602
Provincial manager: Pretoria (Cluster)	482	48	32	-	70	19	651	515
Provincial manager: Free State (Cluster)	497	30	31	-	78	22	658	518
Provincial manager: Gauteng (Cluster)	496	60	31	23	50	19	679	578
TOTAL	6 126	435	333	158	857	267	8 176	6 783
Meeting Allowance								
Ministerial Appointees	15	-	-	-	-	-	15	-
Ministerial Appointees	15	-	-	-	-	-	15	-
TOTAL	6 141	435	333	158	857	267	8 191	6 783

* Company Contributions

The Annual Financial Statements for the year ended 31 March 2012, set out on pages 53 to 84 have been approved by the Accounting Authority on 29 May 2012 and are signed on their behalf by:



D M Nkosi - Chairperson



E N Nkosi - CEO

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2012

	Note	2011/12 R'000	2010/11 R'000
REVENUE			Restated
Non-exchange revenue		359 528	274 533
Skills Development Levy: income	3	355 006	272 092
Skills Development Levy: penalties and interest	4	4 522	2 441
Exchange revenue			
Investment income	5	19 495	20 382
Total revenue		379 023	294 915
EXPENSES			
Non-exchange transactions		(339 042)	(276 931)
Employer grant and project expenses	6	(339 042)	(276 931)
Exchange transactions			
Administration expenses	7	(39 647)	(31 742)
Total expenses		(378 689)	(308 673)
NET SURPLUS/(DEFICIT) FOR THE YEAR	2	334	(13 758)

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	Note	2011/12 R'000	2010/11 R'000
ASSETS			
Non-current assets		3 402	4 299
Property, plant and equipment	8	2 399	2 979
Intangible assets	9	1 003	1 100
Investments	10	-	220
Current assets		370 771	385 679
Prepayments and advances	11	-	372
Trade and other receivables from non-exchange transactions	12	1 659	1 507
Trade and other receivables from exchange transactions	13	2 895	2 422
Inventories	14	426	340
Cash and cash equivalents	15	365 791	381 038
TOTAL ASSETS		374 173	389 978
LIABILITIES			
Current liabilities		42 852	58 990
Skills Development Grants payable	16	20 727	53 420
Trade and other payables from non-exchange transactions	17	15 146	294
Trade and other payables from exchange transactions	18	3 679	5 276
Provision	19	3 300	-
Total liabilities		42 852	58 990
Net assets		331 322	330 988
NET ASSETS			
Administration reserve		3 402	4 037
Discretionary reserve		327 920	326 951
Total net assets and liabilities		331 322	330 988

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STATEMENT OF CHANGES IN NET ASSETS AS AT 31 MARCH 2012

Notes	Administration reserve R'000	Employer grant reserve R'000	Discretionary reserve R'000	Unappropriated surplus /(deficit) R'000	Total R'000
Restated bance at 1 April 2010	3 532	-	341 214	-	344 746
Allocation of net deficit per statement of Financial Performance as restated	2 253	3 425	(19 436)	13 758	-
Net deficit	-	-	-	(13 758)	(13 758)
Excess reserves transferred to Discretionary reserve	(1 748)	(3 425)	5 173	-	-
Restated Balance at 31 March 2011	4 037	-	326 951	-	330 988
Net surplus per Statement of Financial Performance	-	-	-	334	334
Allocation of net surplus per statement of Financial Performance	5 545	8 910	(14 121)	(334)	-
Excess reserves transferred to Discretionary reserve	(6 180)	(8 910)	15 090	-	-
Balance at 31 March 2012	3 402	-	327 920	-	331 322

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CASH FLOW STATEMENT AS AT 31 MARCH 2012

	Note	2011/12 R'000	2010/11 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating activities			
Cash receipts from stakeholders		359 342	274 260
Levies, interest and penalties received	3 & 4	359 342	274 260
Cash paid to stakeholders, suppliers and employees		(393 712)	(312 156)
Grants and project payments		(371 198)	(279 899)
Compensation of employees		(18 466)	(16 515)
Payments to suppliers and others		(4 048)	(15 742)
<i>Cash (utilised in) / generated from operations</i>	20	(34 370)	(37 896)
Interest received	5	19 335	21 006
Net cash inflow/(outflow) from operating activities		(15 035)	(16 890)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8 & 9	(520)	(1 435)
Proceeds from disposal of property, plant and equipment and investment	8 & 10	308	168
Net cash (outflow)/inflow from investing activities		(212)	(1 267)
Net increase in cash and cash equivalents		(15 247)	(18 157)
Cash and cash equivalents at beginning of year		381 038	399 195
Cash and cash equivalents at end of year	15	365 791	381 038

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

1.2 Judgements made by management

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

In the application of the LGSETA's accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

1.3 Revenue

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

1.3.1 Skills Development Levy (SDL) Income

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

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

80% of skills development levies are paid over to the LGSETA (net of the 20% contribution to the National Skills Fund).

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

	2011/12	2010/11
Administration costs	10%	10%
Mandatory grants	50%	50%
Discretionary grants and projects	20%	20%
	<u>80%</u>	<u>80%</u>

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

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

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

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

1.3.2 Recognition

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

National Skills Fund, Government grants and donor funds

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

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

1.3.4 Investment income

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

1.4. Grants and project expenditure

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

1.4.1 Mandatory grants

The mandatory grant payable and the related expenditure are recognised when the employer has submitted an application for a grant in the prescribed format within the legislated cut-off period and the application has been approved as the payment then becomes probable. The grant is equivalent to 50% of the total levies paid by the employer during the corresponding financial period for the skills planning and annual training report grants. (2010/11 : 50%).

1.4.2 Discretionary grants

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

1.4.3 Project expenditure

Project expenditure comprise:

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

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

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

1.5 Irregular and fruitless and wasteful expenditure

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

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

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

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

1.6 Property, plant and equipment

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

- | | |
|---------------------------------|--------------|
| - Computer equipment | 3 - 7 years |
| - Computer software | 3 - 12 years |
| - Office furniture and fittings | 5 - 20 years |
| - Office equipment | 5 - 15 years |

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The estimated useful life of the assets are limited to the remaining period of the license issued to the LGSETA by the Minister of Higher Education and Training. For the current year the remaining period is 4 years (2011: 5 years). Residual values and useful life of assets are re-evaluated on an annual basis.

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

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

1.7 Intangibles

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

1.8 Inventories

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

1.9 Leasing

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

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

1.10 Retirement benefit costs

The LGSETA provides for retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pension Funds Act, 1956 as amended. In terms of the Pension Funds Act, the fund is not required to be actuarially valued. Contributions are at a rate of 27% of pensionable emoluments of which members contribute 7%. The LGSETA's contribution to the defined contribution plans is charged to the statement of financial performance in the year to which they relate.

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

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

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

1.11 Provision

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.11.1 Provisions for grants

Grant payments

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

Projects

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

1.12 Financial instruments

Recognition

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

Measurement

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

Financial assets

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

Investments and loans

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

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

Cost and amortised cost are inclusive of any impairment loss recognised to reflect irrecoverable amounts. The financial assets are subject to review for impairment at each reporting date.

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

Accounts and other receivables

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

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Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

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

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

Gains and losses on subsequent measurement

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

Derecognition

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

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

Offsetting

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

1.13 Reserves

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

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

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

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

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

- Employer grant reserve represents possible mandatory grants claims from newly registered employers that are eligible to submit their mandatory grants claims at year end in terms of the grants regulations.
- Discretionary reserve represents the excess of discretionary grants revenue over discretionary and projects expenditure and includes transfers from administration and mandatory grant reserve.

1.14 Related Parties

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

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

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

1.15 Commitments

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

1.16 Comparative figures

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2 ALLOCATION OF NET SURPLUS FOR THE YEAR TO RESERVES: 2011/12

	Total per statement of financial performance	Employer Grant Reserve			Discretionary reserve		
		Administration reserve	Mandatory grant	Discretionary Grants	Project Expenditure	Total discretionary	
<i>Total revenue</i>	379 023	45 192	221 772	92 564	19 495	112 059	
Skills development levy: income	45 192	45 192	-	-	-	-	
Admin levy income (10%)	309 814	-	221 772	88 042	-	88 042	
Grant levy income (70%)	1 936	-	-	1 936	-	1 936	
Skills development levy: penalties	2 586	-	-	2 586	-	2 586	
Skills development levy: interest	19 495	-	-	-	19 495	19 495	
Investment income							
<i>Total expenses</i>	378 689	39 647	212 862	31 115	95 065	126 180	
Administration expenses	39 647	39 647	-	-	-	-	
Employer grants and project expenses	339 042	-	212 862	31 115	95 065	126 180	
Net deficit per statement of financial performance allocated	334	5 545	8 910	61 449	(75 570)	(14 121)	

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2 ALLOCATION OF NET DEFICIT FOR THE YEAR TO RESERVES: 2010/11

	Total per statement of financial performance	Administration reserve	Employer Grant Reserve		Discretionary reserve		
			Mandatory grant		Discretionary Grants	Project Expenditure	Total discretionary
<i>Total revenue</i>	294 915	33 995	170 016	70 522	20 382	90 904	
Skills development levy: income							
Admin levy income (10%)	33 995	33 995	-	-	-	-	-
Grant levy income (70%)	238 097	-	170 016	68 081	-	68 081	
Skills development levy: penalties	1 824	-	-	1 824	-	1 824	
Skills development levy: interest	617	-	-	617	-	617	
Investment income	20 382	-	-	-	20 382	20 382	
<i>Total expenses</i>	308 673	31 742	166 591	15 990	94 350	110 340	
Administration expenses	31 742	31 742	-	-	-	-	-
Employer grants and project expenses	276 931	-	166 591	15 990	94 350	110 340	
Net surplus per statement of financial performance allocated	(13 758)	2 253	3 425	54 532	(73 968)	(19 436)	

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	2011/12 R'000	2010/11 R'000
3 SKILLS DEVELOPMENT LEVY INCOME		
Levy income: Administration	45 192	33 995
Levies received	45 192	33 995
Levies received	45 192	33 999
Interseta transfers out	-	(4)
Levy income: Employer Grants	221 772	170 016
Levies received	221 772	170 016
Levies received from	221 772	170 034
Interseta transfers out	-	(18)
Levy income: Discretionary Grants	88 042	68 080
Levies received	88 042	68 080
Levies received from	88 042	68 087
Interseta transfers out	-	(7)
	355 006	272 091
4 PENALTIES AND INTEREST		
	4 522	2 441
Skills Development Levy: penalties	1 936	1 824
Skills Development Levy: interest	2 586	617
5 INVESTMENT INCOME		
Investment income		
Interest received on bank accounts	17 012	18 054
Interest receivable	2 390	2 323
Fair value adjustments	93	5
	19 495	20 382

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	2011/12 R'000	2010/11 R'000
6 EMPLOYER GRANT AND PROJECT EXPENSES		
Mandatory grants	212 862	166 591
Disbursed	245 741	167 137
Movement in provisions and accruals	(32 879)	(546)
Discretionary grants	31 115	15 990
Disbursed	30 930	15 456
Movement in provisions and accruals	185	534
Project expenditure	95 065	94 350
Disbursed	95 065	97 306
Movement in provisions and accruals	-	(2 956)
	339 042	276 931
6.1 Project expenditure consist of:		
Direct project costs	95 065	94 350
	95 065	94 350
7 ADMINISTRATION EXPENSES		
Depreciation of Property Plant and Equipment	658	623
Amortisation of software	267	179
Loss/(gain) on disposal of property, plant and equipment	39	88
Operating lease rentals - Buildings	2 521	2 078
Maintenance, repairs and running costs	1 540	1 490
Property and buildings	905	834
Machinery and equipment	635	656
Advertising, marketing and promotions, communication	3 573	2 952
Conferences and workshops	1 079	564
Consultancy and service provider fees	2 317	1 810
Legal fees	212	204
Cost of employment	21 320	16 417
Travel and subsistence	2 834	1 774
Staff training and development	399	185
Remuneration to members of the audit committee	244	236
External auditor's remuneration - Audit Fees	1 924	1 634
Bad debts written off	-	60
Internal Audit Fees	77	803
General Operational Expenses	643	645
	39 647	31 742

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	2011/12 R'000	2010/11 R'000
7.1 Cost of employment		
Salaries and wages	18 659	13 822
Basic salaries	15 009	13 504
Performance awards	3 300	-
Leave payments	350	318
Social contributions	2 661	2 596
Medical aid contributions	496	497
Pension contributions: defined contribution plans	2 094	2 028
UIF	71	71
	21 320	16 417
Average number of employees	51	53

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

8 PROPERTY, PLANT AND EQUIPMENT

	Cost R'000	Accumulated depreciation/ impairment R'000	Closing carrying amount R'000
Year ended 31 March 2012			
Computer equipment	1 967	(1 147)	820
Office furniture and fittings	1 923	(959)	964
Office equipment	1 162	(547)	615
Balance at end of year - Owned Assets	5 052	(2 653)	2 399
Year ended 31 March 2011			
Computer equipment	2 148	(1 021)	1 127
Office furniture and fittings	1 909	(777)	1 132
Office equipment	1 223	(503)	720
Balance at end of year - Owned Assets	5 280	(2 301)	2 979

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Movement summary 2012

	Carrying amount 2011 R'000	Additions R'000	Disposals R'000	Depreciation charge R'000	Accumulated depreciation on disposals R'000	Carrying amount 2012 R'000
Computer equipment	1127	150	(331)	(346)	220	820
Office furniture and fittings	1132	29	(16)	(189)	8	964
Office equipment	720	171	(232)	(123)	79	615
Balance at end of year	2 979	351	(579)	(658)	306	2 399

Movement summary 2011

	Carrying amount 2010 R'000	Additions R'000	Disposals R'000	Depreciation charge R'000	Accumulated depreciation on disposals R'000	Carrying amount 2011 R'000
Computer equipment	1 261	283	(179)	(338)	100	1 127
Office furniture and fittings	906	401	(17)	(167)	9	1 132
Office equipment	811	27	-	(118)	-	720
Balance at end of year owned assets	2 978	711	(196)	(623)	109	2 979

9 Intangible Assets

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Year ended 31 March 2012

Computer software

Cost R'000	Accumulated amortisation/ impairment R'000	Closing carrying amount R'000
1 998	(995)	1 003

Year ended 31 March 2011

Computer software

1 828	(728)	1 100
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Movement summary 2012

Computer software

Carrying amount 2011 R'000	Additions R'000	Disposals R'000	Amortisation charge R'000	Accumulated Depreciation on disposals R'000	Carrying amount 2012 R'000
1 100	170	-	(267)	-	1 003

Movement summary 2011

Computer software

Carrying amount 2010 R'000	Additions R'000	Disposals R'000	Amortisation charge R'000	Accumulated Depreciation on disposals R'000	Carrying amount 2011 R'000
555	724	-	(179)	-	1 100

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	2011/12 R'000	2010/11 R'000
10 INVESTMENTS		
Old Mutual Money Market		
Opening carrying amount	-	166
Disposals	-	(171)
Fair value adjustments	-	5
Closing carrying amount	-	-
Listed Shares - Old Mutual		
Opening carrying amount	220	220
Additions	-	-
Disposals	(308)	-
Fair value adjustments	88	-
Closing carrying amount	-	220
Total Investments	-	220

The Skills Development Act Regulations states that a SETA may, if not otherwise specified by the Public Finance Management Act, invest the moneys in accordance with the investment policy approved by the relevant SETA. The above investments are in contravention of the PFMA and have been liquidated. These investments are classified at fair value through profit and loss.

Treasury Regulation 31.3 requires that, unless exempted by the National Treasury, the SETA as a public entity that are listed in Schedule 3A of the Act must invest surplus funds with the Corporation for Public Deposits.

	2011/12 R'000	2010/11 R'000
11 PREPAYMENTS AND ADVANCES		
Prepaid Expenses	-	371
Amounts paid in advance in respect of office rental.		
12 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Skills development levy debtors	1 659	1 507
Overpayment to employers		
<i>Mandatory Grants overpaid</i>		

The overpayments arose due to SARS retrospective adjustments.

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	2011/12 R'000	2010/11 R'000
13 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	2 895	2 422
Sundry debtors	6	6
Deposits	150	88
Interest receivable	2 390	2 323
Other	349	5
14 INVENTORIES		
Opening carrying amount	340	54
Amounts utilised	(340)	(54)
Inventory	426	340
	426	340
15 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	89 565	119 580
Cash at bank	89 558	119 575
Cash on hand	7	5
Short term investments/instruments	276 226	261 458
Cash and cash equivalents at end of year	365 791	381 038

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

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

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

16 SKILLS DEVELOPMENT GRANTS PAYABLE

	Mandatory Grants R'000	Discretionary Grants R'000	Discretionary Grants - Projects R'000	2011/12 R'000	2010/11 R'000
Open carrying amount	51 944	564	912	53 420	56 388
Amounts utilised	(51 944)	(564)	(912)	(53 420)	(56 388)
Change in estimate	19 065	750	912	20 727	53 420
Closing carrying amount	19 065	750	912	20 727	53 420
Non-current	-	-	-	-	-
Current	19 065	750	912	20 727	53 420
Total	19 065	750	912	20 727	53 420

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		2011/12 R'000	2010/11 R'000
17	TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
SARS Payables (provision)		238	238
Inter- SETA		-	56
Levies received in advance		136	-
Levy overpayment SARS		14 772	-
		15 146	294
18	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
		3 679	5 276
Service provider fees outstanding		2 319	2 385
Accruals		329	1 714
Staff Leave and bonus		1 031	1 177
19	PROVISIONS		
	Employee Perf Bonus provision R'000	2011/12 R'000	2010/11 R'000
Open carrying amount	-	-	-
Change in estimate	3 300	3 300	-
Closing carrying amount	3 300	3 300	-
A provision has been raised for staff performance bonuses.			
20	RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO NET (DEFICIT)SURPLUS		
	Note	2011/12 R'000	2010/11 R'000
Net surplus as per statement of financial performance		334	(13 758)
Adjusted for non-cash items:			
Depreciation of Property Plant and Equipment		658	623
Amortisation of software		267	179
Loss on disposal of property, plant and equipment		39	88
Fair Value Adjustments		(93)	(6)
Investment income		(19 335)	(21 006)
Adjusted for working capital changes:			
Decrease/ (Increase) in prepayments		372	(265)
(Increase)/Decrease in receivables		(625)	621
(Decrease) in payables		(15 901)	(4 086)
(Increase) in inventories		(86)	(286)
<i>Cash (utilised in) / generated from operations</i>		(34 370)	(37 896)

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21 BUDGET RECONCILIATION

Reconciliation between budget and statement of financial performance

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

	SLA Budget R'000	Actual R'000	Variance R'000
	318 796	379 023	(60 228)
Admin levy income (10%)	36 957	45 192	(8 235)
Mandatory grant levy income (50%)	184 827	221 772	(36 945)
Discretionary grant levy income (20%)	74 012	88 042	(14 031)
Penalties and interest	-	4 522	(4 522)
Investment income	23 000	19 495	3 505
Total expenses	(293 921)	(378 689)	84 768
Administration expenses	36 957	(39 647)	76 604
Mandatory Grants	(173 737)	(212 862)	39 125
Discretionary Grants	(157 141)	(126 180)	(30 961)
Net Surplus for the year	24 874	334	24 540

22 CONTINGENCIES

In terms of the PFMA, all surplus funds as at year-end may be forfeited to National Treasury.

A request for the accumulation of surplus funds was submitted to National Treasury. We are still are awaiting for approval

23 COMMITMENTS

23.1 Discretionary Reserve

Of the balance of R332 million in the Discretionary Reserve at the end of March 2012, an amount of R130 million has been approved by the Accounting Authority and contracted for projects and skills priorities as set out below. Amounts for expenses that have already been contracted or incurred, are therefore included in grant expenses in the statement of financial performance.

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	Opening balance 2010/11 R'000	Approved by Accounting Authority R'000	Utilised R'000	Closing Balance 2011/12 R'000	Approved by Accounting Authority R'000	Utilised R'000	Closing Balance 2010/11 R'000
Accreditation of providers	3 247	(1 975)	(1 272)	-	77	(76)	-
Artisan Training	-	60 000	(5 469)	54 531	-	(8 080)	46 451
Assessor, Moderator, Verifier Trng	-	-	-	-	611	(611)	-
Bursaries - Scarce Skills Development	11 311	(4 208)	(1 252)	5 851	-	(51)	5 800
Capacity Support for Sector Specialist	200	4 541	(4 741)	-	7 470	(7 470)	-
CDW Training Admin Support	66	(66)	-	-	-	-	-
Centres of Excellence (ISOES)	4 918	(4 827)	(91)	-	100	(100)	-
COGTA Internal Training	-	982	(982)	-	-	-	-
Communicate & Promote the NSDS	3 111	(778)	(2 318)	15	726	(741)	-
Councillor Development	-	13 974	(13 974)	-	15 000	(14 876)	124
Customised ABET - SAIDE	-	385	(385)	-	-	-	-
Develop & Impl. Trade Qualifications	-	-	-	-	-	-	-
Discretionary Grant Bargaining Council	198	5 475	(1 133)	4 540	-	(2 770)	1 769
DWAF Strategic Projects	-	13 536	(13 536)	-	21 464	(17 399)	4 065
Ethekwini Discretionary Grant	4 500	-	-	4 500	-	(685)	4 500
Grants ABET (18.1)	3 115	(1 247)	(690)	1 178	-	-	493
Infrastructure Asset Management	7 192	(3 965)	-	3 227	-	-	3 227
Internal Auditing Bursaries Internships	4 302	(2 161)	(1 301)	840	-	(175)	665
Internship Grants and Bursaries - Civil Engineering	4 240	235	(3 330)	1 145	4 500	(5 560)	85
Leadership Framework Imp.(18.2 Learners)	-	8 945	(3 999)	4 946	4 300	(9 202)	44
Learning Programmes Implementation	(910)	910	-	-	-	-	-
LGNET - DBSA	725	5 453	(1 228)	4 950	-	(3 950)	1 000
Lship Development - SGB support	1 711	(1 711)	-	-	-	-	-
Lship Framework Impl. (18.1 Learners)	14 408	18 478	(3 505)	29 381	-	(8 253)	21 128
Lship impl - Inst of Waste Management	440	(440)	-	-	-	-	-
Lship implementation grants - LED	1 702	(1 535)	(167)	-	-	-	-
Material development	514	(264)	(250)	-	-	-	-
Monitoring & Evaluation of Providers	880	(716)	(164)	-	172	(173)	-
Municipal Finance	14 127	44 006	(35 916)	22 217	40 000	(30 255)	31 961
National House of Traditional Leaders	2 608	(2 607)	(1)	-	-	-	-
Performance Information	-	101	(101)	-	-	-	-
Project Administration Costs SSP	-	-	-	-	-	-	-
Quality management system dev & trg	460	159	(619)	-	17	(17)	-
Review SSP / Sector Priorities	3 156	(2 590)	(566)	-	1 858	(1 858)	-
SAQA JIP	169	(169)	-	-	-	-	-
SDF Training, materials & awards	476	1 090	(1 566)	-	723	(723)	-
Sector wide skills audit - DPLG	136	5 172	(5 308)	-	-	-	-
Skills Development through EPWP	-	6 798	(1 126)	5 672	2 542	(8 214)	-
Successful Planning WSP/ATR Med&Lrge	2	665	(667)	-	556	(556)	-
Training DEAFSA	-	3 643	(531)	3 112	-	-	3 112
Training for CDW - Project Support	4 917	(4 232)	(685)	7 258	650	(645)	5
Training IDP & LED NQF4/5	-	9 600	(2 342)	-	879	(879)	4 618
Verification of Providers	17	(17)	-	-	220	(220)	-
Ward Committee Training	2 807	(2 172)	(635)	510	-	-	-
Council for the Blind	-	1 000	(490)	150	-	-	510
Marine Resource Bursary	-	150	-	150	-	-	150
	94 744	169 618	(110 340)	154 022	101 865	(126 180)	129 707

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23.2 Operating Leases

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

	2011/12 R'000	2010/11 R'000
Within one year	941	175
In the second to fifth year inclusive	3 482	-
Total	4 423	175

The operating lease relates to building premises used for office accommodation. Lease agreements for the LGSETA's provincial offices are expiring between 31/06/2013 and 31/03/2016. The LGSETA Head Office Lease was entered expires 31 October 2012. New leases for provincial offices have been negotiated for a period of one to 5 years. The rental for Head office escalates annually with 8% and provincial offices on average 8-10%.

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

Irregular expenditure

An amount of R285 000 incurred as irregular expenditure due to supply chain process not followed.

25 EVENTS AFTER REPORTING DATE

No events after reporting date.

26 FINANCIAL INSTRUMENTS

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

Interest rate risk

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

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

	Fixed Amount R'000	Floating Amount R'000	Non-interest bearing Amount R'000	Effective interest rate	TOTAL R'000
Year ended 31 March 2012					
Assets	-	-	-	6,8%	-
Investments	-	-	-	5,1%	-
Cash - cash in bank	-	89 558	-		89 558
Cash - cash on hand	-	-	7		7
Short term investments	276 226	-	-	10,1%	276 226
Accounts receivable	-	-	2 895		2 895
<i>Total financial assets</i>	<i>276 226</i>	<i>89 558</i>	<i>2 902</i>		<i>368 686</i>
Liabilities					
Accounts payable	-	-	(3 679)		(3 679)
<i>Total financial liabilities</i>	<i>-</i>	<i>-</i>	<i>(3 679)</i>		<i>(3 679)</i>
<i>Net Financial assets</i>	<i>276 226</i>	<i>89 558</i>	<i>(777)</i>		<i>365 007</i>
Year ended 31 March 2011					
Assets	-	-	-		-
Investments	-	-	-	7,0%	-
Cash - cash in bank	-	119 575	-	9,8%	119 575
Cash - cash on hand	-	-	5		5
Short term investments	261 458	-	-	11,2%	261 458
Accounts receivable	-	-	2 422		2 422
<i>Total financial assets</i>	<i>261 458</i>	<i>119 575</i>	<i>2 427</i>		<i>383 460</i>
Liabilities					
Accounts payable	-	-	(5 276)		(5 276)
<i>Total financial liabilities</i>	<i>-</i>	<i>-</i>	<i>(5 276)</i>		<i>(5 276)</i>
<i>Net Financial assets</i>	<i>261 458</i>	<i>119 575</i>	<i>(2 849)</i>		<i>378 184</i>

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The ageing of other receivables from exchange transactions:

	2011/12		2010/11	
	Gross	Impairment	Gross	Impairment
Not past due	2 417	-	2 390	-

Liquidity risk disclosure

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

2011/12	Carrying Amount	Contractual Cash Flows	
		6 months or less	6 - 12 months
Trade and other Payables from exchange transactions	5 366	3 679	-

2010/11	Carrying Amount	Contractual Cash Flows	
		6 months or less	6 - 12 months
Trade and other Payables from exchange transactions	4 924	5 366	-

Credit risk

Financial assets, which potentially subject the LGSETA to the risk of non performance by counter parties and thereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents, investments and accounts receivable.

The LGSETA management limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of Treasury Regulation 31. The LGSETA's exposure is continuously monitored by the Chief Executive Officer and the Finance Committee of the LGSETA.

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

Liquidity risk

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

Market risk

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

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

27 PRIOR PERIOD ERROR

	R'000
	2010/11
	R'000
<i>Statement of changes in net assets</i>	
Net deficit as previously stated	13 716
Add operational leases	42
Restated Net Deficit	<u>13 758</u>
 <i>Effect on Accumulated Surplus</i>	
Discretionary grant reserve as previously stated	331 030
Decrease in Discretionary Grant Reserves	(42)
	<u>330 988</u>
 <i>Effect on Statement of financial position</i>	
Receivables non exchange previously stated	2 464
Add decrease in receivables	(42)
	<u>2 422</u>

28 RELATED PARTY TRANSACTIONS

28,1 Transactions with other SETA's

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

The transactions which occurred during the year are :

	2011/12		2010/11	
	Transfers in/out during the year R'000	Amount receivable/ payable R'000	Transfers in/out during the year R'000	Amount receivable/ payable R'000
Payables				
ISSETSETA	-	-	55	28

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

28,2 Transactions with other related parties

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

Organisation	Accounting Authority Member	Nature of transaction	2011/12 R'000 Amount of the transaction	2010/11 R'000 Amount of the transaction
IMATU	W Killian, G Voigt	Discretionary Grant	713	552
SALGA	F Shabangu	Mandatory & Discretionary Grants	14 350	1 055
SALGBC	IMATU,SALGA & SAMWU	Discretionary Grant	1 133	1 133
COGTA	S Greyling, N Mokgotlo	Sectorwide Skills Audit and Internal Training	-	5 308
Amathole District	Clr Somyo	Mandatory & Discretionary Grants	935	771
<i>Total</i>			17 131	8 962

Employees

<i>N Mtyalela</i>	Catering	12	
<i>M Mahlasela</i>	Entertainment	7	
<i>L Mbina</i>	Catering		19
		19	19

29 TAXATION

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

30 NEW ACCOUNTING PRONOUNCEMENTS

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

GRAP 20 Related Party Disclosures Effective date: TBA

The LGSETA anticipates that the adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements.

LGSETA ANNUAL REPORT

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2012

We are pleased to present our report for the financial year ended 31 March 2012.

Terms of reference

The audit committee has adopted formal terms of reference that have been approved by the Board, and has executed its duties during the past financial year in accordance with these terms of reference.

Composition

The committee consists of four independent members. The Chief Executive Officer, the Chief Financial Officer and representatives from the Auditor General and internal auditors attend the committee meetings by invitation. The internal and the external auditors have unrestricted access to the audit committee.

Meetings

The Audit Committee held four meetings during the period as per its approved terms of reference. Attendance at these meetings is shown in the table below:

Name of the Member	Position	Number of meetings attended
SJ Masite	Chairperson	4
T Moja	Member	4
N Cory	Member	4
M Mamothei	Member	4

Audit Committee Responsibility

The Audit Committee reports it has complied with its responsibilities arising from section 38(1) (a) from Sections 51(1)(a)(ii) and 76(4)(d) of the **PFMA and Treasury Regulations 27.1**

The effectiveness of internal control

The system of internal control applied by LGSETA over the financial risk and risk management has been affected negatively due to the entity not having a dedicated Chief Financial Officer for the period under review. This impacted on the segregation of duties for the entity within the finance department and the Chief Executive Office's office. The audit committee brought the control deficiency to the attention of the Accounting Authority during the year where the accounting authority committed to put proper control system in place.

In line with the PFMA and requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the management report of the Auditor-General, it was noted that matters were reported indicating deficiencies in the system of internal control. The LGSETA did not have an internal audit function was also reported to the Accounting Authority subsequently the service was appointed.

LGSETA ANNUAL REPORT

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2012

Evaluation of Financial Statements

The Audit Committee has

- reviewed and discussed the annual financial statements prior submission to the Auditor-General and
- reviewed changes in accounting policies and practices ;
- reviewed the Auditor-General's management report and management's response thereto;
- reviewed the LGSETAs compliance with legal and regulatory provisions; and
- The annual performance report was not presented for audit was a concern for Audit Committee which was also brought to the attention of management and Accounting Authority and
- The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General (SA). Management and Accounting Authority has put action plans in place to address all the audit findings and the Audit Committee will monitor and review the process thereof.

Risk Management

Appropriate risk management activities were not performed to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored.

Internal audit

The accounting authority did not ensure that the internal audit function was established, as required by section 51(1) (a)(ii) of the Public Finance Management Act and Treasury Regulations 27.2.2, subsequently internal audit service was appointed.

Auditor – General South Africa

The Audit Committee has met with the Auditor-General South Africa to ensure that all unresolved issues will be attended by the Accounting Authority and management in the next financial year.



SJ Masite

Chairperson of the Audit and Risk Committee

GLOSSARY OF TERMS

AET	Adult Education and Training
AMEU	Association of Municipal Electricity Undertakings
ATR	Annual Training Report
CBO	Community Based Organisation
CoGTA	Corporate Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DHET	Department of Higher Education and Training
DoL	Department of Labour
DWA	Department of Water Affairs
ETQA	Education and Training Qualifications Authority
EXCO	Executive Committee
FET	Further Education and Training
IMATU	Independent Municipal and Allied Trade Union
IMFO	Institute of Municipal Finance Officers
LGSETA	Local Government Sector Education and Training Authority
MANCOM	Management Committee
MFMA	Municipal Finance Management Act
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
NGO	Non Governmental Organisation
NQF	National Qualifications Framework
NSA	National Skills Authority
NSDS	National Skills Development Strategy
NSF	National Skills Fund
PFMA	Public Finance Management Act
QCTO	Quality Council for Trades and Occupations
SACPLAN	South African Council for Planners
SAICA	South African Institute of Chartered Accountants
SAICE	South African Institute of Civil Engineers
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SAPVP	South African Council for Property Valuers
SAQA	South African Qualifications Authority
SARS	South African Revenue Services
SDA	Skills Development Act
SETA	Sector Education and Training Authority
SMME	Small Medium and Micro Enterprises
SSP	Sector Skills Plan
WSP	Workplace Skills Plan

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