LGSETA

CREATING GREATER IMPACT

ANNUAL REPORT 2024/25

Local Government Sector Education and Training Authority

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PRESENTATION OF THE LGSETA 2024/25 ANNUAL REPORT

To the Minister of Higher Education and Training

Buti Kgwaridi Manamela,
Minister of Higher Education and Training

Dr Mimmy Gondwe
Deputy Minister of Higher Education and Training

Dr Nomusa Dube-Ncube
Deputy Minister of Higher Education and Training

In accordance with the Public Finance Management Act No.1 of 1999, it is an honour to submit the Annual Report of the Local Government Sector Education and Training Authority (LGSETA) for the financial year ended 31 March 2025.

This report reflects LGSETA activities, financial performance, and progress across all predetermined objectives agreed with the Department of Higher Education and Training (DHET).

PART A

GENERAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name of Public Entity	Local Government Sector Education and Training Authority (LGSETA)
ISBN Number	978-1-77997-873-8
RP Number	177/2025
Registered Office Address	1 Osborne Lane Gillooly's View Business Park Bedfordview
Postal Address	P O Box 1964 Bedfordview 2008
Telephone Number	+27 (0) 11 456 8579
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External Auditor	Auditor-General South Africa
	4 Daventry Street, Aurecon Centre Lynnwood Bridge Office Park Lynnwood Manor Pretoria 0001
Banker	ABSA Bank

LIST OF ABBREVIATIONS/ ACRONYMS

4IR	Fourth Industrial Revolution
AGSA	Auditor-General of South Africa
AET	Adult Education and Training
APP	Annual Performance Plan
AQP	Assessment Quality Partner
ARC	Audit and Risk Committee
BAC	Bid Adjudication Committee
BEC	Bid Evaluation Committee
BSC	Bid Specification Committee
CBO	Community-Based Organization
CCIEEC	Chinese Culture and International Education Exchange Centre
CIP	Councillor Induction Programme
CoGTA	Department of Co-operative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
COO	Chief Operating Officer
CPUT	Cape Peninsula University of Technology
DDM	District Development Model
DG	Discretionary Grant
DHET	Department of Higher Education and Training
DPSA	Department of Public Service and Administration
DPME	Department of Planning, Monitoring and Evaluation
DSBD	Department of Small Business Development
ETQA	Education and Training Quality Assurance
EUP	Enterprises University of Pretoria
EWSETA	Energy and Water Sector Education and Training Authority
EXCO	Executive Committee
FINCO	Finance Committee
GRAP	Generally Recognised Accounting Practices
HR	Human Resources
HRD	Human Resource Development
HSRC	Human Sciences Research Council
IAF	Internal Audit Function
ICT	Information and Communications Technology
IDP	Integrated Development Plan
IMATU	Independent Municipal and Allied Trade Union
INSETA	Insurance Sector Education and Training Authority
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
KZN	KwaZulu-Natal
LGSETA	Local Government Sector Education and Training Authority
M&E	Monitoring and Evaluation
NAMB	National Artisan Moderation Body
NDP 2030	National Development Plan 2030
NSDP 2030	National Skills Development Plan 2030
NEDLAC	National Economic and Development Labour Council
NEHAWU	National Education, Health and Allied Workers' Union
NGO	Non-Governmental Organisation
NLPE	Non-Levy-Paying Employer
NQF	National Qualifications Framework
OFO	Organising Framework for Occupations
PFMA	Public Finance Management Act
PIVOTAL	Professional, Vocational, Technical and Academic Learning
QCTO	Quality Council for Trade and Occupation
RPL	Recognition of Prior Learning
SADC	Southern African Development Community
SAIGA	South African Institute of Government Auditors
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers' Union
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SCM	Supply Chain Management
SDF	Skills Development Facilitator
SDP	Skills Development Provider
SETA	Sector Education and Training Authority
SIP	Strategic Integrated Projects
SMME	Small, Medium and Micro-sized Enterprises
SP	Strategic Plan
SPL	School of Public Leadership
SSP	Sector Skills Plan
TVET	Technical and Vocational Education and Training
WSP	Workplace Skills Plan

FOREWORD BY THE **INTERIM ACCOUNTING AUTHORITY**

Ineeleng Molete
LGSETA: Interim Accounting Authority

The term of the Accounting Authority (the Board) of the Local Government Sector Education and Training Authority (LGSETA) officially ended on 31 March 2025. In the absence of a newly appointed Board, I was appointed as the Interim Accounting Authority for a transitional period of three months or until a new Board is appointed, whichever comes first.

This appointment was limited to the statutory functions of the Accounting Authority as defined under the PFMA and did not extend to the governance responsibilities of the Board, as outlined in the Skills Development Act (Act No. 97 of 1998). Despite this limitation, LGSETA maintained operational and financial integrity through a robust combined assurance framework.

During this period, effective oversight was provided by the independent Audit and Risk Committee and the Internal Audit function. Their diligence ensured that the preparation and review of the 2024/25 Annual Financial Statements and Annual Performance Report proceeded without disruption.

Final audit outcome

The external audit process was successfully concluded, culminating in the outcome of an unqualified audit opinion by the office of the Auditor-General of South Africa (AGSA) performance of 90 percent. This outcome reflects the organisation's commitment to sound financial governance, transparency, and accountability.

Mandate and performance of the board

Before the conclusion of its term, the outgoing Board provided strategic oversight in alignment with the LGSETA's mandate to facilitate skills development within the local government sector. The Board's performance was marked by its commitment to governance excellence, stakeholder engagement, and the advancement of sector-specific learning programmes. Its strategic decisions laid the groundwork for continuity during the interim period.

Strategy and operational performance

LGSETA continued to implement its strategic plan with a focus on expanding access to quality learning interventions, enhancing municipal capacity, and supporting youth employability. Operational performance remained stable, with key targets met across priority programmes.

Strategic partnerships

Strategic partnerships with municipalities, training providers, and other SETAs were sustained and strengthened. These collaborations enabled the continued rollout of accredited programmes, workplace-based learning, and capacity-building initiatives. LGSETA's stakeholder engagement efforts remained active, ensuring alignment with sectoral needs and national development priorities.

CONCLUSION

The transitional period was marked by continuity, accountability, and a steadfast commitment to LGSETA's mandate. I extend my sincere appreciation to the executive management, all staff, internal assurance providers, and external stakeholders for their professionalism and support. Their collective efforts ensured that governance, performance, and strategic intent remained uncompromised while awaiting the appointment of a new Board.

Ineeleng Molete
Interim Accounting Authority
LGSETA

LGSETA continued to implement its strategic plan with a focus on expanding access to quality learning interventions, enhancing municipal capacity, and supporting youth employability

Accountability

FOREWORD BY THE **CHIEF EXECUTIVE OFFICER**

Ineeleng Molete
LGSETA: Chief Executive Officer

It is my honour to present an overview of the activities of the Local Government Sector Education and Training Authority (LGSETA) for the 2024–2025 financial year. This marks my fourth full financial year with the organisation and provided a valuable opportunity to implement the Board's approved strategies. These include the District Development Model (DDM), THE Councillor Development Strategy, the Strategic Partnerships Model, the SMMEs and Co-operatives Strategy, and the Learners Living with Disability Strategy, all of which support the grant disbursement and drive operational excellence. In addition, the Board also approved a revised Research Agenda, which serves as a guiding framework for research implementation in the local government sector, as well as the new Career Development Strategy.

The period under review marked the fifth year of implementing the National Skills Development Plan (NSDP) 2030 priorities and the LGSETA five-year strategic objectives. During this time, the second phase of the LGSETA Councillor Development Strategy was implemented, with a focus on addressing the skills programmes aligned to key municipal performance areas. These included financial management, good governance, service delivery, and ward committee functionality, all aimed at supporting councillors in their portfolio responsibilities within the local government sector. The intended outcomes of this strategy are to ensure that councillors serve their communities with ethical leadership, providing accountability and strong financial oversight.

We have also continued to improve our internal processes by documenting standard operating procedures to enhance service delivery and guide the organisation towards sustainable, high-performing outcomes.

The LGSETA appointed a service provider to develop an Enterprise Resource Planning (ERP) system and a customised Management Information System (MIS) to integrate all business processes. We also successfully implemented a stipend disbursement solution, which enables timely and greater control over learner payments and ensures accurate accountability for disbursed funds.

HIGHLIGHTS

In support of the LGSETA's strategic mandate, the Board approved a series of international study tours aimed at broadening the knowledge and experience of both Board Members and Executive Management. These engagements are intended to inform and enhance the work of the SETA in the following key areas:

- **Municipal Service Delivery Strategy:** with a focus on water, waste management, transport, local economic development, and the integration of Fourth Industrial Revolution (4IR) strategies
- **Local Government Strategic Partnership:** to strengthen coalition governance, traditional leadership, skills planning and development, and the implementation of the District Development Model (DDM) within and across local government.
- **Governance and Leadership Exchange Programmes:** to share best practices in local governance and leadership.

Study visits and international conferences provide valuable opportunities to explore best practices and gain up-to-date knowledge and insights on local government matters aligned to LGSETA's strategic focus areas. These experiences serve as catalysts for change, enabling reflection on the relevance of global approaches to skills development within the South African context.

Given the country's ongoing energy crisis, LGSETA has placed a strong emphasis on training learners in renewable energy and other "green" skills. Furthermore, the implementation of the 2024-2025 Service Level Agreement was guided by the Priority Occupations identified in the 2024–2025 Sector Skills Plan:

- Information Technology Manager
- Water Process Controller
- Civil Engineering Technologist
- Plumber
- Electrical Engineering Technician
- Electrician
- Urban and Regional Planner
- Supply Chain Manager
- Municipal Manager
- Engineering Manager

This year, LGSETA proudly re-launched several key initiatives, including our flagship Women in Leadership programme. In partnership with North-West University, we successfully trained a second cohort of over 300 women across the country. This programme is designed to empower aspiring female leaders and upskill those already serving in leadership roles who may lack formal qualifications or confidence, ensuring they receive the recognition they deserve. By engaging both administrative and political officials, we remained committed to our goal of promoting equity and fairness across all spheres of governance.

In support of government transformation imperatives, particularly in relation to disability inclusion, the LGSETA continued to back a project focused on training learners living with disabilities in information technology. The programme was implemented across five provinces: the Eastern Cape, Limpopo, Mpumalanga, Northern Cape and Western Cape.

As part of our ongoing efforts to improve municipal performance and governance, LGSETA partnered with the South African Institute of Government Auditors (SAIGA) on the *Adopt-a-Municipality Project*. This strategic initiative focuses on eleven municipalities across nine provinces that have repeatedly issued disclaimer audit opinions and face persistent challenges such as poor service delivery and weak governance. In addition, the LGSETA facilitated capacity-building workshops in Limpopo, Mpumalanga, the Eastern Cape, Free State, and North West provinces. These workshops addressed key issues including governance shortcomings, capacity constraints, financial mismanagement, corruption, and political instability.

The LGSETA's impact is further strengthened through strategic partnerships with a wide range of stakeholders, including higher education institutions, research organisations, professional bodies, and international partners. One such partner is the Chinese Culture and International Education Exchange Centre (CCIEEC), with whom LGSETA collaborates with to fulfill its mandate of implementing targeted skills development interventions within the sector.

During the year under review, LGSETA worked with the CCIEEC to implement the Sister City Exchange Programme – one of our flagship initiatives. The programme focuses on nine municipalities (seven district and two metropolitan) across all provinces, applying a DDM approach. A total of 167 learners, out of the intended 270, participated in areas related to service delivery and entrepreneurship, including digital marketing and e-commerce, through partnerships with sister cities in China. Seventeen learners remain in China and are expected to return at the end of October 2025. Fourteen learners exited the programme for various reasons.

As part of our efforts to expand our international partnerships, LGSETA has joined forces with the CCIEEC and the Insurance Sector Education and Training Authority (INSETA) to fund a total of 500 beneficiaries to pursue studies in China over the next three to four years, depending on the duration of their respective qualifications. The beneficiaries are scheduled to depart in September 2025 to begin their studies at various Chinese universities. The scholarship programme focuses on a wide range of technical fields, including: Mechatronic Engineering Technology, Mechanical Product Inspection Technology, New Energy Vehicle Technology, Mechanical Manufacture and Automation, Cross-border E-commerce, Mechanical and Electrical Integration Technology, Construction Engineering Technology, Internet of Things Application Technology, Electromechanical Technology, Intelligent Manufactory, Computer Technology, International Chinese Language, Physics, New Energy Automobile Technology, Mechanical Manufacturing and Automation, Municipal Engineering Technology, Application of Artificial Intelligence Technology, and Preschool Education.

Through our partnership with North West University, we successfully trained over

300 women

in Leadership programmes nationwide.

Performance against predetermined objectives

Our primary objective at LGSETA is to ensure measurable progress, evidenced through an audited conclusion aligned with the objectives and goals we set. For the year under review, the LGSETA for the first time in history achieved 90% for performance against the set objectives.

From a corporate governance perspective, the organisation has achieved greater stability, supported by the strategic direction and oversight of the Board. The Board approved Discretionary Grant projects, Special Projects, and Strategic Partnerships aimed at addressing the strategic priorities of the local government sector. International visits enabled LGSETA representatives and Board members to conduct due diligence in China to gain a deeper understanding of the environment in which beneficiaries will be studying. These engagements are vital in equipping the Board to grow in its oversight tole by engaging directly with communities and making informed decisions.

The LGSETA strategy is reviewed annually as part of its five-year plan, with a focus on continual improvements to enhance implementation, strengthen service delivery, and create greater value for stakeholders.

Financial performance

During the year under review, several areas were identified as requiring targeted interventions. These include strengthening daily and monthly reconciliation, monitoring of projects, improving record-keeping practices and improving financial controls.

Appreciation

I am deeply grateful to the Minister of Higher Education and Training and the outgoing LGSETA Board for their continued support and for the privilege of leading this organisation. To the outstanding Executive team and all the dedicated individuals at LGSETA, your collective efforts have ensured that we not only understood our targets but also delivered exceptional results.

The role of local government in providing efficient and effective services is fundamental to national development. LGSETA remains firmly committed to this mandate, championing a skills revolution that will profoundly impact and uplift our communities.

Ineeleng Molete
Chief Executive Officer
LGSETA

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General of South Africa (AGSA).

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

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

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

The Accounting Authority is responsible for the preparation of the annual financial statements and the judgements made therin.

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information, and the financial affairs of the public entity for the financial year ended 31 March 2025.

Yours faithfully

Ineeleng Molete
Interim Accounting Authority

STRATEGIC OVERVIEW

The Local Government Sector Education and Training Authority (LGSETA) is one of 21 SETAs established in terms of Section 9 of the Skills Development Act, No. 97 of 1998, as amended, and reports to the Honourable Minister of Higher Education and Training. The mandate of the LGSETA is to promote skills development for the local government sector.

VISION

To be a highly skilled and capable local government

VALUES

- Responsiveness
- Integrity
- Collaboration
- Passion
- Innovation
- Customer Centric

MISSION

To build local government's ability to meet its developmental needs through innovative approaches, effective capacity building and strategic partnerships.

LEGISLATIVE AND OTHER MANDATES

Constitutional mandate

Section 152(1) of the South African Constitution (1996) outlines five main objects of local government, which form the foundation for LGSETA's support of skills development in these key areas:

- to provide democratic and accountable government for local communities;
- to ensure the provision of services to communities in a sustainable manner;
- to promote social and economic development;
- to promote a safe and healthy environment; and
- to encourage the involvement of communities and community organisations in matters of local government.

Section 29(1)(a) and (b) of Act 108 of the South African Constitution provides for the State to take reasonable measures to make adult and further education accessible to citizens, as a human right. Another significant provision is Section 195(1)(a) to (i), which sets out the values and principles governing public administration, thereby influencing good governance and accountability within and across municipalities.

Legislative and policy mandates

The mandate of the LGSETA is informed by the following key legislation, regulations, policies, and strategies. The relevant aspects relating to skills development in the local government sector have been considered to ensure alignment with LGSETA's strategic focus areas and corresponding priority interventions and initiatives.

Table 1: Key Legislation, Policies and Strategies relating to LGSETA

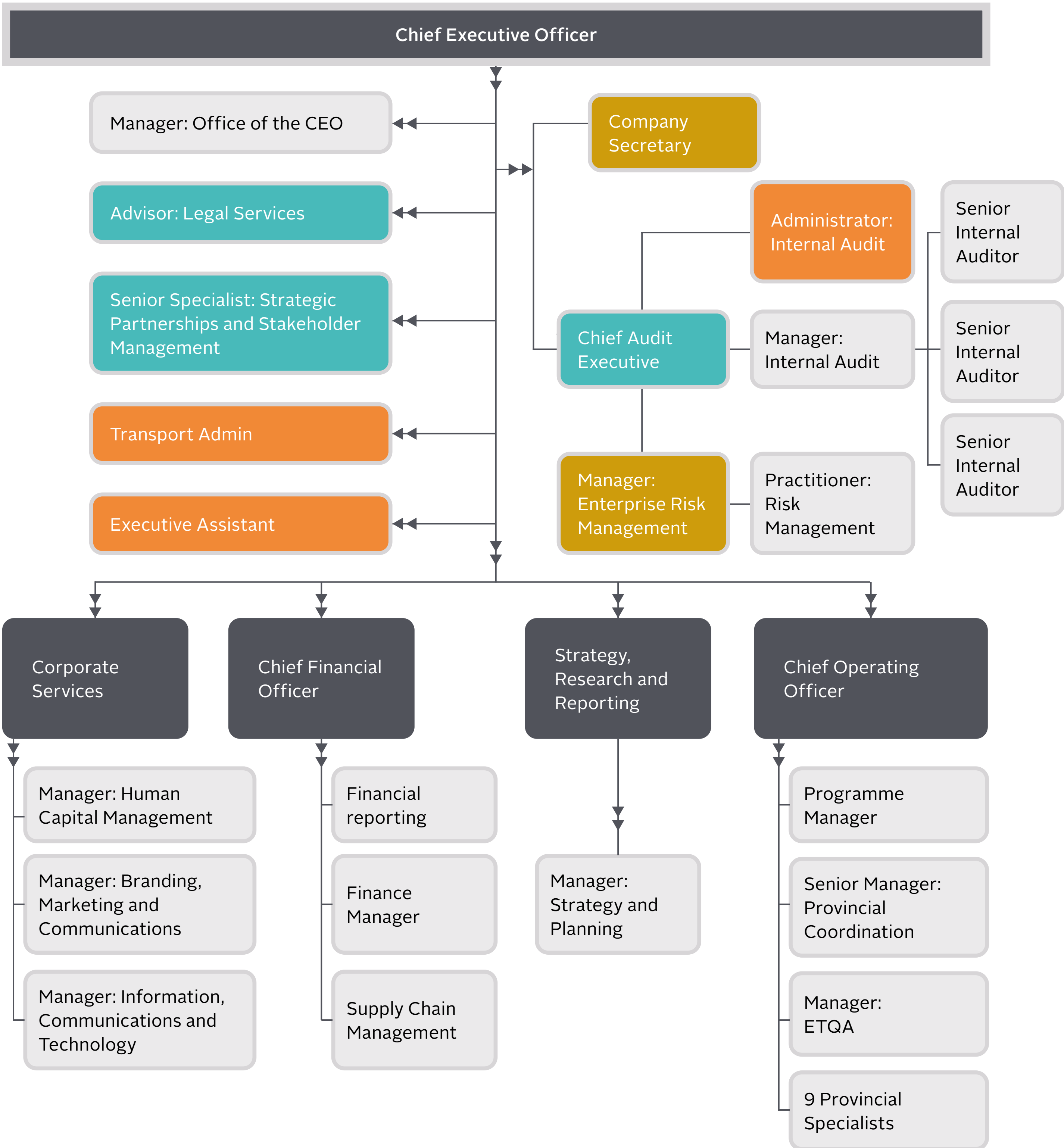
Legislative environment	Description
Skills Development Act, No. 97 of 1998	The LGSETA's mandate emanates from the Skills Development Act (SDA).
Skills Development Levies Act of 1999	The Skills Development Levies Act (SDL) makes provision for levy employers to pay one percent (1%) of their payroll to the South African Revenue Service (SARS).
National Qualifications Framework of Act 2008	The Act provides for the classification, registration and publication of articulated and quality-assured national qualifications and part qualifications.
Public Finance Management Act of 1999	The Public Management Act (PFMA) regulates financial management in all spheres of government and government institutions, to ensure that all revenue, expenditure, assets, and liabilities of those governments are managed efficiently and effectively.

Other legislative mandates	Description
Municipal Systems Act, No. 2 of 2000	The Municipal Systems Act (MSA) requires that municipalities comply with the Skills Development Act and the Skills Development Levies Act to develop their human resource capacity, to perform their functions and to exercise their powers in an economical, effective, efficient and accountable way.
Public Administration Management Act, No. 11 of 2014	The Public Administration Management Act (PAMA) was established to promote the basic values and principles governing the public administration referred to in Section 195(1) of the Constitution.
Intergovernmental Relations Framework Act, 2005	The Intergovernmental Relations Act (IGRA) applies to local, provincial and national spheres of government guided by the principles of Cooperative Government. This act aims to facilitate and coordinate the implementation of policy and legislation to ensure coherence between the three spheres of government, effective provisioning of services, and monitoring and evaluation.

Regulatory/policy environment	Description
White Paper on Local Government (1998)	The White Paper on Local Government describes a shift towards a developmental local government that is people-oriented and outlines the characteristics of developmental local government.
White Paper on Post-School Education and Training (2013)	The White Paper on Post-School Education and Training (PSET) aims to establish a vision for the type of post-school education and training system that the Department of Higher Education and Training (DHET) desires by 2030.
National Skills Accord (NSA)	The NSA is a multi-constituency agreement between businesses, organised labour, and community constituents and was signed to support the New Growth Path (NGP) target of creating five million jobs by 2020.
Youth Employment Accord	The Youth Empowerment Accord has six commitments to developing youth absorption programmes.
Green Economy Accord	The Green Economy Accord includes commitments by stakeholders towards a greener economy in South Africa. LGSETA will need to place a focus on skills interventions aimed at developing “green skills.”
National Treasury Regulations	In terms of section 76, of the Act, the National Treasury may make regulations or issue instructions applicable to all institutions to which the Act applies to promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities.
Revised Framework for Strategic Plans and Annual Performance Plans, 2020	The Revised Framework for Strategic Plans and Annual Performance Plans (2020) was issued by the Department of Planning, Monitoring and Evaluation (DPME) to provide principles for short- and medium-term planning for government institutions; and describing how institutional plans are to align with high level government medium- and long-term plans, and the institutional processes for the different types of plans.

Strategic Environment	Description
Back-To-Basics Strategy (2014)	The Back-to-Basics Strategy is aimed at turning around ailing municipalities to ensure that local government better performs basic functions.
National Development Plan (2030)	The National Development Plan (2030) aims to eliminate poverty and reduce inequality by 2030 through growing an inclusive economy, building capabilities, and enhancing the capacity of the state across the education system and workplace.
National Skills Development Plan (2030)	The National Skills Development Plan is derived from the broader National Development Plan 2030. The NSDP aims to ensure that South Africa has an educated, skilled, and capable workforce by 2030.
National Human Resource Development Strategy South Africa (2030)	The aim of the Human Resource Development Strategy outlines key priorities of the South African government to address poverty and unemployment and ensure that the public sector has people who are skilled through the provision and outcomes of education and skills development programmes.
Integrated Urban Development Framework	The Integrated Urban Development Framework focuses on building an integrated and efficient spatial system and is aligned with the proposals outlined in the NDP 2030. Core initiatives include planning for liveable, economically viable and sustainable towns, cities and rural areas.
District Development Model	The DDM refers to a joint plan that is developed through cooperative governance for the three spheres of government and will function in unison. The DDM aims to manage urbanisation, growth and development, determine and support local economic drivers, manage spatial form, land release, and land development, as well as determine infrastructure investment requirements to ensure long-term infrastructure adequacy, and support integrated human settlements and provision of basic services to communities.
Economic Reconstruction and Recovery Plan (ERRP)	The Economic Reconstruction and Recovery Plan focuses on interventions to allow large numbers of young people to access opportunities in the short-term to ensure that they are able to be absorbed into high-potential growth sectors in order to boost job creation, and up-skill workers to enhance productivity.
Economic Reconstruction and Recovery Skills Strategy (ERRSS)	The ERRSS presents key interventions to support the ERRP from a skills perspective. The strategy outlines ten skills interventions: • Embedding skills planning into sectoral processes • Updating or amending technical and vocational education programmes • Increased access to programmes resulting in qualifications in priority sectors • Access to targeted skills programmes • Access to workplace experience • Supporting entrepreneurship and innovation • Retraining/up-skilling of employees to preserve jobs • Meeting demand outlined in the List of Critical Occupations • National Pathway Management Network • Strengthening the post-school education and training system.

ORGANISATIONAL STRUCTURE



PART B

PERFORMANCE INFORMATION

PERFORMANCE INFORMATION

The Auditor-General of South Africa (AGSA) performed the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on performance against predetermined objectives is included in the management report, with any material findings reported under the "Predetermined Objectives" heading in the Report on Other Legal and Regulatory Requirements section of the Auditor-General's report.

Refer to page 74 of the Report of the Auditor-General's Report, published as Part F: Financial Information.

Overview of performance/situational analysis

The LGSETA strengthened its service delivery initiatives by continuing to support the implementation of the Economic Reconstruction and Recovery Plan (ERRP). Table 1 shows the gains made by the LGSETA with regard to the implementation of interventions aligned to the ERRP-SS.

Table 1: Status Update of the Interventions aligned to the Economic Reconstruction and Recovery Skills Strategy (ERRSS)

Planned projects/initiatives	2024/25 Target	2024/25 Actual	% Achieved
Expansion of Work-Based Learning			
Unemployed learners enrolled in internships	700	954	136%
Unemployed learners completed in internships	300	320	107%
Unemployed learners enrolled in learnership programmes	2 000	2 002	100%
Unemployed learners completed learnership programmes	1 200	1 083	90%
Candidacy enrolled	200	200	100%
Candidacy completed	80	109	136%
Workers Awarded Bursaries (Occupationally Directed)			
Bursaries granted for new enrolments (occupationally directed)	250	341	136%
Bursaries granted for continuing (occupationally directed)	140	158	113%
Bursaries granted for completed (occupationally directed)	200	135	68%
Partnerships Established			
HEI partnerships established	15	15	100%
CET partnerships established	5	5	100%
Sector skills planning:			
Sector skills planning	1	1	100%
Support for TVET Colleges			
TVET partnerships	15	15	100%

During the period under review, LGSETA faced challenges in fully achieving the following interventions:

- Allocations reflective of elementary skills
- Completing of Workplace-Integrated Learning (WIL) by unemployed TVET learners.
- Completion of learnership programmes by unemployed learners.
- Completion of learnerships by employed workers.
- Completion of bursary programmes by employed workers.
- Completion of skills programmes by employed workers.
- Completion of bursary programmes by unemployed learners.
- Tracing of unemployed learners who completed WIL programmes.

Despite these challenges, the LGSETA showed a huge performance improvement, achieving 90% of its predetermined Annual Performance Plan (APP) objectives.

Key policy developments and legislative changes

Below is a list of all policies either developed or reviewed by the LGSETA in the year under review:

Finance

- Investment Policy
- Supply Chain Management Policy
- Delegation of Authority
- Petty Cash Policy
- Travel Policy
- Fixed Assets Management Policy
- Cellphone/Tablet and Mobile Data Allowances Policy

Human Resource Management

- Leave Policy
- Performance Management Policy
- Remunerations Policy
- Code of Conduct
- Consequence Management Framework
- Learning and Development Policy
- Recruitment and Selection Policy
- Relocation Policy
- Disciplinary Procedure Schedule of Offences and Disciplinary Action of the LGSETA
- Succession Management and Planning Policy
- Working Hours Policy
- Long Service Awards Policy
- Job Evaluation Policy
- Policy on Protection of Personal Information Act (POPIA)
- LGSETA Board and Sub-Committee Remunerations Policy
- Strike Management Policy

Governance

- Board Charter
- EXCO Charter

ICT

- ICT Governance and Management Framework with Governance Charter
- ICT Policy Framework
- Cloud Policy
- Disaster Recovery Policy (ICT Service continuity and availability)
- Backup and Recovery Policy
- ICT Capacity Management Policy
- ICT Security Policy
- Cyber Incident Management Response Policy and Plan
- Data Management Policy
- Data Governance Policy
- ICT Vendor Management Policy
- ICT Service Level Agreement Policy
- IT Change and Release Management Policy
- ICT Project Management Policy
- ICT Configuration and Release Management Policy
- ICT System Maintenance Policy

Monitoring and Evaluation

- Monitoring and Evaluation Framework
- Performance Information Management Policy

Progress towards achievement of institutional impacts and outcomes

The LGSETA has made significant progress towards achieving its five-year targets in relation to the identified outcome indicators.

- **Effective Internal Controls and Compliance Monitoring Systems**

  The LGSETA continued to strengthen internal controls by implementing 77% of strategic risk mitigating measures.

- **Resilient, Skilled, and Capable Local Government SETA Administration**

  Facilitating grants disbursements, the LGSETA complied with the mandatory grants regulations by approving 310 (100%) Workplace Skills Plans (WSPs) out of the 310 submissions received.

- **Increased Production of Occupations in High Demand in the Local Government Sector**

  To inform and support strategic planning, the development of strategic documents, and the design of learning interventions within the local government sector, the LGSETA funded six research projects. The research topics were guided by the approved Research Agenda, which informs recommendations to support skills development in the sector, including the identification of priority skills needed. In addition, a tracer study was conducted to determine the employment status (including self-employment) of learners who had completed artisan-related interventions. Furthermore, the implementation evaluation was undertaken to assess the effectiveness, efficiency, and return of investment of the interventions implemented in support of outcome 8: career development services. This evaluation covered a three-year period and focused on occupations targeted through these interventions.

- **Increased the Production of Occupations in High Demand in the Local Government Sector**

  In facilitating support for planning processes in the post-school education and training sector, LGSETA, through its discretionary grants mechanism, allocated grants to facilitate skills development as follows:

  - 34% for high skills.
  - 50% intermediate skills and
  - 13% for elementary skills.

- **Improved Work-based Learning Opportunities Through Education in the Local Government Sector**

  The LGSETA facilitated work-based learning opportunities through linkages between the labour market, whereby 1 243 TVET students and 307 University students were supported through an internship programme. A total of 954 unemployed learners were enrolled for internships, and a further 320 unemployed learners from previously funded financial years completed their internships. A total of 8 305 learners for both employed and unemployed, participated in skills programmes. Enrolments for both employed and unemployed learnerships were 3 513, and 200 learners were enrolled for the candidacy programme.

- **To Increase Workers' Participation in Various Learning Programmes to a Minimum of 80% by 2030**

  In increasing workers' participation, the following interventions were supported for the period under review: 1 511 workers participated in learnerships, 4 025 workers participated in skills programmes, and 341 workers were awarded bursaries.

- **To Address Critical Skills Required by Various Sectors of the Economy to Transform Workplaces**

  The LGSETA successfully updated and presented the Sector Skills Plan for the 2024/25 period. The Sector Skills Plan relies on current and accurate data to inform skills development priorities, with the aim of supporting the sector through relevant interventions that empower employees in the workplace and unemployed learners.

- **Improved Delivery of Quality Occupation-directed Programmes and the Growth of the Public Education System**

  In strengthening the implementation of the Post-School Education and Training System (PSET), the SETA established partnerships with the following institutions:

  - 15 partnerships were established with Higher Education and Training Institutions (HEI)
  - 15 partnerships were established with Technical and Vocational Education and Training (TVET) Institutions
  - Five partnerships were established with Community Education and Training (CET) institutions.
  - 10 partnerships were established with SETA employer partners.

- **Increase Access to Occupationally-directed Programmes in the Local Government Sector**

  As part of its contribution to the transformation agenda, the LGSETA supported the enrolment of 311 learners in an artisan development programme. In addition, 403 learners were enrolled in the Recognition of Prior Learning (RPL) and Artisan Recognition of Prior Learning (ARPL) programme, of whom 272 successfully completed the programme.

PERFORMANCE DASHBOARD (2024/25)

The highlights of the LGSETA performance per programme for the 2024/25 financial year are presented below.

PROGRAMME 1
Administration and support

- Suppliers paid within 30 days
- Strategic risk mitigating measures implemented
- Audit findings resolved
- SETA governance reports submitted
- Career guidance
- Cyber security assessments
- Unqualified audit outcome

100%

PROGRAMME 2
Skills planning

- WSP/ATR submissions approved
- Evaluation study
- Research projects
- Tracer study

100%

PROGRAMME 3
Learning programmes and projects

- Emerging cooperatives and SMMEs trained
- Work Integrated Learning (HEI)
- Internships
- Skills programmes (Unemployed)
- AET (Employed)
- Candidacy programme
- Artisan Development Programme
- RPL/ARPL
- Partnerships established
- Entrepreneurial skills
- NPOs
- Trade unions supported
- High school development

85%

PROGRAMME 4
Quality assurance

- Qualifications reviewed/developed
- Learning materials and/or RPL toolkits
- Qualification assessment specification addendum and assessment tools
- Accreditation
- Certification
- Quality assurance project monitoring

100%

Work Based Learning Programmes

Work Integrated Learning (WIL)

1 243
WIL (TVET) learners entered
+43 ↑

495
WIL (TVET) learners completed
(305) ↓

711
WIL (HEI) learners entered
+11 ↑

307
WIL(HEI) learners completed
+7 ↑

Internship

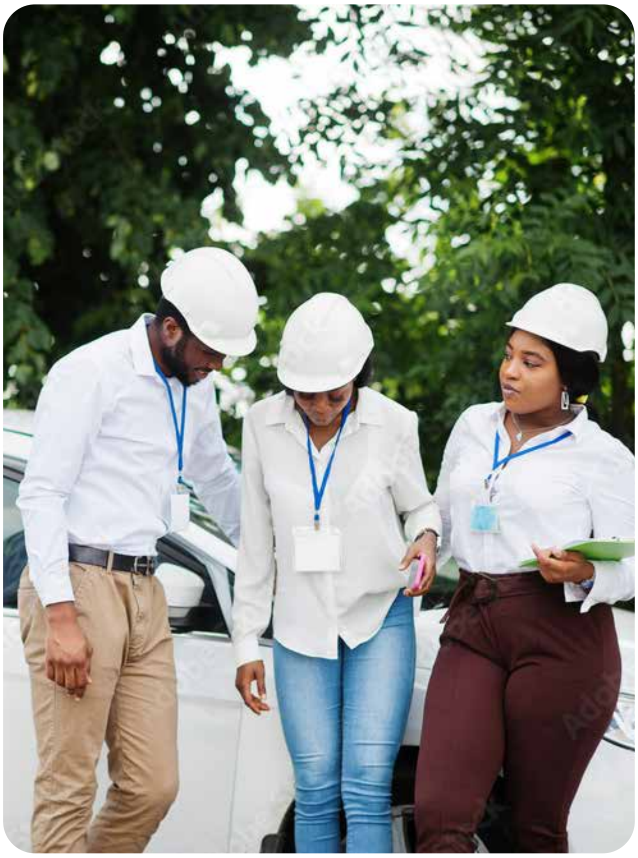
954
Internship learners entered
+254 ↑

320
Internships completed
+20 ↑

Candidacy

200
Candidacy learners entered

109
Candidacy learners completed
+29 ↑



Learnership Programme (LP)

2 002
LP learners entered
+2 ↑

1 083
LP learners completed
(117) ↓

1 511
LP learners entered
+11 ↑

388
LP learners completed
(687) ↓

Artisans and RPL/ARPL

311	150	403	272
Artisan learners entered	Artisan learners completed	RPL/ARPL learners entered	RPL/ARPL learners completed
+36 ↑		+3 ↑	+72 ↑

Bursaries

600	179	341	135
Unemployed learners entered for bursaries	Unemployed learners completed bursaries	Employed learners entered for bursaries	Employed learners completed bursaries
		+91 ↑	(65) ↓

Skills Programme (SP)

4 280	3 885	4 025	1 544
Unemployed SP learners entered	Unemployed SP learners completed	Employed SP learners entered	Employed SP learners completed
+2 280 ↑	+2 385 ↑	+25 ↑	(956) ↓

AET

207
AET learners entered
+7 ↑

105
AET learners completed
+5 ↑

CET Partnerships and Support

5
CET Colleges partnerships

18
CET Managers trained

21
CET College Lecturers supported

TVET Partnerships and Support

15
TVET College partnerships

50
TVET Lecturers supported

20
TVET College Lecturers awarded bursaries

Other Partnerships and Support

15
HEI partnerships

10
SETA-Employer partnerships

3
SETA offices maintained

5
Centres of Specialisation supported

20
Co-operatives supported

73
SMMEs supported
+13 ↑

52
Entrepreneurs trained
+22 ↑

30
CBOs/NGOs/NPOs supported

2
Trade Unions supported

5
Rural development projects initiated

70
Career development practitioners trained

345
High school development programmes
+145 ↑

44
Learners absorbed into employment after completing WBL
(156) ↓

Programme 1: Administration

The Administration programme's objective is to enhance the internal capacity and capability of the LGSETA staff to enable the organisation to promote effective, efficient, and transparent administration and governance. The administration has three sub-programmes, namely: Corporate Services, Finance and Internal Audit, and Risk Management

Outcomes, outputs, output indicators, targets and actual achievements

The performance assessment of Programme 1 demonstrated an achievement of 100% with all twelve planned targets for the 2024/25 financial year successfully met.

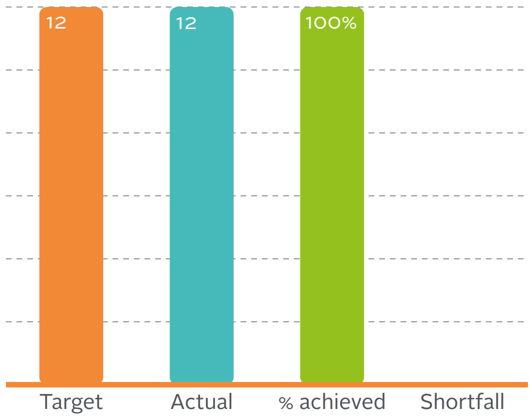


Figure 1: Programme 1 performance for the 2024/25 financial year.

PROGRAMME 1: Administration (Finance, Internal Audit and Risk Management

Outcome	Output	Output Indicator	Audited actual performance 2022/23	Audited actual performance 2023/24	Planned target 2024/25	Audited actual performance 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviations
Effective Internal Controls and Compliance Monitoring Systems	Unqualified Audit Outcome	1.1 Unqualified audit opinion achieved	Under dispute	Qualified audit opinion	Unqualified audit	**Unqualified audit opinion**	N/A	N/A
	Payment of discretionary grant suppliers paid within 30 days	1.2 Percentage of discretionary grant suppliers paid within 30 days upon submission of compliant grant documents	91%	63%	95%	**95%**	N/A	N/A
	Payment to corporate suppliers paid within 30 days	1.3 Percentage of corporate suppliers paid within 30 days upon submission of a valid invoice	100%	100%	100%	**100%**	N/A	N/A
	Implementation of risk management framework and policies	1.4 Percentage of strategic risk mitigating measures implemented	52%	63%	60%	**77%**	+17%	Target overachieved due to improved weekly and bi-weekly monitoring versus quarterly monitoring
	Implementation of recommendations from internal and external reviews	1.5 Percentage of audit findings resolved	80%	52%	90%	**90%**	N/A	N/A
	Commitment of the LGSETA Discretionary Grants Budget	1.6 Percentage of LGSETA Discretionary Grants Budget committed	95%	99.5%	95%	**106%**	+11%	The target was overachieved as a result of additional allocations being issued and contracted
	Quarterly SETA Governance compiled and submitted to shareholder	1.7 Number of SETA governance reports compiled	4	4	4	**4**	N/A	N/A
Disbursement of mandatory grants to support skills development	Mandatory grants disbursed	1.8 Percentage of mandatory grants disbursed	100%	100%	95%	**95%**	N/A	N/A

PROGRAMME 1: Administration (Finance, Internal Audit and Risk Management

Outcome	Output	Output Indicator	Audited actual performance 2022/23	Audited actual performance 2023/24	Planned target 2024/25	Audited actual performance 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviations
Resilient, skilled, and capable LGSETA Administration	Career development interventions	1.9 Number of career development events and exhibitions participated in, in both urban and rural areas, focusing on occupations in high demand	63	55	70	**70**	N/A	N/A
	Career development workshops	1.10 Number of capacity-building workshops on Career Development Services conducted	9	9	9	**9**	N/A	N/A
	Training interventions implemented	1.11 Percentage of WSP and ATR training programmes implemented for LGSETA employees	75%	82%	80%	**86%**	+6%	Target overachieved due to a higher number of training programmes implemented as a result of the E&T vacancy in the Department filled at the end of Q3.
	Cybersecurity maturity level assessment	1.12 Number of cybersecurity assessments conducted	2	3	2	**2**	N/A	N/A

Programme 1

Administration – Corporate Services

The purpose of Programme 1 is to strengthen the internal capacity and capability of LGSETA staff by enabling the organisation to implement effective, efficient, and transparent administration and governance. In addition, this programme seeks to ensure that the LGSETA Board is constituted in accordance with the SETA constitution, and that Board committees are properly established in line with good corporate governance principles.

- Marketing and Communications
- Human Resources
- Information and Communication Technology

Linking Performance with Budgets

The table below provides the LGSETA linkages and the relation to the resources available to the public entity, particularly the financial resources.

Programme 1 Administration	2023/24			2024/25		
	Budget R'000	Actual expenditure R'000	(Over)/ under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/ under expenditure R'000
Administration costs	100 255	144 128	43 873	122 409	177 063	(48 743)
Employee costs	85 260	84 896	3 697	85 260	105 991	(20 991)
Total	**185 515**	**229 024**	**47 570**	**207 669**	**283 054**	**(69 734)**

Programme 2: Skills Planning

The objective of the Skills Planning Programme is to conduct research and manage the submission and processing of mandatory grant applications. This is aimed at improving the quality of the LGSETA's skills planning and the identification of interventions required to facilitate access to relevant skills development opportunities within the sector.

The Skills Planning Programme comprises three sub-programmes, namely:

- Research
- Sector Skills Planning
- Monitoring and Evaluation

Outcomes, Outputs Indicators, Targets and Actual Achievements

The performance assessment of Programme 2 demonstrated significant improvement, achieving 100% of all four planned targets for the 2024/25 financial year. Figure 2 illustrates Programme 2's performance for the 2024/25 period.

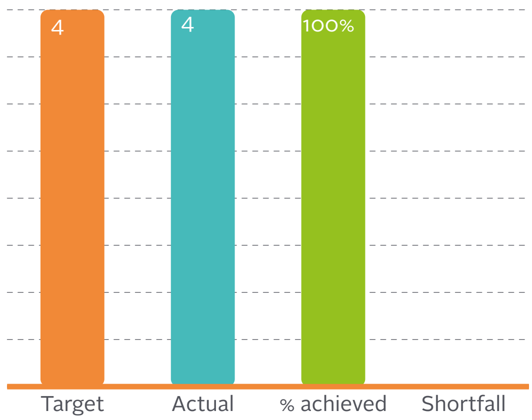


Figure 2: Programme 2 performance for the 2024/25 financial year.

PROGRAMME 2: Skills Planning

Outcome	Output	Output Indicator	Audited actual performance 2022/23	Audited actual performance 2023/24	Planned target 2024/25	Audited actual performance 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviations
Improve critical skills in the local government workforce in order to enhance service delivery and economic growth prospects	Improve the quality of WSP and ATR submissions	2.1 Percentage of WSP/ATR submissions approved	108%	99%	97%	**100%**	+3	Target overachieved due to a higher number of municipalities and entities that submitted their WSP/ATRs for the 2024 and 2025 financial years that met the necessary criteria for approval
Evidence-based research to inform skills planning and decision-making in skills development	Research reports	2.2 Number of research projects conducted on skills development needs in the local government sector	6	7	6	**6**	N/A	N/A
Results-based Monitoring and Evaluation System to improve the delivery of skills development programmes and projects	Evaluation study reports	2.3 Number of evaluation studies conducted on skills development projects	1	2	1	**1**	N/A	N/A
	Tracer study	2.4 Number of tracer studies conducted on skills development projects	New indicator not planned for 2022/23	New indicator not planned for 2023/24	1	**1**	N/A	N/A

Linking Performance with Budgets

The table below outlines the LGSETA's linkages and their relation to the resources available to the public entity, with particular emphasis on financial resources.

Programme 2	2023/24			2024/25		
	Budget R'000	Actual expenditure R'000	(Over)/ under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/ under expenditure R'000
Mandatory grants	224 602	224 602	556	236 416	236 748	13 994
Discretionary grants	10 127	10 127	2 373	15 000	10 127	4 873
Project employee costs	–	–	–	–	–	–
Project Administration costs	–	–	–	–	–	–
Total	**237 658**	**234 729**	**2 929**	**251 416**	**246 875**	**18 867**

Programme 3: Learning Programmes

The objective of the Learning Programme is to continuously facilitate skills development for both employed and unemployed beneficiaries, with the aim of enabling improved service delivery within the local government sector. Programme 3: Learning Programme comprises nine sub-programmes, collectively contributing 69% towards the overall indicators and targets in the 2024/25 Annual Performance Plan.

The sub-programmes are as follows:

- Artisan Development
- Skills Programmes
- Recognition Prior Learning (RPL)/Artisan RPL (ARPL)
- Partnerships
- Learnerships
- Work Integrated Learning
- Internships
- Candidacy
- Bursaries

Outcomes, Outputs Indicators, Targets and Actual Achievements

The performance assessment of Programme 3 showed improvement, achieving 85% by meeting 47 of the 55 planned targets for the 2024/25 financial year. Figure 3 illustrates the performance of Programme 3 for this period.

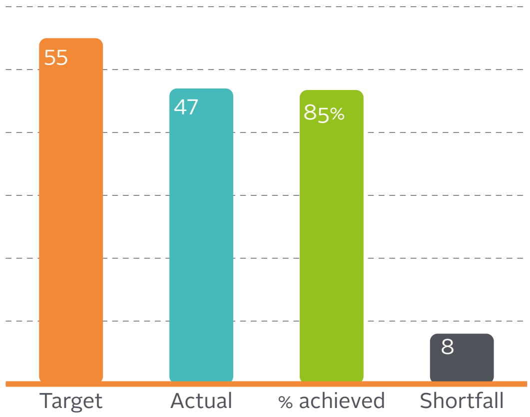


Figure 3: Programme 3 performance for the 2024/25 financial year.

Programme 3: Learning Programmes

Outcome	Output	Output indicator		Audited actual performance 2022/23	Audited actual performance 2023/24	Planned Target 2024/25	Audited actual performance 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviations
Increased the production of occupations in high demand in the local government sector	National enrolment and resource ratios for the high intermediate and elementary skills levels	3.1 Percentage of discretionary grant allocations reflective of high, intermediate, and elementary skill levels		High Skills 7%	9%	7%	**34%**	+27%	Target overachieved due to reallocations related to high skill levels
				Intermediate Skills 36%	60%	50%	**53%**	+3%	Target overachieved due to reallocations related to intermediate skill levels and an increase in WIL programmes
				Elementary Skills 57%	32%	43%	**13%**	-30%	Target underachieved due to reallocations to intermediate and high-level skills
		3.2 Number of established or emerging cooperatives and small and emerging enterprises trained in sector- and nationally identified priority occupations or skills.	Established or emerging cooperatives	New indicator not planned for 2022/23	New indicator not planned for 2023/24	30	**30**	N/A	N/A
			Small and emerging enterprises	New indicator not planned for 2022/23	New indicator not planned for 2023/24	30	**30**	N/A	N/A

Programme 3: Learning Programmes

Outcome	Output	Output indicator		Audited actual performance 2022/23	Audited actual performance 2023/24	Planned Target 2024/25	Audited actual performance 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviations
Improved work-based learning opportunities through education in the local government sector	The opening of workplace-based learning opportunities increased	3.3 Number of TVET students requiring WIL to complete their qualifications placed in workplaces	Entered	644	1209	1 200	**1 243**	+43	Target overachieved due to reallocations and allowing for any contingency up to 15%
			Completed	414	409	800	**495**	-305	Target underachieved due to delays in implementation from previous year, which affected completions
		3.4 Number of university students requiring WIL to complete their qualification placed in workplaces	Entered	259	454	700	**711**	+11	Target overachieved due to reallocations and allowing for any contingency up to 15%
			Completed	215	4	300	**307**	+7	Target overachieved due to more learners completing WIL programmes with shorter duration
Improved work-based learning opportunities through education in the local government sector	The opening of workplace-based learning opportunities increased	3.5 Number of unemployed learners in an internship	Entered	528	633	700	**954**	+254	Target overachieved due to allowing for any contingency up to 15% relating to allocated projects, special projects and additional allocations
			Completed	40	153	300	**320**	+20	Target overachieved due to learners who were meant to complete in the previous financial year but only completed in the current year
		3.6 Number of unemployed learners in a skills programme	Entered	940	2 436	2 000	**4 280**	+2 280	Target overachieved due to the timely completion of an approved special project on election awareness

PERFORMANCE DASHBOARD (2024/25) *continued*

Programme 3: Learning Programmes

Outcome	Output	Output indicator		Audited actual performance 2022/23	Audited actual performance 2023/24	Planned Target 2024/25	Audited actual performance 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviations
Improved work-based learning opportunities through education in the local government sector			Completed	803	1 393	1 500	**3 885**	+2 385	Target overachieved due to the timeous completion of an approved special project on election awareness
		3.7 Number of unemployed learners in learnership programmes	Entered	1 700	3 146	2 000	**2 002**	+2	Target overachieved due to allowing for any contingency up to 15%
			Completed	384	358	1 200	**1 083**	-117	Target underachieved due to delays in issuing of certificates
Improved work-based learning opportunities through education in the local government sector	The opening of workplace-based learning opportunities increased	3.8 Number of unemployed learners in a candidacy programme	Entered	110	107	200	**200**	N/A	N/A
			Completed	17	50	80	**109**	+29	Target overachieved due to delays that resulted in learners who were meant to complete in previous financial years, but completed in the current year
Improved critical skills in the local government workforce to enhance service delivery and economic growth	Increase workers' participation in various learning programmes to a minimum of 80% by 2030	3.9 Number of workers in learnership programmes	Entered	1 677	1 278	1 500	**1 511**	+11	Target overachieved due to allowing for any contingency up to 15%
			Completed	870	514	1 075	**388**	-687	Target underachieved due to delays in issuing certificates

Programme 3: Learning Programmes

Outcome	Output	Output indicator		Audited actual performance 2022/23	Audited actual performance 2023/24	Planned Target 2024/25	Audited actual performance 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviations
Improved critical skills in the local government workforce to enhance service delivery and economic growth	Increase workers' participation in various learning programmes to a minimum of 80% by 2030	3.10 Number of workers awarded bursaries	Entered	203	198	250	**341**	+91	Target overachieved due to the special project on the Women in Leadership programme
			Continuing	71	174	140	**158**	+18	Target overachieved due to the 2023/24 intake
			Completed	28	90	200	**135**	-65	Target underachieved due to learners who failed or did not complete their studies
	Address critical skills required in the local government sector of the economy to transform workplaces, improve productivity and economic growth prospects	3.11 Number of workers in skills programmes	Entered	3122	3 294	4 000	**4 025**	+25	Target overachieved due to a targeted approach to train shop stewards
			Completed	3 770	604	2 500	**1 542**	-958	Target underachieved due to a significant dropout of learners trained in various projects
		3.12 Number of workers in AET programmes	Entered	154	151	200	**207**	+7	Target overachieved due to allowing for any contingency up to 15%.
Improved critical skills in the local government workforce to enhance service delivery and economic growth	Address critical skills required in the local government sector of the economy to transform workplaces, improve productivity and economic growth prospects		Completed	0	78	100	**105**	+5	Target overachieved due to the 2023/24 intake who successfully passed

PERFORMANCE DASHBOARD (2024/25) *continued*

Programme 3: Learning Programmes

Outcome	Output	Output indicator		Audited actual performance 2022/23	Audited actual performance 2023/24	Planned Target 2024/25	Audited actual performance 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviations
Increased access to occupationally directed programmes in the local government sector	Increase access for intermediate and high-level skills	3.13 Number of learners in an artisan development programme	Entered	241	252	275	**311**	+36	Target overachieved due to allowing for any contingency up to 15%
			Completed	15	152	150	**150**	N/A	N/A
		3.14 Number of unemployed learners awarded bursaries	Entered	521	415	600	**600**	N/A	N/A
			Continuing	150	183	250	**250**	N/A	N/A
Increased access to occupationally directed programmes in the local government sector	Increase access for intermediate and high-level skills		Completed	160	158	200	**179**	-21	Target underachieved due to learners who failed or did not complete their studies
		3.15 Number of learners in RPL/ARPL	Entered	491	412	400	**403**	+3	Target overachieved due to allowing for any contingency up to 15%
			Completed	31	187	200	**272**	+72	Target overachieved due to learners who were scheduled to complete in the previous financial year but were delayed because of the late issuance of certificates
		3.16 Number of partnerships established	TVET Colleges	10	10	15	**15**	N/A	N/A
			HEI	10	10	15	**15**	N/A	N/A
			CET Colleges	3	3	5	**5**	N/A	N/A

Programme 3: Learning Programmes									
Outcome	**Output**	**Output indicator**		**Audited actual performance 2022/23**	**Audited actual performance 2023/24**	**Planned Target 2024/25**	**Audited actual performance 2024/25**	**Deviation from planned target to actual achievement 2024/25**	**Reasons for deviations**
Improved delivery of occupation-directed programmes and the growth of the public education system	Support TVET colleges	3.17 Number of SETA-Employer partnerships established		13	10	10	**10**	N/A	N/A
		3.18 Number of SETA offices established and maintained in TVET Colleges		3	3	3	**3**	N/A	N/A
		3.19 Number of Centres of Specialisation supported		6	5	5	**5**	N/A	N/A
		3.20 Number of TVET lecturers exposed to the industry through skills programme		50	50	50	**50**	N/A	N/A
		3.21 Number of Managers receiving training on curriculum-related studies per annum	CET Managers	18	18	18	**18**	N/A	N/A
			TVET Managers	20	20	20	**20**	N/A	N/A
		3.22 Number of TVET College lecturers awarded bursaries		34	20	20	**20**	N/A	N/A
	Support CET Colleges	3.23 Number of CET College lecturers awarded Skills Development Programmes		21	25	21	**21**	N/A	N/A

Programme 3: Learning Programmes

Outcome	Output	Output indicator		Audited actual performance 2022/23	Audited actual performance 2023/24	Planned Target 2024/25	Audited actual performance 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviations
Improved delivery of quality of occupational-directed programmes and growth of the public education system	Support CET Colleges	3.24 Number of CET learners accessing AET programmes	Entered	538	300	300	**300**	N/A	N/A
			Completed	50	102	150	**224**	+74	Target overachieved due to the 2023/24 intake who successfully passed
Increase development support for entrepreneurial activities and the establishment of new enterprises and cooperatives	Increase development support for entrepreneurial activities and establishment of new enterprises and cooperatives	3.25 Number of co-operatives and small and emerging enterprises supported with training interventions	Co-operatives	19	60	30	**30**	N/A	N/A
			Small and emerging enterprises	19	60	30	**43**	+13	Target overachieved due to an approved partnership to train small enterprises
		3.26 Number of people to be trained on entrepreneurial skills		0	40	30	**52**	+22	Target overachieved due to an approved partnership to train unemployed youth on entrepreneurial skills
		3.27 Number of CBOs/ NGOs/NPOs supported with training interventions		30	30	30	**30**	N/A	N/A
Improved skills development on entrepreneurship, cooperatives, and workers-initiated training within the local government sector	Increase development support for entrepreneurial activities and the establishment of new enterprises and cooperatives	3.28 Number of Trade Unions supported through the relevant skills training interventions		2	2	2	**2**	N/A	N/A
		3.29 Number of rural development projects initiated		5	5	5	**5**	N/A	N/A
	Support career development services	3.30 Number of career development and advice practitioners trained		35	30	70	**70**	N/A	N/A

Programme 3: Learning Programmes

Outcome	Output	Output indicator	Audited actual performance 2022/23	Audited actual performance 2023/24	Planned Target 2024/25	Audited actual performance 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviations
Improved skills development on entrepreneurship, cooperatives, and workers-initiated training within local government sector	High school development programme for learners toward local government career development	3.31 Number of learners in the High School Development Programme supported in career development initiatives	174	170	200	**345**	+145	Target overachieved due to an approved special project
Improved workplace-based learning opportunities through education in the local government sector	The opening of workplace-based learning opportunities increased	3.32 Number of learners who completed workplace-based learning programmes absorbed into employment or self-employment	0	0	200	**44**	-156	Target underachieved due to the low response rate to confirm employment status

PERFORMANCE DASHBOARD (2024/25) *continued*

Linking Performance with Budgets

The table below outlines the LGSETA linkages and their relationship to the resources available to the public entity, with particular emphasis on financial resources.

Programme 3	2023/24			2024/25		
	Budget R'000	**Actual expenditure R'000**	**(Over)/ under expenditure R'000**	**Budget R'000**	**Actual expenditure R'000**	**(Over)/ under expenditure R'000**
Discretionary grants	606 379	271 206	335 173	610 000	488 136	121 864
Project employee costs	45 777	21 102	24 675	48 000	36 405	11 595
Project administrative costs	–	–	–	–	–	–
Total	**652 156**	**292 308**	**359 848**	**658 000**	**524 541**	**133 459**

The objective of the Quality Assurance Programme is to develop occupational and quality assure qualifications that are specific to the local government sector. Programme 4: The Quality Assurance Programme comprises three sub-programmes, namely:

- Qualification Development
- Accreditation and Reaccreditation
- Certification of Learners and Assessment Centres Establishment

The performance assessment of Programme 4 maintained a 100% achievement rate, with all eight planned targets for the 2024/25 financial year successfully met. Figure 4 below illustrates Programme 4's performance for the 2024/25 financial year.

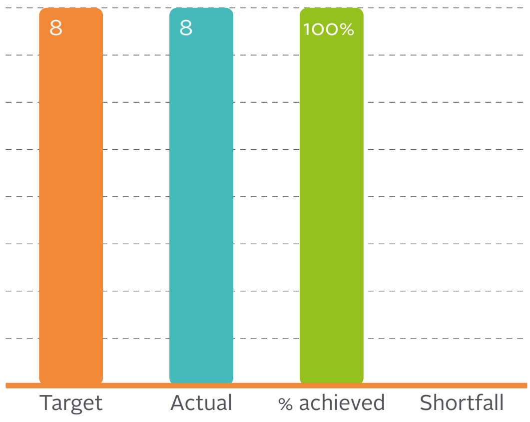


Figure 4: Programme 4 performance for the 2024/25 financial year.

Programme 4: Quality Assurance								
Outcome	**Output**	**Output indicator**	**Audited actual performance 2022/23**	**Audited actual 2023/24**	**Planned target 2024/25**	**Audited actual performance 2024/25**	**Deviation from planned target to actual achievement 2024/25**	**Reasons for deviations**
Increased access to occupationally directed programmes in the local government sector	Qualifications developed	4.1 Number of QCTO Qualifications reviewed or developed	1	1	2	**4**	+2	Target overachieved due to the building inspector qualification being repackaged into three qualifications
		4.2 Number of learning materials and/or RPL toolkits are developed or reviewed for registered occupational qualifications.	New target not planned for 2022/23	2	2	**2**	N/A	N/A
	Development or Review of Qualification Assessment Specifics (QAS) addendum and assessment tools	4.3 Number QAS addendums and assessment tools developed or reviewed	New target not planned for 2022/23	2	2	**4**	+2	Target overachieved due to the increased number of building inspector qualifications requested, which resulted in additional QAS addendums and assessment tools
	Recommendation and Re-accreditation of SDPs	4.4 Percentage of SDPs recommended for accreditation	100%	100%	100%	**100%**	N/A	N/A

Programme 4: Quality Assurance

Outcome	Output	Output indicator	Audited actual performance 2022/23		Audited actual 2023/24	Planned target 2024/25	Audited actual performance 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviations
Increased access to occupationally directed programmes in the local government sector	Certification of learners	4.5 Learners certified against Unit Standards/ Qualifications	Unit standard	48 937	69 287	1 000	**56 157**	+55 157	Target overachieved due to the increased number of learners' uptake of skills programmes
			Full qualification	1 593	2 115	200	**1 888**	+1 688	Target overachieved due to the increased number of learners' uptake of qualifications
	Establishment of assessment centres	4.6 Number of assessment centres established for quality assurance of occupational qualifications	3		8	6	**21**	+15	Target overachieved due to the increased allocations received from the QCTO
	Project monitoring	4.7 Number of quality assurance project visits conducted	New target not planned for 2022/23		100	90	**141**	+51	Target overachieved due to the demand for quality assurance monitoring visits as a result of increased quarterly completion projections

Linking Performance with Budgets

The table below outlines the LGSETA linkages and their relationship to the resources available to the public entity, particularly financial resources.

Programme 4	2023/24			2024/25		
	Budget R'000	Actual expenditure R'000	(Over)/ under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/ under expenditure R'000
Project cost	9 000	633	8 367	9 300	720	8 580
Project employee costs	–	–	–	–	–	–
Project administrative costs	–	–	–	–	–	–
Total	**9 000**	**633**	**8 367**	**9 300**	**720**	**8 580**

Strategy to Overcome Areas of Underperformance

The LGSETA will implement the following initiatives to enhance its performance and improve service delivery.

- **Implement, monitor, evaluate, and report on allocated projects timeously,** ensuring that project management processes are followed to proactively identity risks and confirm mitigation measures without delay.
- **Monitor payment of projects** to ensure implementation and performance achievement is aligned with a greater return on investment within a financial year.
- **Monitoring project data** to inform planning, review of evaluation, plan and make informed decisions that guide project implementation and the opening of the Discretionary Grant window period.
- **Utilise research and evaluation study recommendations** to enhance planning, inform the development of learning programmes, strengthen partnerships, and adopt targeted approaches to achieving APP targets.
- **Monitor and ensure accountability mechanisms** are in place to improve project management, as well as programme and organisational performance.
- **Develop learning intervention strategies** to support and ensure greater impact is achieved in the sector.
- **Improve communication and feedback internally and externally:** The Customer Relationship Management (CRM) system is streamlined and centralised to improve communication channels, allowing for effective management and the tracking of stakeholder interactions. This allows for prompt responses to queries, concerns, and feedback, thereby ensuring excellent customer service. Additionally, the CRM system supports seamless collaboration across LGSETA departments, improving overall coordination and internal communication.
- **Enhance collaboration within and between departments internally as well as through establishing strategic partnerships.** Implement a targeted approach for delivering the service level agreement obligations committed to the shareholder.
- **Monitor and review the stakeholder database:** The CRM system will support the establishment of a centralised and regularly updated stakeholder database. This comprehensive repository will ensure that stakeholder information remains accurate, easily accessible, and readily available for use across all departments within the organisation, enabling more effective engagement and coordination.
- **Review Completion Strategy outlining an action plan** with timeframes and responsibilities to ensure all relevant stakeholders are held accountable to project manage and monitor target deliverables
- **A capacity-building strategy** will be developed to build competencies and to provide a platform for learning.

Revenue collection

Levy income – comprising discretionary grants, mandatory grants, and administration grants) – is determined by the wage bill of employers within the local government sector. An increase in the wage bill directly results in higher revenue allocations to the LGSETA.

Additionally, the increase in income can be attributed to the recovery of revenue from prior years that had not previously been allocated to the SETA.

	2023/24			2024/25		
Sources of revenue	**Estimate R'000**	**Actual amount collected R'000**	**(Over)/ under collection R'000**	**Estimate R'000**	**Actual amount collected R'000**	**(Over)/ under collection R'000**
Mandatory	225 158	229 533	(4 375)	236 416	244 368	7 952
Discretionary	557 267	568 261	(10 994)	585 131	604 981	19 850
Admin and QCTO	118 208	120 530	(2 321)	124 119	128 320	4 201
Interest and penalties	7 953	6 845	1 107	8 351	10 038	1 687
Investment income	150 000	177 425	(27 425)	140 000	193 950	53 950
Other income	182	946	(764)	192	2 954	2 762
Total	**1 058 768**	**1 103 540**	**(44 772)**	**1 094 209**	**1 184 611**	**90 402**

PART C

GOVERNANCE

GOVERNANCE

Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled, and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and runs in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive, and the Accounting Authority of the public entity are responsible for corporate governance.

Portfolio committees

The LGSETA is a Schedule 3a public entity and reports to the Department of Higher Education and Training. LGSETA reports to Parliament through the Portfolio Committee on Higher Education and Training.

Executive Authority

The Executive Authority for the LGSETA is the Minister of Higher Education and Training. The Minister has a responsibility to approve the Sector Skills Plan (SSP), Strategic Plan (SP) and Annual Performance Plan (APP) for the SETA. The Minister is also responsible for approving any deviations from the approved budget that may be warranted.

During the year under review, the LGSETA complied with all PFMA and other compliance requirements and submitted the required documentation timeously to the DHET and Parliament (where applicable):

- The four (4) SETA Quarterly Monitoring Reports (SQMR) for the 2024/25 financial year
- First draft of the SSP on 15 June 2024
- The final submission of the SSP on 1 August 2024
- The draft SP and APP on 15 September 2024
- The final submission of the SP and APP on 31 January 2025

The Accounting Authority/Board

The LGSETA Board is governed by the LGSETA Constitution, which aligns with the standard constitution issued to all the SETAs by the DHET. The outgoing Board, appointed by the Minister of Higher Education and Training, is serving a term from 1 April 2020 to 31 March 2025.

The Board exercises its powers and responsibilities to ensure that the implementation of the objectives and functions of the LGSETA are implemented in compliance with the Skills Development Act (SDA), the NSDP 2030, and the policies of the Executive Authority and government.

The structure of the LGSETA Board, as outlined in the constitution, is as follows:

- One (1) independent- chairperson
- Six (6) employer representatives
- Six (6) labour representatives
- Two (2) representatives from community organisations

During the year under review, members participated in the scheduled meetings and activities of the LGSETA.

The role of the Board is as follows:

- Govern and manage the SETA in accordance with the PFMA, the SDA and all other applicable legislation.
- Provide effective leadership and ensure that the SETA implements the outcomes of the NSDP 2030 and the Performance Agreement with the Minister.
- Ensure that the SETA achieves its predetermined objectives and other targets.
- Provide strategic direction for the SETA.
- Monitor the performance of the SETA.
- Ensure that the SETA complies with the relevant statutory requirements.
- Liaise at leadership level with stakeholders.
- Manage institutional risk.

BOARD MEMBERS

Mr Phumlani Mntambo
Chairperson

Mr Johannes Koen
Organised labour

Mr Rio Nolutshungu*
Organised employer

Ms Naledi Modibedi
Organised employer

Ms Priscilla Ntsuba
Organised labour

Mr Bhabhali Ka Maphikela Nhlapo
Community organisation

Mr Nelson Mokgotho
Organised labour

Ms Jesta Sidell
Organised employer

Ms Nokubonga Dinga
Organised labour

Mr Keith Swanepoel
Organised labour

* *Deceased*

Board Charter

The purpose of this Charter is to outline the role and responsibilities of the Board, as well as the requirements for its composition and meeting procedures. The Board recognizes the importance of having a formal Charter that documents its functions, responsibilities, and procedural conduct, in line with the recommendations of the King IV Report on Corporate Governance for South Africa, 2016 ("King IV"), and any other applicable laws or regulatory provisions. The Charter is currently supported by various organisational policies and is subject to annual review to ensure its continued relevant and alignment with best governance practices.

Composition of the Board

Name of member	Designation (In terms of the public entity board structure)	Date appointed	Date resigned	Qualifications	Other committees or task teams	Number of meetings attended
Mr Phumlani Mntambo	*Chairperson*	1 April 2020	Current member	• BCom (Accounting) • Project Management Postgraduate Diploma • Master of Business Administration (MBA) • Law (Forensic Investigations and Criminal Justice) Postgraduate Diploma	Chairperson of EXCO	10
Mr Keith Swanepoel	*Member*	1 April 2020	Current member	• Business Management Diploma • Certificate in Interaction Management • Certificate in Change Awareness Facilitator's • Programme • Labour Relations Certificate • Negotiation Skills Certificate	Member of REMCO Member of ARC	13
Mr Barend Johannes Koen	*Member*	1 April 2020	Current member	• Bachelor of Laws (LLB) • Labour Law Advanced Diploma • Financial Management for Non-Financial Managers Certificate	Chairperson of FINCO Member of EXCO	15

Name of member	Designation (In terms of the public entity board structure)	Date appointed	Date resigned	Qualifications	Other committees or task teams	Number of meetings attended
Mr Rio Nolutshungu	*Member*	1 April 2020	Deceased*	• Labour Law Diploma • BA Degree • Local Democracy and Local Governance Certificate • Negotiation Skills for the World of Work Certificate • Media Relations Certificate • Retirement Fund Governance and Ethics Certificate • Team Effectiveness Certificate	Member of FINCO Member of EXCO	0
Ms Jesta Sidell	*Member*	1 April 2020	Current member	• Women in Leadership Certificate • Municipal Governance Advanced Diploma • Project Management Certificate • Executive Leadership Programme Certificate	Member of REMCO Member of EXCO	8
Ms Naledi Modibedi	*Member*	1 April 2020	Current member	• Master of Business Leadership • BA Honours Degree in Industrial Psychology and Communications • Management Advancement Programme	Chairperson of REMCO	8
Ms Priscilla Ntsuba	*Member*	1 April 2020	Current member	• BA (Public Administration) • Women in Leadership Certificate • Disaster Management Higher Certificate	Member of FINCO	10
Mr Nelson Mokgotho	*Member*	1 April 2020	Current member	• BA Degree • Higher Education Diploma • Local Government and Administration Certificate • Financial Management Certificate • Asset Management Certificate • Local Economic Development Learnership Certificate	Member of FINCO Member of EXCO	15

* *Member passed away on 5 September 2024.*

Name of member	Designation (In terms of the public entity board structure)	Date appointed	Date resigned	Qualifications	Other committees or task teams	Number of meetings attended
Ms Nokubonga Dinga	*Member*	1 April 2020	Current member	• Organising Skills Development Certificate	Member of REMCO Member of ARC	11
Mr Bhabhali ka Maphikela Nhlapo	*Member*	1 April 2020	Current member	• Social Work Degree • Global Labour Studies Diploma • Labour Legislation Certificate • Productivity Management Certificate • Skills Employability Certificate	Member of FINCO	12

Committees of the Accounting Authority

Committee	Number of meetings held	Number of members	Name of members
Executive Committee (EXCO)	5	5	1. Mr Phumlani Mntambo, 2. Ms Jesta Sidell, 3. Mr Rio Nolutshungu, 4. Mr Johan Koen, 5. Mr Nelson Mokgotho
Remuneration Committee (REMCO)	3	5	1. Ms Naledi Modibedi, 2. Ms Nokubonga Dinga 3. Mr Keith Swanepoel 4. Mr Bhabali Ka Maphikela Nhlapo 5. Ms Jesta Sidell
Finance Committee (FINCO)	3	6	1. Ms Priscilla Ntsuba, 2. Mr Nelson Mokgotho 3. Mr Rio Nolutshungu 4. Mr Johan Koen 5. Mr Bhabali Ka Maphikela Nhlapo 6. Ms Shelley Thomas
Audit and Risk Committee (ARC)	4	6	1. Mr Tshepo Mofokeng 2. Mr Mande Ndema 3. Ms Gloria Mnguni 4. Mr Silas Hlophe 5. Ms Nokubonga Dinga 6. Mr Keith Swanepoel

The Audit and Risk Committee is independent and is accountable to both the Board and the DHET. The committee's responsibilities include the statutory duties prescribed by the DHET, PFMA, and National Treasury, as well as the applicable King IV recommendations and additional duties assigned by the Board.

The following members served on the audit and risk committee during the period under review:

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned/ terminated	Number of meetings attended
Mr Keith Swanepoel	• Business Management Diploma • Interaction Management Certificate • Change Awareness Facilitator's Programme Certificate • Labour Relations Certificate • Negotiation Skills Certificate	External	N/A	17 July 2020	N/A	4
Ms Nokubonga Dinga	• Organising Skill Development Certificate	External	N/A	17 July 2020	N/A	3
Mr Tshepo Mofokeng	• Chartered Accountant (CA) South Africa (SA) • Certified Internal Auditor (CIA)	External	N/A	19 Nov 2021	N/A	3
Mr Mande Ndema	• B. Soc Science • Bachelor of Laws (LLB) • Marketing & Supply Chain Management Post Graduate Diploma • Programme for Management Development • Property Development and Investment Certificate	External	N/A	9 Dec 2021	N/A	3
Mr Silas Hlophe	• Master of Business Leadership (MBL) • BCom Honours (Accounting)	External	N/A	9 Dec 2021	N/A	1
Ms Gloria Patricia Mnguni	• Chartered Accountant (CA) South Africa (SA)	External	N/A	9 Dec 2021	N/A	4

Minimising Conflict of Interest

The LGSETA has a "Declaration of Interest" practice in place at all levels of the organisation. Staff members are required to disclose their financial interests by completing the form. Board and Committee members are required to declare any conflict of interest at the beginning of their term of service and at each governance meeting they attend.

Code of Conduct

The Code of Conduct provides an ethical framework and clear guidelines outlining the expectations for LGSETA employees, the Board, and committees in performing their duties and conducting themselves in all matters related to the organisation.

The LGSETA members shall commit to conducting themselves in accordance with the highest standards of integrity and ethics, in compliance with the Skills Development Act and other relevant legislation, particularly concerning objectivity, independence, and conflict of interest.

During the current financial year, employees have generally complied with the LGSETA Code of Conduct. Upon appointment, all employees agree to abide by the Code as a condition of their employment.

The Board's Code of Conduct is incorporated within the LGSETA Constitution, which governs the conduct and performance of Board and committee members.

In cases of serious negligence or misconduct, the LGSETA CEO or Chairperson may request the removal or members from the organisation or committee.

Role of the Company Secretary to the Accounting Authority

The Company Secretary plays a critical governance role in supporting the Accounting Authority. Key responsibilities include:

- Determining the annual calendar for Accounting Authority meetings in consultation with the Accounting Authority Chairperson and the CEO prior to the start of the calendar year.
- Preparing and distributing Accounting Authority meeting packs at least five (5) working days before each meeting.
- Recording and maintaining minutes of Accounting Authority and committee meetings.
- Maintaining statutory records.
- Coordinating the annual performance evaluation process for the Accounting Authority and its committees.
- Facilitating the induction of new Accounting Authority members and developing mechanisms for ongoing education and training to enhance the Authority's effectiveness.
- Providing guidance to members on their fiduciary duties and responsibilities.
- Advising on governance-related matters.
- Providing advice on legislative compliance and reporting obligations.
- Managing the declaration and mitigation of conflicts of interest.

Risk Management

The Accounting Authority, with the support of the Audit and Risk Committee (ARC) and Management, is committed to the effective management of risk in order to achieve the SETA's vision, mission, objectives, strategic objectives and plans, while safeguarding its core values.

The following risk management strategies have been put in place at LGSETA:

- A dedicated Enterprise Risk Management unit (ERM) reports to the Chief Audit Executive, who oversees the implementation of risk management strategies and risk-mitigating procedures.
- Comprehensive risk registers – including strategic, operational, compliance, fraud, and opportunity risks – are developed, each with corresponding mitigation plans to be implemented by the designated risk owner.
- The Enterprise Risk Management Unit was responsible for ensuring that regular risk assessments were conducted to ensure the development of an effective risk management strategy, and to identify and manage emerging risks.
- An effective Enterprise Risk Management policy and framework for risk management has been developed and implemented.
- The unit made recommendations to the Board on risk appetite and tolerance levels.
- The unit continues to ensure the effective monitoring of strategic mitigation and improvement measures to strengthen risk management and enhance the entity's overall performance.

During the year under review, the unit facilitated a Strategic, Compliance, Fraud and Opportunity Risk workshop with the Board, the ARC, and Management to assess the effectiveness of the LGSETA's risk management strategy. The workshop focused on identifying and updating strategic risk statements, addressing new and emerging risks, and developing appropriate risk mitigation and improvement plans.

The unit also reviewed, developed, and/or updated the following documents, all of which were approved by the LGSETA Board:

- Enterprise Risk Management Policy
- Enterprise Risk Management Framework
- Fraud Prevention Strategy and Fraud Policy Statement
- Risk Appetite and Tolerance Framework and Statement
- Strategic, Compliance, Fraud and Opportunity Risk Registers
- Gifts, Entertainment and Hospitality Policy
- Whistle Blowing Policy

The ERM developed monthly and weekly monitoring tools to ensure the continuous tracking of risk mitigation implementation. The status of approved risk mitigations is reported quarterly to the ARC and Management. Additionally, emerging risks are continuously identified and assessed, with appropriate response strategies developed and implemented by management to ensure alignment with the organisation's risk appetite.

The approval and effective implementation of the ERM policy, framework, and monitoring tools are expected to strengthen the LGSETA's overall governance, risk management, and internal control processes.

Effectiveness of Internal Control

In line with the PFMA, the Internal Audit Function (IAF) is mandated to provide the ARC and Management with reasonable assurance regarding the adequacy and effectiveness of governance, risk management, and internal control processes. This is achieved through the execution of risk-based audit engagements.

Accordingly, a risk-based Internal Audit Operational Plan was developed and implemented, taking into account the key risks identified by the Board, Management, and Internal Audit team. The plan covered all critical processes, systems, and operations within the LGSETA.

Internal Audit engagements were conducted throughout the financial year, guided by risk assessments. These audits identified various control weaknesses, which were formalised in audit findings and communicated to the relevant officials for corrective action. In addition, the unit carried out monthly follow-up reviews to monitor the implementation of audit treatment action plans and track progress in addressing both internal and external audit findings. The outcomes of these reviews were reported quarterly to Management, the ARC, and the Board.

Internal Audit and Audit Committees

Internal Audit is an independent assurance function governed by the Internal Audit Charter, which is approved by the ARC. The Charter defines the IAF's role, authority, responsibilities, and scope, and affirms its organisational independence. The IAF supports LGSETA in achieving its objectives by applying a systematic, disciplined approach to evaluating and enhancing the effectiveness of governance, risk management, and internal controls processes.

A risk-based three-year rolling plan and a one-year Internal Audit Operational Plan were developed and implemented, informed by the major risks identified during the strategic risk workshop by the Board, Management, and the Internal Audit team. These plans covered all key business processes of LGSETA.

The one-year operational plan approved 28 audit engagements, all of which were completed within the financial year, with the exception of the System Development Life Cycle audit into the ERP system development – a multi-year project currently in progress.

The ARC conducted its annual assessment of the effectiveness of the IAF in accordance with its Charter, using a questionnaire aligned with the Global Internal Audit Standards. The ARC confirmed its satisfaction with the work performed and concurred that the IAF was effective during the reporting period.

Furthermore, the ARC is currently managing an active investigation involving a service provider, which resulted in irregular expenditure as disclosed in the annual financial statements. The case is under assessment by an advocate from the Johannesburg Specialised Commercial Crimes Court in collaboration with the Directorate for Priority Crime Investigation.

AUDIT AND RISK COMMITTEE ANNUAL REPORT

We are pleased to present our report for the financial year ended 31 March 2025.

Role of the Committee

The Audit and Risk Committee (ARC) is independent and accountable to both the Board and the Department of Higher Education and Training (DHET). The committee's responsibilities include the statutory duties prescribed by the DHET, Public Finance Management Act (PFMA) and National Treasury, as well as the appropriate King IV recommendations and additional duties assigned by the Board.

The following members served on the audit and risk committee during the period under review:

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned/ terminated	Number of meetings attended
Mr Keith Swanepoel	• Business Management Diploma • Interaction Management Certificate • Change Awareness Facilitator's Certificate • Programme • Labour Relations Certificate • Negotiation Skills Certificate	External	N/A	17 July 2020	N/A	4
Ms Nokubonga Dinga	• Organising Skill Development Certificate	External	N/A	17 July 2020	N/A	3
Mr Tshepo Mofokeng	• CA (SA) • CIA	External	N/A	19 Nov 2021	N/A	3
Mr Mande Ndema	• B Soc Science • Bachelor of Laws (LLB) • Marketing & Supply Chain Management Postgraduate Diploma • Programme for Management Development • Property Development and Investment Certificate	External	N/A	9 Dec 2021	N/A	3

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date resigned/ terminated	Number of meetings attended
Mr Silas Hlophe	• Master of Business Leadership (MBL) • BCom Honours (Accounting)	External	N/A	9 Dec 2021	N/A	1
Ms Gloria Patricia Mnguni	• Chartered Accountant (CA) South Africa (SA)	External	N/A	9 Dec 2021	N/A	4

Audit and Risk Committee Responsibility

The ARC confirms that it has fulfilled its responsibilities as required by Section 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.1. The Committee further reports that it has adopted formal terms of reference in the form of its Audit Committee Charter, has conducted its affairs in accordance with this Charter, and has discharged all its duties as outlined therein, including the review and adoption of any necessary changes to accounting policies and practices.

The effectiveness of Internal Control

The PFMA requires the Accounting Authority to ensure that the maintains effective, efficient, and transparent systems of financial management, risk management, and internal control. It is the role of the Committee to review the effectiveness of these internal controls and oversee risk management. Reviews conducted during the period covered financial, operational, compliance, and risk assessment.

Through analysis of audit reports and engagement with the entity officials, the Committee acknowledges significant improvements and the efforts made by management to enhance the control environment. However, the Committee notes that, while the system of internal controls was adequate and generally effective, further improvements are necessary to reduce identified risks to an acceptable level.

The Effectiveness of Internal Audit

A risk-based Internal Audit Operational Plan was developed and implemented, taking into account the major risks identified by the Board, Management, and Internal Audit team. This plan covered all key processes and operations of LGSETA. Throughout the financial year, Internal Audit reviews were conducted based on these risk assessments, uncovering various control weaknesses. All findings were communicated to the relevant parties for corrective action.

The following Operational Internal Audit engagements, as outlined in the plan, were completed during the year under review:

- Audit of Performance Information Quarter One, Two and Three
- Audit of Financial Statements Quarter One, Two and Three
- Audit of Management Treatment Action Plan Quarter One, Two and Three
- Audit of Management Treatment Action Plan Year-end
- Audit of Draft Strategic Plan, Annual Performance Plan and Research
- Audit of Education and Training Quality Assurance (ETQA)
- Audit of Communications and Stakeholder Relations
- Audit of Strategic Partnerships Management Review
- Audit of Discretionary Grants Projects and Commitments Schedule
- Audit of Discretionary Grants Funding Window and Due Diligence
- Audit of Discretionary Grants Project Visit
- Audit of Mandatory Grants Review
- Audit of Human Resources, Payroll and Performance Management
- Audit of Supply Chain and Contract Management
- Audit of Fixed Assets Management
- Audit of ICT General Controls Review
- Audit of ICT Applications Controls Review
- Audit of ICT Security Management Review
- Audit of Performance Audit (3'Es)
- Audit of Enterprise Risk Management and Business Continuity Management Systems
- Audit of Corporate Governance and Compliance and POPIA

The following were found to be areas of concern:

- Audit of Strategic and Partnerships Management – Around monitoring and management of Projects
- Audit of Discretionary Grants Project Visit – Around monitoring and management of Projects

Evaluation of Financial Statements

The Committee reviewed the LGSETA's Annual Financial Statements and is satisfied that they comply with the relevant Accounting Standards and that the accounting policies applied are appropriate. The review of the Annual Financial Statements focused on the following areas:

- Significant financial reporting judgements and estimates.
- Clarity and completeness of disclosure, and whether disclosures made have been set properly in context.
- Changes in the Accounting Policies and Practices.
- Significant adjustments resulting from the audit.
- Compliance with accounting standards and legal requirements.
- Explanation for the accounting treatment adopted.
- Reasons for year-on-year fluctuations.
- Asset valuations and revaluations.
- Re-assessment of the useful life of the assets.

Evaluation of the AGSA Audit Process and Reports

The Committee reviewed the entity's management treatment action plan addressing audit issues raised in the prior year and is satisfied with the progress made in resolving the outstanding matters. Furthermore, in consultation with the Accounting Authority, the Committee noted the terms of the Auditor-General South Africa's (AGSA) engagement letter, audit strategy, and audit fees for the 2024/25 financial year.

The Committee holds the AGSA in high regards and confirms its ongoing commitment to the external audit process and will remain actively involved throughout, continuing to engage the AGSA on all matters arising from the audit opinion. It also appreciates the support and willingness of the audit team leaders.

Evaluation of Risk Management

The Committee successfully discharged its Risk Management oversight responsibility and reviewed the adequacy, effectiveness, and efficiency of Enterprise Risk Management (ERM), Strategic and Operational Risk Registers and Mitigation Plans developed by Management. The LGSETA had established a Risk Management Committee that executed its plan during the year, and its chairperson provided regular reports to the audit committee.

Compliance with Laws and Regulations

The LGSETA complies with the reporting requirements as prescribed by the National Treasury and the DHET. It has submitted its strategic and annual performance plans, the Sector Skills Plan, and the SETA quarterly financial and performance reports within the regulated timeframes. Additionally, significant focus and effort were put into the development of controls to ensure compliance with the POPIA Act, No. 4 of 2013. LGSETA has developed policies and procedures to guide financial management, supply chain management (SCM), human resources management, and the implementation of operational activities.

Evaluation of Anti-Corruption and Fraud Matters

The Committee reviewed and recommended the Fraud Prevention Strategy and Fraud Policy Statement for approval by the Board. Reports from the Anti-Corruption and Fraud Hotline were examined, and management was instructed to resolve outstanding enquiries and investigations. The implementation of the fraud risk mitigation plan was monitored through quarterly reports submitted to the ARC. The entity maintains a Fraud Hotline, administered by an independent service provider, through which fraud-related cases can be reported anonymously via the Hotline number (0809 339 337) and other channels. This service is widely publicised and accessible on the LGSETA website.

Evaluation of the Quality of In-year Management and Monthly/ Quarterly Report

The public entity has complied with the PFMA requirements by submitting monthly and quarterly reports to the National Treasury. The Committee reviewed the quarterly and annual financial statements, along with the related disclosure notes to be included in the Annual Report, in consultation with the Auditor-General. Any weaknesses identified during these reviews were communicated to management for corrective action. The Committee also reviewed the Auditor-General's prior year management report and management's responses, and is satisfied that the current year's management action plan adequately addresses the root causes of the previously identified issues.

Evaluation of Finance Function

The Committee considered the structural capacity, skill, and competencies of the Finance Function and is satisfied that it was adequate and sufficient during the financial year to produce quality Annual Financial Statements that comply with GRAP standards and all applicable reporting frameworks.

Conclusion

Chairperson of the Audit and Risk Committee

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the B-BBEE Act of 2013, and as determined by the Department of Trade, Industry and Competition (the dtic).

Criteria	Response Yes/No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	**No**	Not applicable to the SETA
Developing and implementing a preferential procurement policy.	**Yes**	The LGSETA has a Supply Chain Management Policy in place for procurement processes.
Determining qualification criteria for the sale of state-owned enterprises.	**No**	Not applicable to the SETA
Developing criteria for entering into partnerships with the private sector.	**No**	Not applicable to the SETA
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad- Based Black Economic Empowerment.	**No**	Not applicable to the SETA

PART D

HUMAN RESOURCE MANAGEMENT

OVERVIEW

1. Introduction

The Human Resources (HR) Department plays a vital role in enabling the organisation to achieve its strategic objectives by effectively managing the human capital. During the period under review, the department continued to provide strategic and operational support to foster a competent, ethical, and high-performing workforce.

Our key focus areas included:

- Aligning HR practices with organisational priorities.
- Promoting employee wellness and skills development.
- Ensuring compliance with labour legislation and public service regulations.

Through continuous collaboration and improvement, we have contributed to creating an environment that supports employee growth, service excellence, and efficient public value delivery.

2. Key Achievements

2.1 Skills Development and Training

The HR Department successfully fostered a culture of continuous learning and professional growth. We achieved 85% of our planned Workplace Skills Plan (WSP) training target for the 2024/2025 financial year, training 96 employees in total. This exceeded our target of 80% and demonstrates our commitment to employee development.

- Career Development: Employees submitted personal development plans to assist with career progression and succession planning. This was further supported by awarding bursaries for employees to pursue further education.
- Managerial Training: Managers and future managers were identified to participate in a Coaching and Mentoring training program through MANCOSA. As a direct result of this training, three junior employees were successfully appointed as Provincial Specialists, creating a stronger managerial talent pool from within.

2.2 Performance Management

The performance management framework introduced in the 2023/2024 financial year continued to be successful. We saw a significant increase in employee engagement, with all performance contracts and mid-term reviews submitted on time. We are now working to better align submission deadlines with the organisation's financial year and to integrate all employee performance agreements with our overall strategic goals.

2.3 Policy Development and Compliance

To ensure we maintain a high level of governance, we reviewed and updated several HR policies, aligning them with relevant legislation and best practices. We also entered into a Recognition Agreement with two unions that have sufficient representation within the organisation. We are committed to building a harmonious working relationship with our unionised and non-unionised employees.

3. Areas for Improvement

- Performance Management Alignment: Further efforts are needed to align performance agreement and review submission dates with the organization's financial year timeframes. We are also exploring better ways to align all employee performance agreements with the organisational strategy.
- System Integration: The organisation is working on introducing and implementing more effective HR systems through system integration.

4. Human Resource oversight statistics

4.1 Personnel Costs by Programme

Programme/activity/ objective	Total expenditure for entity (R'000) 2024/25	Personnel expenditure (R'000) 2024/25	Personnel expenditure as a % of total expenses (R'000) 2024/25	Number Of employees 2024/25	Average personnel cost per employee (R'000) 2024/25
Board	2 007	2 007	100%		
CEO's Office	20 601	14 366	70%	7	2 052
Finance	68 331	16 080	24%	14	1 148
Corporate Services	79 401	13 517	17%	14	965
Operations	340 598	50 395	15%	82	614
Strategy and Planning	236 715	11 636	5%	10	1 163
Total	**747 653**	**108 002**	**14%**	**127**	**5 945**

4.2 Cost by Salary Band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost (R'000)	Number of employees	Average personnel cost per employee (R'000)
Top management	11 594	11%	7	1 656
Senior management	32 707	31%	22	1 487
Professional	35 667	34%	42	849
Skilled	20 127	19%	42	479
Semi-skilled	5 859		12	419
Total	**105 955**	**100%**	**127**	

4.3 Training Cost

Programme/activity/ objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee (R'000)
CEO office	9 339	85	1%	5	
Finance	8 691	13	–	13	
Corporate services	10 585	174	2%	7	
Operations	45 193	324	1%	55	
Strategy and planning	11 400	93	1%	10	
Total	**85 208**	**668**	**1%**	**90**	

4.4 Employment and Vacancies (as of 31 March 2025)

Salary band	2024/2025 number of employees	2024/2025 approved posts	2024/2025 number of employees	2024/2025 vacancies	% of vacancies
Top Management	4	6	4	2	
Senior Management	21	24	21	3	
Professional qualified	46	53	46	7	
Skilled	33	33	32	1	
Semi-skilled	11	11	11	–	
Unskilled	–	–	–	–	
Total	**115**	**127**	**114**	**13**	

4.5 Employment Changes

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

Salary bands	Employment at the beginning of period	Appointments	Terminations	Employment at the end of the period
Top management	4	–	–	4
Senior management	21	3	3	21
Professional qualified	46	7	6	47
Skilled	33	–	1	32
Semi-skilled	11	–	–	11
Unskilled	–	–	–	
Total	**115**	**10**	**10**	**115**

4.6 Staff Leaving

Reason	Number	% total number of employees leaving
Death	–	–
Resignation	10	83%
Dismissal	2	17%
Retirement	–	–
Ill health	–	–
Expiry of contract	–	–
Other	–	–
Total	**12**	**100%**

4.7 Labour Relations: Misconduct and Disciplinary Action

Nature of disciplinary action	Number
Verbal warning	1
Written warning	2
Final written warning	0
Suspensions	5
Dismissal	2
Total	**10**

4.8 Equity Targets and Employment Equity Status (as at 31 March 2025)

	Male							
	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	3	1	1	–	–	–	–
Senior management	12	12	–	–	–	–	–	–
Professional qualified	20	20	1	1	–	–	–	1
Skilled	6	9	–	–	–	1	–	–
Semi-skilled	1	2	–	–	–	–	–	–
Unskilled	–	–	–	–	–	–	–	–
Total	**42**	**46**	**2**	**2**	**–**	**1**	**–**	**1**

	Female							
	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	–	–	–	–	–	–	1
Senior management	5	7	1	1	–	–	2	2
Professional qualified	21	21	3	3	–	–	–	–
Skilled	23	21	1	1	1	1	1	1
Semi-skilled	11	11	1	1	–	–	–	–
Unskilled	0	–	–	–	–	–	–	–
Total	**61**	**60**	**6**	**6**	**1**	**1**	**3**	**4**

4.9 Employees with Disabilities

	Employees living with a disability			
	Male		Female	
Level	Current	Target	Current	Target
Top management	–	–	–	–
Senior management	–	–	–	–
Professional qualified	1	1	–	–
Skilled	–	–	–	–
Semi-skilled	–	–	–	–
Unskilled	–	–	–	–
Total	**1**	**1**	**–**	**–**


LGSETA
REGISTRAT


LGSETA

PART E

PFMA COMPLIANCE REPORT

PFMA COMPLIANCE REPORT

1. Irregular, fruitless and wasteful expenditure and material losses

1.1 Irregular expenditure

a) Reconciliation of irregular expenditure

Description	2024/25 R'000	2023/24 R'000
Opening balance	**96 108**	**126 737**
Add: Irregular expenditure confirmed	43 099	8 460
Less: Irregular expenditure condoned	–	–
Less: Irregular expenditure not condoned and removed	(1 194)	(39 089)
Less: Irregular expenditure recoverable	–	–
Less: Irregular expenditure not recoverable and written off	–	–
Closing balance	**138 013**	**96 108**

Reconciling notes to the annual financial statement disclosure

Description	2024/25 R'000	2023/24 R'000
Irregular expenditure that was under determination	94 914	87 648
Irregular expenditure that relates to the prior year and identified in the current year	–	–
Irregular expenditure for the current year	43 099	8 460
Total	**138 013**	**96 108**

b) Details of current and previous year irregular expenditure (under assessment, determination and investigation)

Description	2024/25 R'000	2023/24 R'000
Irregular expenditure under assessment	0	0
Irregular expenditure under determination	138 013	96 108
Irregular expenditure under investigation		
Total	**138 013**	**96 108**

Irregular expenditure under determination comprises on incidences where determinations are currently in progress to determine the root cause and establish facts surrounding the non-compliances.

Under assessment irregular expenditure refers to incidence wherein management in still in progress of consulting with relevant stakeholders to ascertain validity of the issue as management did not agree with the issue identified.

c) Details of current and previous year irregular expenditure condoned

Description	2024/25 R'000	2023/24 R'000
Irregular expenditure under assessment	–	–
Irregular expenditure under determination	–	–
Irregular expenditure under investigation	–	–
Total	**–**	**–**

d) Details of current and previous year irregular expenditure removed (Not condoned)

Description	2024/25 R'000	2023/24 R'000
Irregular expenditure under assessment	–	–
Irregular expenditure under determination	(1 194)	39 089
Irregular expenditure under investigation	–	–
Total	**1 194**	**39 089**

1.2 Fruitless and wasteful expenditure

a) Reconciliation of fruitless and wasteful expenditure

Description	2024/25 R'000	2023/24 R'000
Opening balance	**86 037**	**0**
Add: Fruitless and wasteful expenditure confirmed	50 936	86 037
Less: Fruitless and wasteful expenditure recoverable	0	0
Less: Fruitless and wasteful expenditure not recoverable and written off	0	0
Closing balance	**136 973**	**86 037**

Fruitless and wasteful expenditure related to the following:

- Contracts expired without all deliverables having been achieved, but still in process of extension.

Reconciling notes

Description	2024/25 R'000	2023/24 R'000
Fruitless and wasteful expenditure that was under assessment	0	0
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year	0	0
Fruitless and wasteful expenditure for the current year	50 936	86 037
Total	**50 936**	**86 037**

b) Details of fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description[1]	2024/25 R'000	2023/24 R'000
Fruitless and wasteful expenditure under assessment	0	0
Fruitless and wasteful expenditure under determination	50 936	86 037
Fruitless and wasteful expenditure under investigation	0	0
Total	**50 936**	**86 037**

[1] *Group similar items*

c) Details of disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken

Fruitless and wasteful expenditure still under investigation and therefore no disciplinary steps taken yet.

2. Late and/or non-payment of suppliers

Description	Number of items	Amount
Valid invoices received	6 337	760 897
Invoices paid **within** 30 days or agreed period	6 077	741 845
Invoices paid **after** 30 days or agreed period	260	19 052
Invoices older than 30 days or agreed period (**unpaid and without dispute**)	0	0
Invoices older than 30 days or agreed period (**unpaid and in dispute**)	0	0

Internal control measures were improved to allow for efficient and timeous verification of claims and invoices received by the LGSETA, as well as allowing for the timeous resolution of issues, and improved communication with stakeholders and suppliers.

3. Supply Chain Management

Supply Chain Management (SCM) remains a critical function in supporting LGSETA's mandate by ensure that procurement processes are done in line with Section 217 of the Constitution of the Republic. During the 2024/25 financial year, the SCM unit operated with a fully staffed structure led Chief Financial Officer. The revision of the SCM structure and appointment of a Practitioner: Performance and Risk Management significantly strengthened the internal control environment and improved overall compliance monitoring and risk management within the unit.

SCM processes continue to be guided by approved policies and aligned with PFMA, PPPFA, and National Treasury regulations. Executive management has maintained oversight of procurement activities to ensure alignment with the approved procurement plan and legislative requirements.

Looking ahead, LGSETA SCM unit will continue to enhance its effectiveness and control environment, with the planned appointment of a Practitioner: Contract Management in the next financial year, aimed at strengthening contract oversight and performance monitoring.

4. Information on Supply Chain Management

The table below outlines information on procurement, made by other means during the 2024/25 FY.

Procurement by 'other means'	Total number of transactions 2024/25	Total amount 2024/25	Total number of transactions 2023/24	Total amount 2023/24
Sole source	0	–	0	–
Single source	1	R464 630.39	0	–
Emergency situations	0	–	1	195 500.00

Expansions and variations to be reported in the Annual Report

Expansions and variations which exceeded 20% or R20 million (whichever is less) for construction-related goods or services and which exceeded 15% or R15 million (whichever is less) for all other goods or services, of the contract

The table below outlines information expansions and variations during the 2023/24 FY.

Expansions and variations	Total number of transactions 2024/25	Total amount 2024/25	Total number of transactions 2023/24	Total amount 2023/24
Expansions and Variations	5	R4 448 420.84	5	R2 912 200.00

PART F

FINANCIAL INFORMATION

STATEMENT OF RESPONSIBILITY

The Accounting Authority is responsible for the preparation of the Local Government SETA's annual financial statements and the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal controls that are designed to provide reasonable assurance to the integrity and reliability of the annual financial statements.

The external auditors are engaged to express an independent opinion on the financial statements of the Local Government SETA.

The annual financial statements set out from page 81 to 116, which have been prepared on the going concern basis, were approved by the Accounting Authority on page 11 and were signed on its behalf by:

Ineeleng Molete
Interim Accounting Authority

AUDITOR-GENERAL'S REPORT

Local Government Sector Education and Training Authority

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Local Government Sector Education and Training Authority (LGSETA) out on pages 81 to 116, which comprise the statement of financial position as at 31 March 2025, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the LGSETA as at 31 March 2025 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Skills Development Act 97 of 1998 (SDA).

Basis for opinion

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

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

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

Emphasis of matter

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

Restatement of corresponding figures

7. As disclosed in note 31 to the financial statements, the corresponding figures for 31 March 2024 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2025.

Other matter

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

Audit committee independence

9. The chairperson of the audit and risk committee of the public entity is a director/member of private company that is doing business with the public entity and therefore this relationship impairs the independence of the audit committee.

Basis for opinion

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

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

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

Responsibilities of the accounting authority for the financial statements

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

14. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof; I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

18. I selected the following programmes presented in the annual performance report for the year ended 31 March 2025 for auditing. I selected programmes that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Programme 2: Skills planning	30–32	Conduct research aimed at improving the quality of the LGSETA's skills planning and identification of interventions needed to facilitate access to appropriate skills development interventions for the sector. This programme also focuses on improving the capacity to plan for skills intervention and skills planning in the sector.
Programme 3: Learning programmes	33–42	Continuously facilitate the delivery of skills development in the local government sector to both employees and the unemployed o enable better service delivery in the sector. This would be delivered through training programmes or through the recognition of prior learning. Once employees are recognised, they also become eligible for further training and development within their respective disciplines. All programmes directed under this objective will improve their employability and opportunities for economic participation.

19. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

20. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
    - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
    - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

21. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

22. I did not identify any material findings on the reported performance information for the selected programmes.

Other matter

23. I draw attention to the matters below.

Achievement of planned targets

24. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievements.

25. The table that follows provides information on the achievement of planned targets and list the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 18 to 47.

Programme 3: Learning programmes

Targets achieved: 85%
Budget spent: 86%

Key indicator not achieved		Planned target	Reported achievement
3.1	Percentage of discretionary grant allocations reflective of high, intermediate, and elementary skill level – Elementary skills	43%	13%
3.3	Number of TVET students requiring work integrated learning to complete their qualifications placed in workplaces – Completed	800	495
3.7	Number of unemployed learners in learnership programmes – Completed	1 200	1 083
3.9	Number of workers in learnership programmes – Completed	1 075	388
3.10	Number of workers awarded bursaries – Completed	200	135
3.1 1	Number of workers in skills programmes – Completed	2 500	1 542
3.14	Number of unemployed learners awarded bursaries – Completed	200	179
3.32	Number of learners who completed workplace-based learning programmes absorbed into employment or self-employment	200	44

Material misstatements

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for learning programmes. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

27. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

28. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

29. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

30. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance and annual report

31. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.

32. Material misstatements of discretionary grants expenditure, discretionary grants accruals, and contingent assets identified by the auditors in the submitted financial statements were corrected and the supporting records were provided, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

33. Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 29 to the annual financial statements, as required by section 51 (1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by payment made to service providers who failed to deliver services as per agreed funding agreement.

34. Resources of the LGSETA were not utilised efficiently and economically, as required by section 57(b) of the PFMA.

Other information in the annual report

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

36. My opinion on the financial statements, and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

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

38. I did not receive the finalised other information prior to the date of this audit report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and reissue an amended report as appropriate. However, if it is corrected, this will not be necessary.

Internal control deficiencies

39. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

40. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and the material findings on compliance with legislation included in this report.

41. The public entity did not implement proper record keeping ensuring that complete, relevant and accurate information was accessible and available in a timely manner to support financial reporting. This resulted in the correction of material misstatements and unnecessary delays in completing the audit.

42. The public entity did not adequately review and monitor compliance with applicable laws and regulations, which resulted in non-compliance with legislation being identified during the audit.

Auditor-General

Pretoria

07 August 2025

AUDITOR-GENERAL
SOUTH AFRICA

ANNEXURE TO THE AUDITOR-GENERAL'S REPORT

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

Communication with those charged with governance

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

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 51(1)(b)(i); 51(1){b}{ii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b); 66(3)(c)
Treasury Regulations, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); 16A6.3(a); 16A6.3{b); Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b){ii); Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f); Regulation 16A9.2; 16A9.2(a)(ii); 30.1.1; 30.1.3(a); Regulation 30.1.3{b); 30.1.3(d); 30.2.1; 31.2.1; Regulation 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b); Regulation 32.1.1(c); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); Section 45(4); 46(1)(a); 46(1)(b); 46(1)(c); Section 112(2)(a); 129(7)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7 A)
Second amendment National Treasury Instruction note. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction note 5 of 2020/21	Paragraph 2
National Treasury instruction note 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury instruction note 1 of 2021/22	Paragraph 4.1
National Treasury instruction note 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction note 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction note 03 of 2021/22	Paragraph 4.1; 4.2{b); 4.3; 4.4; 4.4(a); 4.17; 7.2; Paragraph 7.6
National Treasury SCM instruction note 11 of 2020/21	Paragraph 3.4(a); 3.4{b); 3.9
National Treasury SCM instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Practice note 11 of 2008-9	Paragraph 2.1; 3.1 (b)
Practice note 5 of 2009-10	Paragraph 3.3
Practice note 7 of 2009-10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5. 7; 6.1; 6.2; 6.3; Regulation 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; Regulation 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

STATEMENT OF FINANCIAL POSITION

as at 31 March 2025

Figures in Rand thousand	Note(s)	2025 '000	Restated 2024 '000
Assets			
Current assets			
Inventories	5	**127**	192
Other financial assets	32	**–**	1 059 245
Receivables from exchange transactions	6	**16 209**	21 686
Receivables from non-exchange transactions	7	**2 314**	2 254
Cash and cash equivalents	8	**2 652 027**	1 408 315
		2 670 677	2 491 692
Non-current assets			
Property, plant and equipment	2	**19 517**	13 812
Intangible assets	3	**11 837**	10 446
		31 354	24 258
Total assets		**2 702 031**	2 515 950
Liabilities			
Current liabilities			
Operating lease liability	4	**1 865**	2 651
Payables from exchange transactions	10	**16 555**	16 561
Trade and other payables from non-exchange transactions	11	**123 903**	99 135
Provisions	9	**107 879**	53 156
		250 202	171 503
Total liabilities		**250 202**	171 503
Net assets		**2 451 829**	2 344 447
Reserves			
Discretionary grant reserve		**2 420 475**	2 320 189
Administrative reserve		**31 354**	24 258
Total net assets		**2 451 829**	2 344 447

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2025

Figures in Rand thousand	Note(s)	2025 '000	Restated 2024 '000
Revenue			
Revenue from exchange transactions			
Other income	13	**2 954**	1 098
Interest received – investment	14	**193 950**	184 857
Total revenue from exchange transactions		**196 904**	185 955
Revenue from non-exchange transactions			
Transfer revenue			
Skills Development Levy (SDL) Revenue	16	**977 669**	918 324
SDL penalties and interest income	17	**10 038**	6 845
Total revenue from non-exchange transactions		**987 707**	925 169
Total revenue	12	**1 184 611**	1 111 124
Expenditure			
Employee-related costs	18	**(69 586)**	(81 055)
Depreciation and amortisation	19	**(6 131)**	(3 344)
Bad debts written off		**(7)**	–
Employer grant and project expenses	15	**(824 441)**	(571 097)
General expenses	20	**(177 063)**	(164 553)
Total expenditure		**(1 077 228)**	(820 049)
Surplus for the year		**107 383**	291 075

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2025

Figures in Rand thousand	Discretionary grant reserve	Admin reserve	Total reserves	Accumulated surplus	Total net assets
Balance at 1 April 2023	2 039 687	13 686	2 053 373	–	2 053 373
Changes in net assets					
Surplus for the year	–	–	–	291 074	291 074
Allocation of unappropriated surplus	280 502	10 572	291 074	(291 074)	–
Total changes	280 502	10 572	291 074	–	291 074
Balance at 1 April 2024 – Restated*	2 320 189	24 258	2 344 447	–	2 344 447
Changes in net assets					
Surplus for the year	**–**	**–**	**–**	**107 383**	**107 383**
Allocation of unappropriated surplus	**100 287**	**7 096**	**107 383**	**(107 383)**	**–**
Total changes	**100 287**	**7 096**	**107 383**	**–**	**107 383**
Balance at 31 March 2025	**2 420 475**	**31 354**	**2 451 829**	**–**	**2 451 829**

CASH FLOW STATEMENT

for the year ended 31 March 2025

Figures in Rand thousand	Note(s)	2025 '000	Restated 2024 '000
Cash flows from operating activities			
Receipts			
Other income/(outflow) from operating activities		**2 954**	1 098
SDL Revenue, interest and penalties received		**987 647**	925 330
Interest received		**203 238**	101 009
		1 193 839	1 027 437
Payments			
Compensation of employees		**(73 264)**	(75 477)
Grants and project payments		**(744 150)**	(536 554)
Payments to suppliers and other general expenses		**(178 731)**	(142 527)
		(996 145)	(754 558)
Net cash flows from operating activities	22	**197 694**	272 879
Cash flows from investing activities			
Purchase of property, plant and equipment	2	**(10 958)**	(8 686)
Proceeds from sale of property, plant and equipment	2	**135**	–
Purchase of intangible assets	3	**(2 404)**	(5 230)
Purchase of financial assets		**–**	(1 000 000)
Disposal of financial assets		**1 059 245**	–
Net cash flows from investing activities		**1 046 018**	(1 013 916)
Net increase/(decrease) in cash and cash equivalents		**1 243 712**	(741 037)
Cash and cash equivalents at the beginning of the year		**1 408 315**	2 149 352
Cash and cash equivalents at the end of the year	8	**2 652 027**	1 408 315

The accounting policies on pages 86 to 94 and the notes on pages 95 to 116 form an integral part of the annual financial statements.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2025

Budget on cash basis

Figures in Rand thousand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Other income	192	–	192	2 954	2 762	
Interest received – investment	140 000	–	140 000	193 950	53 950	31
Total revenue from exchange transactions	140 192	–	140 192	196 904	56 712	
Revenue from non-exchange transactions						
Transfer revenue						
Administration Levy Income (10.5%)	124 119	–	124 119	128 320	4 201	31
Mandatory Grant Levy Income (20%)	236 416	–	236 416	244 368	7 952	31
Discretionary Grant Levy Income (49.5%)	585 131	–	585 131	604 981	19 850	31
Penalties and interest	8 351	–	8 351	10 038	1 687	
Total revenue from non-exchange transactions	954 017	–	954 017	987 707	33 690	
Total revenue	1 094 209	–	1 094 209	1 184 611	90 402	
Expenditure						
Employee related costs	(85 260)	–	(85 260)	(69 586)	15 674	31
Internal audit fees	(3 562)	–	(3 562)	(4 113)	(551)	
Staff training	(2 224)	–	(2 224)	(1 423)	801	
QCTO	(6 685)	–	(6 685)	(6 580)	105	
Travel and accommodation	(20 750)	–	(20 750)	(40 786)	(20 036)	31
External audit fees	(5 454)	–	(5 454)	(5 139)	315	
Lease rentals	(11 627)	–	(11 627)	(10 908)	719	
Marketing and advertising	(4 161)	–	(4 161)	(10 069)	(5 908)	31
Conferences and workshops	(5 377)	–	(5 377)	(9 833)	(4 456)	31
Repair and maintenance	(1 336)	–	(1 336)	(274)	1 062	
Consultancy and service providers	(18 193)	–	(18 193)	(32 617)	(14 424)	31
Legal fees	(8 341)	–	(8 341)	(7 613)	728	
Printing	(1 311)	–	(1 311)	(1 802)	(491)	
Telephone and Internet	(3 373)	–	(3 373)	(7 019)	(3 646)	
Governance costs	(3 613)	–	(3 613)	(1 890)	1 723	
Other expenses (including asset purchases)	(10 734)	–	(10 734)	(17 500)	(6 766)	31
General expenses	(15 668)	–	(15 668)	(32 859)	(17 191)	31
Mandatory grants expenses	(236 416)	–	(236 416)	(236 748)	(332)	
Discretionary grants expenses	(650 124)	–	(650 124)	(587 693)	62 431	31
Total expenditure	(1 094 209)	–	(1 094 209)	(1 084 452)	9 757	
Surplus before taxation	–	–	–	100 159	100 159	

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

1.3 Significant judgements and sources of estimation uncertainty

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

Impairment of property, plant and equipment

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. During the asset counts, the condition of assets is considered, and where the assets are impaired, this is taken into account.

Useful lives of property, plant and equipment at cost

The useful lives of assets are based on management's best estimates. Management considers the use and condition of the assets to determine the optimum useful-life expectation, where appropriate.

Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and contingent assets. Leave provision is estimated using the available leave days as at 31 March 2025 using the daily rate calculation as per guidelines in the Basic Conditions of Employment Act (BCEA). The bonus provision is based on management's calculation using the historical information based on the performance assessments in the prior year in line with the LGSETA's performance management policy and probability of the performance bonus payout.

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
(a) it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
(b) the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

Item	Depreciation method	Average useful life
Motor vehicles	Straight-line	5-10 years
Office equipment	Straight-line	3 – 10 years
IT equipment	Straight-line	3 – 6 years
Mobile devices	Straight-line	2 years

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

The depreciation charge for each period is recognised in surplus or deficit. Impairment losses are recognised in the statement of financial performance.

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

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

LGSETA separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (Note 20).

1.5 Intangible assets

LGSETA's intangible assets are mainly made up of internally generated software which is acquired for a period exceeding one year.

An intangible asset is recognised when:
(a) it is probable that the expected future economic benefits or service potential that are attributable to the assetwill flow to the entity; and
(b) the cost or fair value of the asset can be measured reliably.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses where applicable. The amortisation period is in line with the software license period.

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

Item	Depreciation method	Average useful life
Internally generated software	Straight-line	2-10 years
Computer Software	Straight-line	In line with licensing period

Intangible assets are derecognised: on disposal; or at the end of license period; or when no future economic benefits or service potential are expected from its use or disposal.

1.6 Financial instruments

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

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

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

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

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

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

favourable to the entity.

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

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

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

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

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

Derecognition

Financial liabilities and financial assets

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

The entity derecognises a financial asset when the contractual rights to the cash flows from the financial asset have expired, or it transfers the financial asset such that it qualifies for derecognition.

1.7 Tax

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

1.8 Leases

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

Operating leases – lessee

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

1.9 Inventories

Inventories are initially measured at cost. LGSETA's inventories are made up of all the consumables unused at year-end. Inventories are measured at the lower of cost and net realisable value.

1.10 Reserves

Equity is sub-classified in the statement of financial position between the following funds and reserves:
- Administration reserve
- Employer grant reserve
- Discretionary grant reserve

This sub-classification is made on the restrictions placed on the distribution of monies received in accordance with the regulations issued in terms of the Skills Development Act (SDA).

Municipalities and municipal entities' skills development levy payments are set aside in terms of the Skills Development Act and the regulations issued in terms of the Act, as follows:

Purpose of total SDL payments from employers	**Allocation 2024/25**	Allocation 2023/24
Administration costs of the SETA	**10,50%**	10,50%
Mandatory grants	**20,00%**	20,00%
Discretionary grants and projects	**49,50%**	49,50%
	80,00%	80,00%

Interest and penalties received from SARS are utilised for discretionary grants. Other income received is utilised in a manner determined by the Accounting Authority.

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

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

1.11 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

Provision from exempt entities arise from the entities which have total annual gross salary below R500 000. DHET issued guidance to all SETAs indicating that these funds must continue to be accounted for as liabilities for a period of five years unless the related companies claim back these funds during this five-year period.

A provision is used only for expenditures for which the provision was originally recognised.

A contingent liability is possible obligation that arises from the past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent asset is possible asset that arises from the past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

1.13 Commitments

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

Commitments for discretionary grants include all contracts which are active at year end, and funding agreements relating to the project allocations for 2024/25 financial period which have been accepted by the service providers.

Commitments for which disclosures are necessary to achieve a fair presentation are disclosed in note 23 to the financial statements.

1.14 Revenue from exchange transactions

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

Measurement

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

Investment income

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

1.15 Revenue from non-exchange transactions

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

Measurement

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

Levy income

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

SDL income is recognised as and when it is received from the Department of Higher Education and Training.

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

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

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

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

Penalties and interest

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

1.16 Comparative figures

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

1.17 Fruitless and wasteful expenditure

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

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

1.18 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are derecognised when settled or written off as irrecoverable.

Irregular expenditure must be removed from the balance of Irregular expenditure notes when it is either:
(a) condoned by the relevant authority if no official was found to be liable in law;
(b) recovered from and official liable in law;
(c) written off if it's irrecoverable from an official liable; or
(d) written off it it's not condoned and not recoverable.

1.19 Budget information

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

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

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

The approved budget covers the fiscal period from 2024/04/01 to 2025/03/31.

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

Significant variances are considered to be those that exceed R4.8 million in value between budgeted and actual amounts. All material differences are explained in the notes to the annual financial statements.

1.20 Related parties

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

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

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

1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified: those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.22 Grants and project expenditure

1.22.1 Grants and project expenditure

Municipalities and municipal entities may recover their total SDL payment by complying with the grant criteria in accordance with the Skills Development Regulations issued in terms of the Skills Development Act 1999 (Act No 9 of 1999)

1.22.2 Mandatory grants expenditure

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

1.22.3 Discretionary grant expenditure

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2025

2. Property, plant and equipment

Figures in Rand thousand	**2025** Cost/ valuation	**2025** Accumulated depreciation and accumulated impairment	**2025** Carrying value	2024 Cost/ Valuation	2024 Accumulated depreciation and accumulated impairment	2024 Carrying value
Office furniture and fixtures	**6 366**	**(4 607)**	**1 759**	6 339	(4 094)	2 245
Motor vehicles	**8 244**	**(1 091)**	**7 153**	2 756	(444)	2 312
Office equipment	**11 009**	**(4 084)**	**6 925**	7 663	(2 536)	5 127
Computer equipment	**10 640**	**(8 297)**	**2 343**	9 664	(7 012)	2 652
Communication equipment	**2 425**	**(1 088)**	**1 337**	1 540	(64)	1 476
Total	**38 684**	**(19 167)**	**19 517**	27 962	(14 150)	13 812

Reconciliation of property, plant and equipment – 2025

Figures in Rand thousand	**Opening balance**	**Additions**	**Disposals**	**Depreciation**	**Total**
Office furniture and fixtures	**2 245**	**27**	**–**	**(513)**	**1 759**
Motor vehicles	**2 312**	**5 488**	**–**	**(647)**	**7 153**
Office equipment	**5 127**	**3 346**	**–**	**(1 548)**	**6 925**
Computer equipment	**2 652**	**977**	**–**	**(1 285)**	**2 344**
Communication equipment	**1 476**	**1 121**	**(136)**	**(1 125)**	**1 336**
	13 812	**10 959**	**(136)**	**(5 118)**	**19 517**

Reconciliation of property, plant and equipment – 2024

Figures in Rand thousand	Opening balance	Additions	Depreciation	Total
Office furniture and fixtures	1 838	864	(457)	2 245
Motor vehicles	756	1 984	(428)	2 312
Office equipment	3 181	2 844	(898)	5 127
Computer equipment	2 107	1 453	(908)	2 652
Communication equipment	–	1 540	(64)	1 476
	7 882	8 685	(2 755)	13 812

3. Intangible assets

Figures in Rand thousand	2025 Cost/ valuation	2025 Accumulated amortisation and accumulated impairment	2025 Carrying value	2024 Cost/ valuation	2024 Accumulated amortisation and accumulated impairment	2024 Carrying value
Computer software licenses	**17 326**	**(5 489)**	**11 837**	14 921	(4 475)	10 446

Reconciliation of intangible assets – 2025

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software licenses	**10 446**	**2 404**	**(1 013)**	**11 837**

Reconciliation of intangible assets – 2024

	Opening balance	Additions	Amortisation	Total
Computer software licences	5 804	5 231	(589)	10 446

Included in computer software licenses is internally generated Intangible assets under development for the respective years.		
Internally generated assets not ready for use	2 047	5 232

4. Operating lease liability

Figures in Rand thousand	**2025**	2024
Current liabilities	**(1 865)**	(2 651)

LGSETA lease agreements range between 3 – 5 years There is no option to renew or purchase the buildings. The entity is not permitted to sub-lease the properties.

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

Figures in Rand thousand	**2025**	2024
Operating lease liabilities		
Within 1 year	**13 032**	11 979
Between 2 – 5 years	**3 501**	24 979
	16 533	36 958

5. Inventories

Figures in Rand thousand	**2025**	2024
Stationery and other consumables	**127**	192

6. Receivables from exchange transactions

Figures in Rand thousand	**2025**	2024
Employee costs in advance	**11**	221
Deposits – Lease Agreement	**3 445**	3 250
Prepaid expenses	**63**	66
Other debtors	**4 004**	175
Interest receivable	**8 686**	17 974
	16 209	21 686

Prepaid expenses mainly relate to the insurance costs payable at the beginning of the contract, in-line with the agreement signed between LGSETA and the service provider. The interest receivable relates to the interest accrual on the LGSETA bank accounts.

7. Receivables from non-exchange transactions

Figures in Rand thousand	**2025**	2024
Mandatory grant receivables/recoveries	**1 912**	1 852
Discretionary grant receivables/recoveries	**402**	402
Bad debt provision	**–**	(360)
Discretionary grant receivables	**–**	360
	2 314	2 254

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

Figures in Rand thousand	**2025**	2024
Opening balance	**(360)**	(360)
Amounts written off as uncollectible	**360**	–
	–	(360)

The impairment of receivables from non-exchange transactions relate to the deceased learners which were claimed for in 2015/16 financial period by one service provider. The debt is considered to be irrecoverable and will be considered for write-off.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand thousand	**2025**	2024
Petty cash on hand	**29**	10
Bank balances	**2 441 797**	379 156
Short-term deposits and call accounts	**210 201**	1 029 149
	2 652 027	1 408 315

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

9. Provisions

Reconciliation of provisions – 2025

	Opening balance	Additions	Utilised during the year	Total
Levies from exempt entities	**1 204**	**129**	**–**	**1 333**
Provision for discretionary grant expenditure	**41 296**	**96 691**	**(41 296)**	**96 691**
Performance bonus	**7 925**	**3 731**	**(5 150)**	**6 506**
Leave pay	**2 731**	**8 188**	**(7 570)**	**3 349**
	53 156	**108 739**	**(54 016)**	**107 879**

Reconciliation of provisions – 2024

	Opening balance	Additions	Utilised during the year	Total
Levies from exempt entities	1 071	133	–	1 204
Provision for discretionary grant expenditure	–	41 296	–	41 296
Performance bonus	4 598	7 036	(3 709)	7 925
Leave pay	3 331	7 745	(8 345)	2 731
	9 000	56 210	(12 054)	53 156

10. Payables from exchange transactions

Figures in Rand thousand	2025	2024
Trade payables	**15 199**	6 440
Unallocated deposits	**893**	129
Accrued expense: Administrative expenses	**–**	6 652
Employee cost payables	**463**	3 340
	16 555	16 561

11. Trade and other payables from non-exchange transactions

Figures in Rand thousand	2025	2024
Discretionary employer creditors	**5 019**	4 851
Discretionary project creditors	**16 035**	8 173
Discretionary accruals	**63 153**	21 105
Inter-SETA payables – non-exchange	**239**	239
Mandatory grants payables	**39 457**	64 767
	123 903	99 135

12. Revenue

Figures in Rand thousand	2025	2024
Other income	2 954	1 098
Interest received – investment	193 950	184 857
Skills Development Levy (SDL) revenue	977 669	918 324
SDL penalties and interest income	10 038	6 845
	1 184 611	1 111 124

The amount included in revenue arising from exchanges of goods or services are as follows:

Figures in Rand thousand	2025	2024
Other income	2 954	1 098
Interest income	193 950	184 857
	196 904	185 955

The amount included in revenue arising from non-exchange transactions is as follows:

Figures in Rand thousand	2025	2024
Skills Development Levy (SDL) revenue	977 669	918 324
SDL penalties and interest income	10 038	6 845
	987 707	925 169

13. Other income

Figures in Rand thousand	2025	2024
Other income	2 954	1 098

14. Investment revenue

Figures in Rand thousand	2025	2024
Interest revenue		
Finance income for the period	193 950	184 857

15. Employer grant and project expenses

Figures in Rand thousand	2025	2024
Grants paid		
Mandatory grant to employers	236 748	224 685
Discretionary grants		
Pivotal skills – project expenses	499 258	282 808
Non-pivotal expenses	46 072	39 821
Project administrative expenses	42 363	23 783
	587 693	346 412
	824 441	571 097

16. Skills Development Levy (SDL) revenue

Figures in Rand thousand	2025	2024
Administration – SDL income	**128 320**	120 530
Mandatory grant – SDL income	**244 368**	229 533
Discretionary grants – SDL income	**604 981**	568 261
	977 669	918 324

17. SDL penalties and interest received

Figures in Rand thousand	2025	2024
Skills development levy interest income	**5 342**	2 313
Skills development levy penalty income	**4 696**	4 532
	10 038	6 845

18. Employee related costs

Figures in Rand thousand	2025	2024
Basic	**48 373**	58 136
Non-pensionable allowances	**459**	1 449
Bonus	**169**	218
Medical aid – company contributions	**4 002**	3 993
UIF	**240**	249
WCA	**117**	123
SDL	**965**	870
Leave pay provision charge	**894**	(338)
Defined contribution plans	**10 446**	10 080
Long-service awards	**190**	115
Staff performance bonus	**3 731**	6 160
	69 586	81 055

A portion of the basic salary of employees that are in the operations division has been reclassified to project admin expenditure as they are funded from the 7.50% project admin expenditure. The Basic was reclassified limited to 7.50% of the Discretionary grants expenditure which amounted to R36.4 million (R23.7 million in the 2023/24 financial year.)

19. Depreciation and amortisation

Figures in Rand thousand	2025	2024
Property, plant and equipment	**5 117**	2 755
Intangible assets	**1 014**	589
	6 131	3 344

20. General expenses

Figures in Rand thousand	**2025**	2024
Accommodation	**12 241**	7 749
Advertising	**97**	398
Audit Committee remuneration	**299**	366
Auditors remuneration	**5 139**	4 469
Bank charges	**758**	318
Board fees and expenses	**1 591**	2 014
Conferences, venue hire and catering	**9 833**	5 956
Consultant fees	**15 433**	27 787
Consumables	**393**	559
Financial instruments – fee expense	**18 334**	34 349
Information technology expenses	**18 537**	7 207
Insurance	**711**	520
Internal audit fees	**4 113**	4 532
Legal expenses	**7 613**	7 647
License costs	**1 076**	1 870
Loss on disposal of assets	**110**	–
Marketing	**2**	2
Marketing and communications	**9 972**	7 124
Operating lease costs	**10 908**	11 299
Other expenses	**1 704**	599
Parking	**1 747**	1 571
Postage and courier	**99**	54
Printing and stationery	**1 802**	631
QCTO costs	**6 580**	6 367
Repairs and maintenance	**274**	578
Staff training and development costs	**1 262**	1 574
Staff recruitment costs	**222**	–
Staff study fees	**161**	412
Staff welfare	**6 141**	5 691
Subscriptions and membership fees	**5**	–
Telephone and fax	**7 019**	4 059
Travel costs	**28 545**	15 584
Water, electricity, rates and taxes	**4 342**	3 267
	177 063	164 553

21. Auditors' remuneration

Figures in Rand thousand	**2025**	2024
Fees	**5 139**	4 469

22. Cash generated from operations

Figures in Rand thousand	2025	2024
Surplus	107 383	291 074
Adjustments for:		
Depreciation and amortisation	6 131	3 344
Bad debts written off	7	–
Movements in operating lease liability	(786)	(7)
Movements in provisions	54 723	44 156
Non-cash Interest	–	(84 007)
Non-cash admin fees	–	16 576
Changes in working capital:		
Inventories	65	(33)
Receivables from exchange transactions	(3 818)	(90)
Interest receivable movement	9 288	159
Other receivables from non-exchange transactions	(60)	161
Payables from exchange transactions	(6)	8 431
Trade and other payables form non-exchange	24 767	(6 886)
	197 694	272 879

23. Commitments

2025	Revised opening balance	Balance adjustments and addendums	New contracts	Project expenses	Cancelled/ expired contracts	Closing balance
Adult Education and Training	8 588	3 960	4 695	(2 160)	(3 956)	11 127
Apprenticeship	55 049	28 355	49 455	(32 895)	(8 780)	91 184
Bursaries	17 176	65	214 669	(101 383)	(4 020)	126 506
Internships	45 524	4 140	77 137	(48 135)	(4 388)	74 279
Learnerships	198 328	18 830	148 390	(128 532)	(46 667)	190 348
Work integrated learning	142 129	5 346	144 847	(110 295)	(8 954)	173 072
Skills programme	37 103	2 479	72 887	(61 019)	(3 648)	47 802
Policy and research	681	656	13 588	(12 290)	–	2 634
Recognition of Prior Learning (RPL)	10 209	1 455	12 123	(16 170)	(1 040)	6 577
Candidacy programme	18 588	34 869	28 800	(18 987)	(18 276)	44 994
Artisan RPL	10 995	51	870	(1 673)	(512)	9 731
Skills programme and internship	28 090	–	–	2 341	–	30 431
Special project	–	–	43 374	(17 349)	–	26 024
Subtotal	572 460	100 206	810 835	(548 547)	(100 241)	834 709
	572 460	100 206	810 835	(548 547)	(100 241)	834 709

The opening balance of the commitments schedule for the year ended 31 March 2025 was revised due to adjustments to project completion dates, learner dropouts, prior period provisions and errors on the grant claim forms.

2025	Opening balance	Prior year adjustments	Revised opening balance
Adult Education and Training	**8 625**	**(37)**	**8 588**
Apprenticeship	**45 874**	**9 176**	**55 049**
Bursaries	**39 226**	**(22 050)**	**17 176**
ETQA	**–**	**–**	**–**
Internships	**45 108**	**416**	**45 524**
Learnerships	**196 298**	**2 030**	**198 328**
SSP	**–**	**–**	**–**
Work integrated learning	**141 026**	**1 103**	**142 129**
Skills programme	**36 770**	**334**	**37 103**
Policy and research	**681**	**–**	**681**
Recognition of Prior Learning (RPL)	**9 998**	**210**	**10 209**
Candidacy programme	**17 478**	**1 110**	**18 588**
Artisan RPL	**11 226**	**(231)**	**10 995**
Skills programme and internship	**46 817**	**(18 727)**	**28 090**
Subtotal	**599 127**	**(26 666)**	**572 460**
	599 127	**(26 666)**	**572 460**

2024	Opening balance	Balance adjustments and addendums	New contracts	Project expenses	Cancelled/ expired contracts	Closing balance
Adult Education and Training	14 005	63	4 425	(454)	(9 414)	8 625
Apprenticeship	72 981	4 345	28 667	(25 716)	(34 404)	45 874
Bursaries	46 135	–	80 758	(50 509)	(37 158)	39 226
ETQA	17	–	–	–	(17)	–
Internships	26 421	105	52 863	(21 377)	(12 904)	45 108
Learnerships	154 068	2 697	188 123	(77 251)	(71 340)	196 298
SSP	–	–	8 522	(8 522)	–	–
Work integrated learning	71 957	4 292	123 988	(34 250)	(24 962)	141 026
Skills programme	25 712	1 102	67 468	(44 747)	(12 765)	36 770
Policy and research	–	–	3 098	(1 605)	(812)	681
Recognition of Prior Learning (RPL)	12 215	115	2 065	(1 344)	(3 052)	9 998
Candidacy programme	43 224	9 120	7 620	(8 370)	(34 116)	17 478
Artisan RPL	–	–	13 047	(1 646)	(175)	11 226
Skills programme and internship	–	–	46 817	–	–	46 817
Subtotal	466 735	21 839	627 461	(275 791)	(241 119)	599 127
	466 735	21 839	627 461	(275 791)	(241 119)	599 127

The pivotal and non-pivotal projects split – The discretionary grant regulations require that at least 80% of the discretionary budget be allocated to the pivotal projects.

23. Commitments continued

	2025	2024
Pivotal		
Adult Education and Training	**11 127**	8 625
Apprenticeship	**91 184**	45 874
Artisan RPL	**9 731**	11 226
Bursaries	**126 506**	39 226
Candidacy	**44 994**	17 478
Internships	**74 279**	45 108
Learnerships	**190 348**	196 298
Recognition of prior learning	**6 577**	9 998
Skills programme	**36 102**	32 399
Work integrated learning	**173 072**	141 026
	763 920	547 258

	2025	2024
Non-pivotal	**2 634**	681
Policy and research	**11 700**	4 371
Skills programme	**30 431**	46 817
Skills programme and internships	**26 024**	–
Special project	**70 789**	51 869

	2025	2024
Approved but not yet contracted awards		
Adult Education and Training	**4 742**	–
Apprenticeship	**70 553**	3 124
Bursaries	**51 284**	15 300
Artisan RPL	**21 501**	–
Candidacy	**42 210**	–
Internship	**56 558**	2 432
Learnership	**238 502**	18 290
RPL	**734**	–
Skills programme	**41 473**	13 442
WIL	**98 393**	6 608
Policy and research	**–**	6 346
Special projects	**975**	33 374
High School projects	**–**	8 550
Assistive technology programme	**–**	16 962
Subtotal	**626 925**	124 428
	626 925	124 428

24. Contingencies

Contingent liabilities

LGSETA CASES and contract related contingencies

Legal	Type	2025 estimate R'000	2024 estimate R'000	Status R'000
• In October 2019, BUSA won a court case against DHET where department's decision to decrease the mandatory grant levies and grants percentage was decreased from 50% to 20% in terms of section 4(4) of the SETA grant regulations was set aside. The court did not decide on the mandatory levy or grant percentage to be applied from the court date onwards.The effect of the ruling is that the Minister would have to decide on the percentage for mandatory grants in consultation with the sector. The Minister has not yet made the decision in regard to the mandatory grant percentage. This is disclosed as a liability as the intention of the litigants, BUSA, was to increase the mandatory grant percentage from 20%. The timing and amount of this contingent liability is uncertain and no reasonable estimate can be made at this point.	Civil case	**Not yet determined**		1. In consultation process with DHET and SETA CEO's
• Three Executive Managers (Chief Financial Officer, Chief Operations Officer, Head: Internal Audit and Risk)	Labour case: Unfair precautionary suspension	**Not yet determined**		1. Case referred to CCMA for arbitration
• Local Government Sector Education and Training Authority v/s the Training Professional CC	Civil case		584	In arbitration
• Contracts pending addendums		**107 844**	80 722	

Surplus funds

In terms of section 53(3) of the PFMA, public entities listed in Schedule 3A and 3C to the PFMA may not retain cash surpluses that were realised in the previous financial year without obtaining the prior written approval of National Treasury. During September 2020, National Treasury Issued Instruction No. 12 of 2020/21 which gave more detail to the surplus definition. According to this instruction, the calculation of surplus funds should be in term of paragraph 3.2 of the National Treasury Instruction.

Calculation of surplus	**2025**	2024
Cash and cash equivalents at year end	**2 652 027**	1 408 315
Add receivables	**18 523**	23 940
Add other financial assets	**–**	1 059 245
Less liabilities	**(250 202)**	(171 503)
	2 420 348	2 319 997

25. Related parties

Relationships

Members	Refer to members' report note
Controlling entity	Department of Higher education and training
Independent board members	Mr Phumlani Mntambo (Board Chairperson) Bhabhali Nhlapo
Independent Municipal and Allied Trade Union	Mr Barend Johannes Koen Mr Keith Swanepoel
South African Local Government Association (SALGA)	Ms Jesta Sidell Miss Naledi Modibedi-Rakate Mr Rio Nolutshungu (Deceased)
South African Municipal Worker's Union (SAMWU)	Ms Priscilla Ntsuba Mr Nelson Mokgotho Ms.Nokubonga Dinga
Other SETAs	Under common control of the Department of Higher Education and Training
Quality Council for Trades and Occupation QCTO	Entities Under common control
Universities	Entities Under common control
TVET Colleges	Entities Under common control
PKNT	Tshepo Mofokeng (Audit Committee Chairperson)
Executive Management	Key Management Personnel

Related party balances

	2025	2024
Administrative expenses		
QCTO	**6 579**	6 367
FASSET	**300**	–
University of Pretoria	**246**	–
University of the Witwatersrand	**604**	–
INSETA	**250**	–
South African Qualifications Authority	**9**	5
Other income		
W&R SETA	**300**	–
INSETA	**100**	–

Related parties expenditure and balances

Summary

DG related parties	**Transaction type**	**Expenditure 2025**	**Commitment 2025**	Expenditure 2024	Commitment 2024
SAMWU	Discretionary grants	**1 068**	**901**	759	2 041
IMATU	Discretionary grants	**63**	**429**	44	67
SALGA	Discretionary grants	**3 118**	**19 146**	7 021	22 128
SALGA	Mandatory grants	**784**	**–**	–	–
PKNT – ARC Chairperson	Discretionary grants	**656**	**–**	1 530	–
Ehlanzeni District Municipality	Discretionary grants	**8 839**	**792**	14 097	10 402
Ehlanzeni District Municipality	Mandatory grants	**285**	**–**	282	–
		14 813	**21 268**	23 733	34 638

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

Related parties

Related parties – entities under common control

In terms of GRAP 20, the following entities (TVET Colleges and Universities) are under common control with LGSETA and therefore regarded as related parties. As part of implementing the skills development for the local government sector, LGSETA has entered into contracts with the Universities and TVET Colleges to fund learners' Bursaries, Learnerships, Skills Programmes and Work Integrated Learning (WIL) in line with the discretionary grants policy.

The transactions with these entities are in the normal course of LGSETA's business and were entered into at arm's-length. LGSETA only included projects where there is a funding agreement between LGSETA and the entity under common and therefore excluded balances where LGSETA has entered into a bursary agreement with the learners. As at 31 March 2025, the commitment balances relating to entities under common control were as follows:

Universities and Colleges

Figures in Rand thousand	**2025**	2024
Cape Peninsula University of Technology	**1 704**	4 307
Central University of Technology	**400**	1 220
Coastal KZN TVET College	**4 880**	–
College of Cape Town	**4 927**	6 644
Durban University of Technology	**5 765**	–
Easter Cape Midlands College	**–**	12
Eastern Cape CET College	**3 960**	–
Ehlanzeni TVET College	**4 541**	10 731
Ekurhuleni East TVET College	**2 548**	2 610
Esayidi TVET College	**7 047**	–
Falsebay TVET College	**884**	2 791
Free State Community Education and Training College	**1 170**	1 170
Gert Sibande TVET College	**3 587**	939
Giamanje TVET College	**–**	337
Ikhala TVET College	**10 724**	5 710
Ingwe TVET	**–**	23 289
King Sebata Dalindyebo TVET College	**9 908**	11 609
Kwazulu Natal Community & Training College	**1 479**	2 955
Lovedale TVET College	**5 221**	–
Lephalale TVET College	**70**	–
Majuba TVET College	**8 341**	6 746
Maluti TVET College	**793**	–
Mangosuthu University of Technology	**3 752**	–
Mnambithi TVET College	**3 197**	7 349
Mopani South East TVET College	**1 466**	5 831
Nkgangala TVET	**–**	15 502
Mopani TVET College	**7 107**	998
Mtshashana FET College	**3 539**	–
Mtshashana TVET	**235**	–
Nkangala TVET College	**10 434**	–
North West Community Education and Training	**–**	168
North West University	**–**	508
Northern Cape Rural TVET College	**137**	845
Northlink FET College	**1 768**	–
Port Elizabeth TVET College	**5 618**	–

25. Related parties continued

Universities and Colleges continued

Figures in Rand thousand	2025	2024
Northern Cape Community Education training College	**1 032**	1 300
Sedibeng TVET College	**4 049**	4 122
Sekhukhune TVET College	**–**	82
South West Gauteng College	**1 152**	–
South West TVET College	**26 325**	16 348
South Cape College	**172**	–
Taletso TVET College	**557**	–
Tshwane South TVET college	**7 415**	1 010
Umfolozi TVET College	**876**	2 134
Tshwane University of Technology	**4 754**	–
University of Cape Town	**–**	48
University of Free State	**2 073**	–
University of Johannesburg	**113**	688
University of Mpumalanga	**197**	369
University of Stellenbosch	**–**	203
University of Limpopo	**174**	931
University of Venda	**65**	1 402
Walter Sisulu University	**4 637**	–
Vaal University of Technology	**–**	4 635
West Coast TVET College	**3 689**	2 323
Western Cape Community Education and Training Centre	**–**	1 784
Workers College SA	**–**	1 620
	172 484	151 269

Related parties

Board and Committee remuneration

2025

Board members	Attendance fee	Skills development Levy	Expenses	Overseas travel	Total
Mr Phumulani Mntambo (Board Chairperson)	271	–	–	56	327
Mr Bhabhali Nhlapo	160	2	–	72	234
Mr Keith Swanepoel	173	2	1	132	308
Mr Barend Johannes Koen	191	2	1	84	278
Ms Jesta Sidell	107	1	4	–	112
Ms Naledi Modibedi-Rakate	124	–	–	94	218
Ms Priscilla Ntsuba	133	1	–	84	218
Mr Nelson Mokgotho	181	2	14	132	329
Ms Nokubonga Dinga	156	2	–	38	196
Finance Committee					
Ms Shelley Thomas	107	1	–	–	108
Audit Committee					
Mr Tshepo Mofokeng	75	–	–	122	197
Mr Mande Ndema	43	–	–	–	43
Ms Gloria Mnguni	40	–	–	–	40
Mr Silas Hlope	22	–	–	–	22
Risk Committee					
Mr Gilbert Makaba	51	–	2	–	53
	1 834	13	22	814	2 683

Prior year Board related parties

2024

Board members	Attendance fee	Skills development levy	Expenses	Overseas travel	Total
Mr Phumulani Mntambo (Board Chairperson)	331	–	13	108	452
Mr Keith Swanepoel	178	2	–	–	180
Mr Barend Johannes Koen	221	2	9	46	278
Mr Rio Nolutshungu	176	2	6	46	230
Ms Jesta Sidell	136	2	–	67	205
Ms Naledi Modibedi-Rakate	112	1	1	–	114
Ms Priscilla Ntsuba	166	2	–	–	168
Mr Nelson Mokgotho	224	2	10	–	236
Ms Nokubonga Dinga	193	–	–	–	193
Ms Bhabhali Nhlapo	202	2	3	67	274
Ms Shelley Thomas	133	1	–	–	134
Audit Committee					
Mr Tshepo Mofokeng	173	–	1	–	174
Mr Mande Ndema	55	–	–	–	55
Ms Gloria Mnguni	53	–	–	–	53
Mr Silas Hlope	49	–	–	–	49
Mr Gilbert Makaba	21	–	–	–	21
	2 423	16	43	334	2 816

Executive Management Remuneration

Executive Management

	Remuneration	**Allowances**	**Company contributions**	**Performance bonus paid**	**Total**
2025					
Chief Executive Officer	**2 617**	**13**	**552**	**420**	**3 602**
Chief Finance Officer	**2 249**	**19**	**394**	**–**	**2 662**
Chief Operating Officer	**2 352**	**18**	**394**	**–**	**2 764**
Senior Manager: Monitoring and evaluation	**1 317**	**–**	**250**	**–**	**1 567**
Head Internal Audit	**1 431**	**18**	**210**	**–**	**1 659**
SSP Manager	**1 916**	**–**	**275**	**227**	**2 418**
Interim Chief Operating Officer	**1 949**	**–**	**22**	**–**	**1 971**
Internal Audit Manager	**1 976**	**1**	**221**	**268**	**2 466**
Financial Reporting Manager	**2 127**	**8**	**190**	**196**	**2 521**
	17 934	**77**	**2 508**	**1 111**	**21 630**

The SSP Manager acted as the Strategy and Planning Executive from 1 April 2022 to date. The Reporting Manager acted as the Chief Financial officer from January 2024 and the Internal Audit Manager acted as the Head of Internal Audit from February to date.

25. Related parties continued

Executive Management	Remuneration	Allowances	Company contribution	Performance bonus paid	Total
2024			s		
Chief Executive Officer	2 443	20	488	197	3 148
Chief Financial Officer	2 133	19	381	–	2 533
Chief Operating Officer	2 227	18	361	–	2 606
Corporate Services Executive	1 004	14	228	–	1 246
Internal Audit Manager	1 646	15	196	147	2 004
Senior Manager: Monitoring and evaluation	1 215	15	230	–	1 460
Head Internal Audit	1 354	18	193	–	1 565
SSP Manager	1 799	15	247	126	2 187
Interim Chief Operating Officer	1 726	15	20	–	1 761
Financial Reporting Manager	1 726	15	168	92	2 001
	17 273	164	2 512	562	20 511

26. Risk management

Financial risk management

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

Liquidity risk

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

Liquidity risk 2024/25	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 – 2 years**	**More than 2 years**
Trade and other payables from exchange	**16 555**	**16 555**	**16 555**	**–**	**–**
Trade and other payables from non-exchange	**123 903**	**123 903**	**123 903**	**–**	**–**
	140 458	**140 458**	**140 458**	**–**	**–**

Liquidity risk 2023/24	Carrying amount	Contractual cash flows	Less than 1 year	1 – 2 years	More than 2 years
Trade and other payables from exchange transactions	16 561	16 561	16 561	–	–
Trade and other payables: Non-exchange	99 135	99 135	99 135	–	–
	115 696	115 696	115 696	–	–

Credit risk

Financial assets, which potentially subject the LGSETA to the risk of non-performance by counter parties and thereby subject to credit concentrations of credit risk, consist mainly of cash and cash equivalents, investments and accounts receivable. The maximum exposure to credit risk is equal to the carrying amount of the financial instruments. Trade receivables have been adequately assessed for impairment.

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

Financial instrument	**2025**	2024
Other financial assets	**–**	1 059 245
Cash and cash equivalents	**2 652 027**	1 408 315
Receivables from exchange transactions	**16 209**	21 686

2024/25	**Current**	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**More than 120 days**	**Carrying amount**
Receivables from exchange transactions	**16 209**	**–**	**–**	**–**	**–**	**16 209**
Cash and cash equivalents	**2 652 027**	**–**	**–**	**–**	**–**	**2 652 027**
Receivables from non-exchange transactions	**–**	**–**	**–**	**–**	**2 314**	**2 314**
Trade payables from exchange transactions	**(16 555)**	**–**	**–**	**–**	**–**	**(16 555)**
Trade payables from non-exchange transactions	**(123 903)**	**–**	**–**	**–**	**–**	**(123 903)**
	2 527 778	**–**	**–**	**–**	**2 314**	**2 530 092**

2023/24	Current	31 – 60 days	61 – 90 days	91 – 120 days	More than 120 days	Carrying amount
Receivables from exchange transactions	21 686	–	–	–	–	21 686
Cash and cash equivalents	1 408 315	–	–	–	–	1 408 315
Receivables from non-exchange activities	–	–	–	–	2 254	2 254
Other financial instruments	1 059 245	–	–	–	–	1 059 245
Trade payables from exchange transactions	(16 561)	–	–	–	–	(16 561)
Trade payables from non-exchange transactions	(99 135)	–	–	–	–	(99 135)
	2 373 550	–	–	–	2 254	2 375 804

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

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

26. Risk management continued

Market risk

Interest rate risk

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

2024/25	**Interest-bearing amount**	**Effective interest rate**	**Non-interest-bearing amount**
Receivables from exchange transactions	**–**	**–**	**16 209**
Cash and cash equivalents	**2 652 027**	**7,58%**	**–**
Receivables from non-exchange transactions	**–**	**–**	**2 314**
Trade and other trade payables from exchange transactions	**–**	**–**	**(16 555)**
Trade and other payables (non-exchange)	**–**	**–**	**(123 903)**
	2 652 027	**7,58%**	**(121 935)**

2023/24	Interest-bearing amount	Effective interest rate	Non-interest-bearing amount
Receivables from exchanges activities	–	–	21 686
Cash and cash equivalents	1 408 315	3,75%	–
Receivables from non-exchange transactions	–	–	2 254
Other financial assets	1 059 245	9,27%	–
Trade and other trade payables from exchange transactions	–	–	(16 561)
Trade and other payables (non-exchange)	–	–	(99 135)
	2 467 560	13,02%	(91 756)

Fair value and market risk

Markets risk

The LGSETA is exposed to market risks if there is a sudden reduction in employment at the municipal level which has an impact on wages and salaries.

Fair values

LGSETA's financial instruments consist mainly of cash and cash equivalents, receivables from exchange transactions and non-exchange transactions, payables from exchange transactions and non-exchange transactions. No financial instruments were carried at amounts in excess of their fair values.

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

Cash and cash equivalents

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

Accounts receivable

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

Accounts payable

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

27. Going concern

The financial statements have been prepared on a going concern basis. This basis presumes that sufficient funds will be available to finance future operations, replacement of assets and settlement of liabilities when they become due and fulfilment of commitments, in the ordinary course of business.

The Minister of Higher Education and Training has issued a Government Gazette, notice number 42290 dated 6 February 2019, National Skills Development Plan 2030 which resulted in changes on the SETA landscape. In terms of the issued gazette, SETA's will have no limited lifespan but a mechanism to address non-performance will be established. The license period for the SETA has been extended up to 31 March 2030.

As a result of the above analysis the LGSETA will still be able to continue with normal operations for the next 12 months.

28. Events after the reporting date

Management considered the events that occurred after reporting date and is satisfied that there were no significant events or circumstances which affect the financial position, financial performance and related disclosures of the SETA that arose between the date of the balance sheet and the date of submission of the financial statements.

29. Fruitless and wasteful expenditure

Financial instrument	**2025**	2024
Movement for the year	**50 936**	86 037

The disclosed fruitless and wasteful expenditure relates to payments made to employers and implementing agents under discretionary grant contracts which were subsequently terminated due to breach of contract or non-performance. These contracts were originally entered into for the implementation of various skills development programmes across multiple provinces.

At the time the tranche payments were made, all contractual deliverables required for those tranches had been submitted and verified in accordance with the terms of the signed funding agreements. The payments were therefore made in line with approved processes, based on valid claims and supporting documentation that demonstrated fulfilment of the applicable tranche conditions.

The payments were made in good faith, aligned to approved contracts and verified submissions at the time. Importantly, many of the employers involved are also mandatory grant contributors, meaning they are both beneficiaries and contributors to the skills development system. Several of them continue to engage with LGSETA on other contracts, and recovery actions are being pursued in line with the terms of the funding agreements

30. Irregular expenditure

The irregular expenditure movement for the 2024/25 financial year is due to Bids advertised for less than 21 days and exceeding 10.50% limitation on administration costs.

Irregular expenditure for current year	**2024/25**	2023/24
Irregular expenditure	**43 099**	8 460

31. Prior period error

Statement of financial position

	Amount previously reported	Adjustment	Restated amount
Increase in financial assets	1 000 000	59 245	1 059 245
Decrease in cash and cash equivalents	1 423 504	(15 189)	1 408 315
Increase in other debtors	168	7	175
Decrease in interest receivable	86 714	(68 740)	17 974
Increase receivables from non exchange	2 121	133	2 254
Decrease in payables from non-exchange transactions	99 287	(152)	99 135
Increase in trade and other payables from exchange transactions	15 487	1 074	16 561
Decrease in property, plant and equipment	13 818	(6)	13 812
Increase in intangible assets	8 492	1 954	10 446
Increase in provisions	11 860	41 296	53 156
	–	–	–

Statement of financial performance

	Amount previously reported	Adjustment	Restated amount
Increase in other income	946	152	1 098
Increase in Interest received	177 425	7 432	184 857
Increase in general expenditure	132 160	32 395	164 553
Increase employer grant and project expenses	527 253	43 844	571 097
Decrease in employee costs	84 896	(3 840)	81 055
	–	–	–

Below is a summary of prior period errors

Increase in financial assets

Error due to interest earned that was incorrectly classified.

Decrease in cash and cash equivalents

Error arose from the admin fees and interest related to the investment account.

Decrease in receivables from exchange transactions is due to

Increase in sundry debtors as credit notes were erroneously omitted and decrease in interest receivable:

Interest of R83.6 million from the R1 billion investment was incorrectly recorded as a receivable. This was reversed. Only accrued interest was recognised: R8.2 million (R1 billion), R6.3 million (R800 million), and R286 000 (R36 million).

Increase in receivables from non-exchange transactions

Mandatory grant recoveries were initially based on an incorrect schedule. A R133 thousand adjustment was made to align with the correct schedule.

Increase in trade payables from exchange transactions

Accruals increased following the recognition of admin fee expenditure relating to investment accounts. The payable for performance bonuses was overstated by R876 000, resulting in a corresponding reduction in the bonus expense movement for the year. The structured bonus payment was erroneously classified as expenditure instead of reducing employee payables.

Increase in property, plant and equipment

The increase is due to asset additions that were previously not correctly accounted for and have since been adjusted.

Increase in provisions

Employer and grant expenses increased due to provisions not raised for funding agreements where suspensive conditions had been met and related expenditure was not recognised.

Increase in other income

Other income increased due to reversal of voided grant expenditure from prior years that were never processed.

Increase in interest on investments

The R7.4 million increase in investment interest is attributed to the recognition of interest across all investment accounts.

Increase in general expenditure

General expenditure increased following the recognition of admin fees related to the R1 billion, R36 million, and R800 million investments.

Reduction in employee costs

The payable amount for performance bonuses was initially overstated by R876 thousand. This essentially then affected the provision movement for the year. The structured bonus payment was erroneously classified as expenditure instead of reducing employee payable. Furthermore, the employee cost reclassification was restated.

Increase in employer grant and project expenses:

Employer and grant expenses increased due to provisions not raised for funding agreements where suspensive conditions had been met and related expenditure was not recognised.

Disclosure notes	Prior year balance	Adjustment	Total
Commitments	599 125	(26 665)	572 460
Fruitless and wasteful expenditure	39 786	46 251	86 037
Contingent liabilities	584	80 722	81 306
	639 495	100 308	739 803

Summary of prior error adjustments to the disclosure notes relating to DG contracts

Commitments decreased due to reinstatements, provision adjustments, and learner dropout recalculations.

Fruitless and wasteful expenditure increased after reviewing the of expenditure on expired discretionary contracts.

Contingent liabilities increased due to expired discretionary grant contracts which are in the process of being renewed or likely to be renewed due to claims still outstanding.

32. Budget differences

Material differences between budget and actual amounts

Below is an explanation of material differences between budget and actual amounts. In assessing materiality of variances management has applied the materiality framework to assess the variances. The Material variances at 31 March 2025 are as follows:

1. Interest income (favourable)

This is due to the allocation of surplus funds to fixed deposits and an increase in interest rates during the year.

2. Levy income (favourable)

The favourable variance is due to higher-than-anticipated skills development levy collections, driven by improved employer compliance, economic recovery in certain sectors, and SARS assessment adjustments during the year.

3. Employee costs (favourable)

The variance is mainly due to the reclassification of certain employee-related costs to project expenditure and delays in filling vacant posts pending the finalisation of the organisational design (OD) process.

4. Travel and accommodation (unfavourable)

The spending is due to increased travelling by staff in efforts to improve stakeholder engagements and project monitoring This also includes international travel which is key in ensuring the service offering of the LGSETA is benchmarked and improved to world standards

5. Communication and marketing (unfavourable)

The overrun is primarily due to investment in branding materials, strategic sponsorships, and partnerships.

6. Conferences, workshops and catering (unfavourable)

This is due to increasing LGSETA's visibility and strengthening its position within the broader skills development sector by hosting workshops, internally and externally.

7. Consultancy and service providers (unfavourable)

The variance is due to the development and support fees for the ERP and MIS solution, stipend solution project and project monitoring service providers. It consultants. The spend also includes other key services aimed at ensuring ease and efficiency of business operations.

8. Other expenses including asset purchases (unfavourable)

This is due to the purchase of additional vehicles and investment in the ERP software.

9. General expenses (unfavourable)

Unfavourable variance is due to increased security costs and investment admin costs corresponding to investment income.

10. Total discretionary grants expenditure (favourable)

Variance is due to delayed project implementation, affecting rate at which the DG beneficiaries submit grant claims essentially affecting disbursements.

33. Other financial assets

Figures in Rand thousand	**2025**	2024
Financial assets		
Fixed deposit (36 million)	–	36 947
Fixed deposit (1 billion)	–	1 022 298
	–	1 059 245
Current assets		
Financial assets fixed term deposit for six months	–	1 059 245

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