**7. BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING, DATED 11 OCTOBER 2017**

The Portfolio Committee on Higher Education and Training (hereinafter referred to as the Committee), having considered the 2016/17 financial and non-financial performance of the Department of Higher Education and Training (hereinafter referred to as the Department), and inputs from the invited external stakeholders, reports as follows:

**1. INTRODUCTION AND MANDATE OF THE COMMITTEE AND THE DEPARTMENT**

**1.1. Introduction**

Section 42(3) of the Constitution of the Republic of South Africa, 1996 bestows the oversight function over the national executive to the National Assembly (NA). The National Assembly Committees are required in terms of Section 5 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009) to annually assess the performance of each national department, and to thereafter submit a Budgetary Review and Recommendation Report, which will provide an assessment on the department’s service delivery performance given available resources; an assessment on the effectiveness and efficiency of the departments use and allocation of available resources; and may include recommendations on the forward use of resources.

**1.2. Mandate of Committee**

Section 55(2) of the Constitution of the Republic of South Africa, 1996 stipulates that *“the National Assembly (NA) must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of (i) national executive authority, including the implementation of the legislation; and (ii) any organ of state”.*

The Committee oversees the implementation of the following Acts:

Higher Education Act, 1997 (Act No.101 of 1997), National Student Financial Scheme Act, 1999 (Act No. 56 of 1999), Continuing Education and Training Act, 2006 (Act No. 16 of 2006), National Qualifications Framework Act, 2008 (Act No. 67 of 2008), Skills Development Act, 1998 (Act No. 97 of 1998), Skills Development Levies Act, 1999 (Act No. 9 of 1999) and General and Further Education and Training Quality Assurance Act, 2001 (Act No. 58 of 2001). The Department of Higher Education and Training oversees the SETAs in terms of the Skills Development Act and the Skills Levies Act.

**1.3. Purpose of the BRR Report**

The purpose of this report is to account in accordance with Rule 166 of the Rules of the National Assembly for work done by the Committee in considering the 2016/17 Annual Report of the Department which was submitted in accordance with Section 40 (1) of the PFMA; and as referred by the Speaker of the National Assembly to the Committee in terms of Rule 338.

**1.4. Method**

In preparation for the consideration of the Department’s 2016/17 Annual Report, the Committee considered key government policy documents relevant to the work of the Department, including, among others: the Medium Term Strategic Framework (MTSF) 2014 – 2019; the 2016 State of the Nation Address (SONA); 2016/17 Annual Report of the Department; the 2016/17 Annual Performance Plan of the Department and the Committee’s 2016/17 financial year in-year monitoring in terms of section 32 Reports of the PFMA.

The Committee had a briefing session with the Auditor-General of South Africa (AGSA) on the 2016/17 audit outcomes of the Higher Education and Training Portfolio. The Committee also invited external stakeholders, the Department of Planning, Monitoring and Evaluation (DPME) and the Technical and Vocational Education and Training Colleges Governors Council (TVETCGC) to provide independent input on the assessment and analysis of the Department’s 2016/17 financial and non-financial performance. Furthermore, the Committee considered the Parliamentary Budget Office (PBO)’s assessment of the Department’s performance.

**2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS**

**2.1. Relevant Government policy documents**

**2.1.1. The National Development Plan (NDP), Vision 2030**

The NDP provides the framework for achieving the radical socio-economic agenda. It identifies decent work, education and the capacity of the state as particularly important priorities. For the post-school education and training sector, the NDP envisages that by 2030, South Africans should have access to education and training of the highest quality. The education, training and innovation system should cater for different needs and produce highly skilled individuals; and that the graduates of the post-school system should have adequate skills and knowledge to meet the current and future needs of the economy and society.

**2.1.2**. **The 2014 – 2019 Medium Term Strategic Framework (MTSF)**

The 2014-2019 MTSF, which is a five-year strategic plan of government, forms the first five-year implementation phase of the NDP. The aim of the Framework is to ensure policy coherence, alignment and coordination across government plans as well as alignment with the budgeting process. The MTSF is structured around 14 priority outcomes. The Department is responsible for Outcome 5: “*A skilled and capable workforce to support an inclusive growth path”*.

In terms of the implementation of Outcome 5, the following MTSF sub-outcomes have been identified for this Outcome:

* A credible institutional mechanism for labour market and skills planning;
* Increased access and success in programmes leading to intermediate and high level learning;
* Increased access to and efficiency of high-level occupationally directed programmes in needed areas; and
* Increased access to occupationally directed programmes in needed areas and thereby expand the availability of intermediate level skills with a special focus on artisan skills.

**2.1.3. 2016 State of the Nation Address (SONA)**

The President pronounced in the State of the Nation Address that government had responded to the financial shortfall arising from the zero per cent university fee increases, as agreed with the students and the universities’ vice-chancellors at a meeting held in 2015. The President also pronounced the appointment of the Heher Commission (Judicial Commission of Inquiry into higher education funding) and urged stakeholders to cooperate with the Commission to ensure its success.

The Minister of Finance reported in the 2016 budget speech that the Department of Higher Education and Training received an additional R16.3 billion for higher education over the next three years. R5.7 billion of this would address the zero per cent fee increment for the 2016 academic year, and the carry-through costs over the MTEF period. R2.5 billion allocated to the National Student Financial Aid Scheme (NSFAS) to clear outstanding student historic debt, along with a further R8 billion over the medium term to enable current students to complete their studies. This was to ensure that financial need does not become a barrier to access.

**3. SUMMARY OF THE PREVIOUS KEY FINANCIAL AND NON-FINANCIAL PERFORMANCE RECOMMENDATIONS OF THE PORTFOLIO COMMITTEE**

**3.1. 2016 BRR Recommendations and the response of the Minister of Higher Education and Training**

This section briefly summarises the 2016 recommendations and subsequent progress and challenges in 2017/18.

**3.1.1. The filling of funded outstanding vacancies should be prioritised, especially the Deputy Director-General posts.**

The Department reported that a process to fill the vacancies was underway. The position of DDG: Planning, Policy and Strategy had been filled on a contractual basis and advertised. The shortlisting process was completed and the finalisation of interview dates was under way. The post of DDG: Community Education and Training would be advertised during the month of October 2017. An Acting DDG had been appointed to ensure smooth running of the Branch. It should be noted that the Acting DDG has acted in the position for more than 12 months. A process to fill this vacancy should be expedited to ensure stability at Senior Management Level of the Department.

**3.1.2. The human resource capacity of the Department should be improved.**

The Department noted that it could not fill additional posts that were in the new organisational structure as the compensation of employees budget had been capped by National Treasury. Posts would be filled gradually as new funds were allocated over the Medium Term Expenditure Framework (MTEF). The Department reported that additional capacity had been provided through the National Skills Fund (NSF) capacity building allocation and the South African Institute for Chartered Accountants (SAICA) Partnership agreement on Human Resource Management.

**3.1.3. The Department should report to the Committee on steps taken to work towards achieving a clean audit.**

It was noted that an audit action plan that responds to the Auditor-General (AG)’s recommendations with clear targets had been developed. The rolling out of a project of scanning all personnel records that would be followed by identifying, missing documents from the files was underway. Some areas like adherence to Supply Chain Management procedures were not attended to resulting in a recurrence of prior year findings.

**3.1.4. Future funding dispensation should not exclude the TVET and CET Colleges to create a viable environment for the production of critical and scarce skills required by the economy, and that the costing of the White Paper for Post-School Education and Training targets should be properly costed and funded. This costing should be inclusive of the entire PSET sector.**

The Department reported that it was attending to the funding requirements of the TVET and CET sectors within the budgetary processes as prescribed by National Treasury. The Department reported that the costing of the White Paper was receiving attention in collaboration with National Treasury and would be inclusive of the entire system.

**3.1.5. TVET Colleges are also not required in terms of the Continuing Education and Training Act, 2006 (Act No. 16 of 2006) to report on their performance against predetermined objectives. There is a need to review this Act to ensure that Colleges report accordingly.**

It was the considered view of the Chief Directorate: Legal and Legislative Services that there was no need for engagement with other relevant Departments on this issue for the following reasons:

1. Section 47(4)(c) of the Public Finance Management Act, 1999 (PFMA) specifically provides that the Minister may not listany institution of higher education in Schedule 3. Furthermore, the Minister cannot list higher education institutions under Schedules 1 and/or 2 to the PFMA because higher educations are neither Constitutional Institutions as contemplated in the Constitution and this Act nor are they public entities as defined in the PFMA. Therefore, the Minister cannot bring higher education institutions under the purview of the PFMA.
2. Section 25(1)(c) of the Continuing Education and Training Act, 2006 (Act No. 16 of 2006) (“the Community Education and Training Act”), already makes reference to the PFMA and enjoined colleges to implement internal audit and risk management systems which were not inferior to the standards contained in the latter Act. With regard to universities, section 69 (c) of the Higher Education Act, provides for the making of Regulations consistent with this Act by the Minister on the annual reporting framework. It was thus submitted that the Regulations can adequately address any perceived accountability deficiencies or challenges.

Despite these provisions in the PFMA, the Committee was still concerned that the institutions were not required to disclose in the annual financial statements, unauthorised, irregular, fruitless and wasteful expenditure and TVET and CET Colleges were also not required to report on performance against predetermine objectives. The Department was urged to include the disclosures in the reporting requirements of TVET and CET Colleges as well as disclosures in the financial statements.

**3.1.6. The Skills Development Levies Act should be reviewed to make provision for government departments to pay 1 percent skills levies, so as to ensure that government related SETAs are funded adequately to provide skills interventions relevant to building a capable and developmental state.**

The issue of the payment of one per cent skills levy towards the funding of the Sector Education and Training Authorities (SETAs) was already catered for in sections 30(a) and 30A of the Skills Development Act (SDA). Section 30(a)(ii) of the Skills Development Act (SDA) provides that each public service employer in the national and provincial sphere of government – must budget for at least one percent of its payroll with effect from 1 April 2001 for the training and education of its employees; and (b) may contribute funds to a SETA. Section 30A has similar provisions in respect of national and provincial public entities. The Department noted that there was no need to review the Act for this specific purpose as provisions were already made in the current Act. Despite the provisions in the Skills Development Act for payment of skills levies, the Committee, through engagements with SETAs noted non-compliance of government departments and entities in paying the levies to SETAs. The Committee also noted with concern that there were no mechanisms in place to compel government departments and entities to pay the skills levies.

**3.1.7. Increased enrolment in TVET Colleges should be supported through requisite funding.**

The Department noted that a Cabinet Memorandum had been prepared to request for additional funding to support the enrolment targets as set in the White Paper for Post-School Education and Training. This Cabinet Memorandum had been supported by the Social Cluster and would be submitted to Cabinet at the end of October 2017 for consideration. In addition to the Cabinet Memorandum, numerous bids had been submitted, as well as consultations held with the National Treasury as well as with the Department of Performance Monitoring and Evaluation (DPME), without any funds been received by the Department. The Department had also met with the Heher Commission as well as the Portfolio Committee on Higher Education and Training to indicate the current funding shortfall in the TVET system and to request additional funding, of which no additional funds have been forthcoming.

**3.2.** **Evaluation of the response by the Department and Minister of Finance to the Portfolio Committee on Higher Education’s 2016 BRRR recommendations**

The Minister of Finance did not respond directly to the 2016 recommendations of the Portfolio Committee on Higher Education and Training. However, the Minister tabled in Parliament the Budget Review 2017 with responses to the 2016 recommendations of the Standing Committee on Appropriations on the Medium Term Budget Policy Statement (MTBPS) and the Select and Standing Committees of Finance recommendations to the 2016 Revised Fiscal Framework.

**3.2.1. Improving efficiency and effectiveness of spending on post-school education:** The Minister of Finance and the Minister of Higher Education and Training should ensurethat the National Treasury and the Department of Higher Education and Training considerthe following to ensure efficiency, effectiveness and value for money in the post-schoolsector given the very significant funding expansions proposed:

* Embarking on a comprehensive budget reprioritisation programme in all sector education training authorities for maximum outlays towards training and supporting learners, artisans, apprentices and students.
* That the Office of the Chief Procurement Officer conducts a comprehensive review of the major cost drivers within the post-school sector and all state entities in the post-school sector.

The Minister of Finance noted that most of the highlighted items were tasks that were best undertaken by the Department of Higher Education and Training and the relevant public entities and institutions. For example, the Department’s Sector Education and Training Authorities Coordination Unit in the Skills Development Branch should drive the budget reprioritisation process in conjunction with the boards of the training authorities. The National Treasury was prepared to assist the Department. The Office of the Chief Procurement Officer would support the department on the best procurement approaches once it submits a request to the National Treasury for help with the review of the major cost drivers in entities in the post-school sector.

**3.2.2. Funding for post-school education**

The Select and the Standing Committees of Finance recommended that further allocations be considered for post-school education, without prejudicing other key social programmes. The Minister of Finance’s response to the recommendation was that the 2017 Budget provided for additional allocations to the higher education sector through internal reprioritisation and baseline reductions, so ensuring increased allocations without affecting key social programmes and compromising expenditure limits. Further allocations to post-school education would have to be considered during the 2018 Budget process by the Ministers’ Committee on the Budget. Whilst reprioritisation and baseline reductions were effected within the Department’s budget, they could not cover the shortfalls mainly within the Department’s operational budget, TVET and CET funding shortfalls.

**3.3. 2017/18 Committee Budget Vote Report**

Summary of selected 2017/18 Committee Budget Vote Report Recommendations

The Portfolio Committee on Higher Education considered the strategic plans, annual performance plans and budgets of the Department of Higher Education and Training as referred by the Speaker terms of Rule 338 of the Rules of the National Assembly. The Committee reported in accordance with Rule 166 and made the following recommendations.

3.3.1. The Department should expedite its recruitment processes to ensure that all funded vacant positions are filled within the required timeframes.

3.3.2. The Department should look at what alternative capacitation is required for INDLELA to accelerate trade test processes

3.3.3. The Department should consider reviewing upwards some of the targets, that were too modest. These include: Universities offering accredited TVET College Lecturer Qualifications, percentage of university academics with PhDs, proportion of SETAs meeting standards of good governance.

3.3.4. The delays in the finalisation of the procurement process of the Department for the construction of the nine remaining new TVET College campuses and the cost implication thereof, was noted with concern. The Department should expedite these processes to ensure that the target is met as per the Presidential pronouncement.

3.3.5. The Department should ensure that its strategic planning includes proactive steps to monitor the financial sustainability of public universities and Colleges.

3.3.6. The Committee will undertake further engagements with the Standing Committee on Appropriations and Finance to address the constant underfunding of the PSET System towards an improved adjustment process, as well as further engagements on progress in responding to the 2016 Budgetary Review Recommendations.

3.3.7. The Committee noted the challenges arising from the underfunding of the PSET system, in particular, funding shortfalls for the TVET Colleges programme funding and for NSFAS TVET College bursaries as well as the Community Education and Training sector, as contained in the findings above; and further noting the implications of the underfunding on the PSET system as a whole in meeting the Government’s MTSF commitments, consequently recommends to the Minister of Finance and Higher Education and Training that consideration is given both in relation to funding and steps to be taken to ensure that commitments in the NDP/MTSF will be achieved by 2019/20.

**4. OVERVIEW AND ASSESSMENT OF THE DEPARTMENT’S 2016/17 FINANCIAL YEAR FINANCIAL PERFORMANCE**

**4.1. Overview and assessment of the overall budget and expenditure**

**Table 1: 2016/17 budget allocation and expenditure**

|  |  |
| --- | --- |
| **DHET****Programme** | **2016/17 FINANCIAL YEAR** |
| **Main Appropriation** | **Adjusted Appropriation** | **Final Appropriation** | **Actual Expenditure** | **Variance**  |
| R’000 | R’000 | R’000 | R’000 | R’000 |
| **Programme sub-total** | 49 188 279 | 49 188 279 | 49 188 279 | 49 137 562 | 50 717 |
| **Statutory Appropriation**National Skills FundSector Education and Training Authorities | 17 639 595 | 15 233 009**(2.177 billion)** | 15 233 009 | 15 233 009 | - |
| **Total** | **66 827 874** | **64 421 288** | **64 421 288** | **64 370 571** | **50 717** |
| **Departmental receipts****Aid Assistance** |  |  | 41 31198 001 | 81 579 |  |
| **Total Revenue****Total Expenditure** | **64 560 600** |
|  | **64 452 150** |

For the 2016/17 financial year, the Department received an appropriation of R64.421 billion inclusive of direct charges against the National Revenue Fund for the Sector Education and Training Authorities (SETAs) and the National Skills Fund (NSF) amounting to R15.233 billion. The budget was adjusted down during the budget adjustment period in October 2016, from a main appropriation of R66.828 billion to R64.421 billion final appropriations. A decrease of R2.177 billion was effected in the allocation for direct charges against the National Revenue Fund. The Department also received an income of R139.312 million from the Departmental receipts (R41.311 million) and aid assistance (R98.001 million), which increased the total revenue of the Department to R64.561 billion for the 2016/17 financial year.

**4.1.1. Analysis of the 2016/17 expenditure**

**Table 2: 2016 main budget expenditure**

|  |  |  |
| --- | --- | --- |
| **Programme** | **2016/17** | **2015/16** |
| Adjusted Appropriation | Final Appropriation | Actual Expenditure | Variance  | Final Appropriation | Actual Expenditure |
| R’000 | R’000 | R’000 | R’000 | R’000 | R’000 |
| Administration | 372 738 | 379 624 | 372 713 | 6 911 | 354 958 | 346 819 |
| Planning, Policy and Strategy | 71 584 | 71 584 | 56 816 | 14 768 | 55 249 | 52 019 |
| University Education | 39 532 493 | 39 531 687 | 39 515 718 | 15 969 | 32 847 445  | 32 844 629  |
| Technical and Vocational Education and Training | 6 960 244 | 7 031 622 | 7 029 987 | 1 635 | 6 606 250 | 6 604 810 |
| Skills Development | 181 443 | 181 443 | 180 635 | 808 | 123 547 | 122 898 |
| Community Education and Training | 2 069 777 | 1 992 319 | 1 981 693 | 10 626 | 1 892 689 | 1 824 379 |
| **Programme sub-total** | **49 188 279** | **49 188 279** | **49 137 562** | **50 717** | **41 880 138** | **41 795 544** |
| **Statutory Appropriation**National Skills FundSector Education and Training Authorities | **15 233 009** | **15 233 009** | **15 233 009** | **-** | **15 156 433** | **15 156 433** |
| **Total** | **64 421 288** | **64 421 288** | **64 370 571** | **50 717** | **57 036 571** | **56 951 987** |
| **Departmental receipts****Aid Assistance** |  | 41 31198 001 | 81 579 |  | 15 44446 813 | 41 039 |
| **Total Revenue** | **64 560 600** | **57 098 828** |
| **Total Expenditure** |  | **64 452 150** |  | **56 993 026** |

**4.1.2. Analysis of the 2016/17 expenditure**

The Department’s overall expenditure at the end of the financial year, excluding the additional revenue from the departmental receipts and aid assistance, was 99.9 per cent of the total R64.421 billion. The expenditure of programme 3: University Education constituted the largest expenditure, representing 80.4 per cent (R39.516 billion) of the Department’s total budget. The overall underspending at the end of the financial year amounted to R50.717 million, which represented 0.078 per cent of the total budget. The combined underspending of programme 2: Planning, Policy and Strategy (R14.768 million) and Programme 3: University Education (R15.969 million) constituted the largest underspending, representing 60.6 per cent of the total underspending of the six programmes. Of the six sub-programmes of the Department, programme 2: Planning, Policy and Strategy recorded the highest underspending of 21.6 per cent of its total budget.

**4.1.3. Expenditure per economic classification**

**Table 3: 2016/17 allocation and expenditure per economic classification**

|  |  |
| --- | --- |
| **Economic classification** | **2016/17 FINANCIAL YEAR** |
| **Main Appropriation** | **Adjusted Appropriation** | **Final Appropriation** | **Actual Expenditure** | **Variance**  |
| R’000 | R’000 | R’000 | R’000 | R’000 |
| **Current payments** | 8 215 156 | 7 948 286 | 7 932 567 | 7 883 158 | 49 409 |
| **Compensation of employees** | 7 839 886 | 7 573 712 | 7 563 593 | 7 516 591 | 47 002 |
| **Goods and services** | 375 270 | 374 574  | 368 974 | 366 567  | 2 407 |
| **Transfers and subsidies** | 58 605 000 | 56 465 297 | 56 478 023 | 56 477 360 | 663 |
| **Payment for capital assets** | 7 705 | 7 705 | 10 580 | 9 935 | 645 |
| **Total** | **66 827 874** | **64 421 288** | **64 421 288** | **64 370 571** | **50 717** |

In terms of economic classification, the total budget of R7.948 billion was for current payments. The current payments budget was adjusted down by R282.589 million from the main appropriation of R8.215 billion to R7.933 billion during the final adjustment period in March 2017. R260 million was shifted from the compensation of employees in programme 4: Technical and Vocational Education and Training to transfer payment to TVET Colleges operations during the 2016/17 adjusted estimates. It is important to note that approximately 81 per cent of the total TVET budget for compensation of employees was retained by the Department due to the function shift at the time. The funds were shifted to supplement college subsidies.

Of the total budget for current payments, R7.517 billion was an expenditure for compensation of employees, which represented 95.3 per cent of the total expenditure on current payments. The expenditure on goods and services amounted to R366.567 million, which constituted 4.6 per cent of the current payment expenditure.

In terms of spending on goods and services line items, the bulk of the expenditure was R85.136 million on computer services, which increased by R20.106 million from an expenditure of R65.030 million in 2015/16. The allocation to computer services was increased by R7.643 million from the adjusted budget of R77.539 million. The expenditure on travel and subsistence of R84.203 million was the second largest expenditure line item. Similarly, the allocation to this line item increased to R18.216 million from an adjusted allocation of R68.010 million. The expenditure of R59.1 million on property payments was the third largest expenditure line item, followed by expenditure of R30.391 million on consumable: stationery, printing and office supplies, and expenditure of R15.636 million on operating payments and R14.597 million on agency support/outsourced services.

In terms of transfers and subsidies, the expenditure at the end of the financial year was R56.477 billion, of which R26.819 billion was for transfers to departmental agencies and R27.965 billion was for transfers and subsidies to higher education institutions. The payment for capital assets was R9.935 million.

**4.1.4**. **Irregular, Wasteful and Fruitless and Unauthorized Expenditure incurred in the 2016/17 financial year**

**Table 4: Irregular, wasteful, fruitless and unauthorised expenditure over a three-year period.**

|  |
| --- |
| **Higher Education and Training** |
|  | **Years**  |
| **2014/15** | **2015/16** | **2016/17** |
| **Irregular expenditure** | R1.252 million | R31.308 million | 63.817 million |
| **Wasteful and fruitless** | - | - | - |
| **Unauthorised Expenditure** | - | - | - |

For the 2016/17 financial year, the irregular expenditure incurred by the Department increased by 49.05 per cent from R31.308 million incurred in the 2015/16 financial year to R63.817 million in 2016/17. Irregular expenditure had been on the increase since 2014/15 financial year. Irregular expenditure from the Department and entities reporting to it increased from R569 million in 2015/16 to R904 million in 2016/17. Irregular expenditure incurred in 2016/17 was as follows: DHET: R63.817 million, Agriculture SETA: R30.948 million; Culture, Arts, Tourism, Hospitality and Sports SETA: R43.487 million; Education, Training and Development Practices SETA: R1.3 million, Energy and Water SETA: R290 million, Public Services SETA: R80.498 million; Wholesale and Retail SETA: R144.735 million and Services SETA: R80.169 million) and the increase in fruitless and wasteful expenditure from R2 million in 2015/16 to R25 million (incurred by Finance and Accounting SETA: R22 million; Safety and Security SETA: R2.2 million and Education, Training and Development Practices SETA: R577 000)

The following were the five (5) cases of irregular expenditure incurred by the Department during the year under review:

**Appointment of a service provider not scoring the highest point during the evaluation:** A recurring finding of R58.931 million of irregular expenditure was incurred, which represented 92.3 per cent of the total irregular expenditure during the year under review. A similar irregularity was recorded in the 2015/16 financial year, where a contract to the value of R30.118 million was awarded to a bidder who did not score the highest points in the evaluation process. The Department appointed a service provider as a travel agent during the 2015/16 financial year. The service provider scored the second highest points and a recommendation was made by the Chief Financial Officer (CFO) to the Accounting Officer for this appointment. The recommendation resulted from the budgetary constraints within the Department as well as the problems experienced with the previous service provider in terms of the quality of services and the invoicing of services. The recommendation of the CFO was based on the fact that the service provider scored the highest points on functionality and price. The Auditor-General was not in agreement with the recommendation and requested that the matter be regarded as irregular. A detailed analysis of the process and the appointment had been performed and the Department maintains the view that a fair and transparent process had been followed. The matter is in the process to be submitted for condonation by National Treasury.

**Appointment of suppliers not listed on database:** A contract to the value of R440 000 was awarded to suppliers not listed on the database. This was a recurring finding as a similar irregularity was recorded in the 2015/16 financial year where the Department awarded contracts to the value of R493 711 to suppliers who were not listed on the database. This was due to the fact that services required by the Department was not listed on the database and the Department therefore had to obtain quotations from service providers not listed on the database to perform these services. The services were applicable to business processes and social media campaigns. These services were required before the implementation of the Central Database by National Treasury. All these appointments were reviewed in detail and is in the process to be submitted for condonation by National Treasury.

**Tender advertised for 14 days:** This was the second highest irregular expenditure of R3.370 million incurred as a result of awarding a contract after a bidding process was advertised for two weeks. The Department appointed a service provider as an events manager. The tender was advertised for a period of 14 days as approved by the accounting officer within the allowed delegations of authority. The reduced bid period did not impact on a fair and transparent process and was due to an urgent need for an event manager to prevent any deviations. The matter was on route to the National Treasury for condonation.

**Appointment of service provider due to time constraints:** Irregular expenditure to the value of R731 000 was incurred as a result of not following correct procurement procedures due to time constraints**.** The Department of Higher Education and Training approved a deviation for the appointment of a service provider to organise the graduate placement and career exhibition expo to be held in Pietermaritzburg on 8 April 2016. Due to late notification from the KwaZulu-Natal provincial government that the services of a service provider were not secured, the Department sourced quotations on 17 March 2016 after the approval of a deviation from the normal bidding process by the Director General. Due to time constraints, it was impractical and impossible to subscribe to a public competitive bidding process which in all normal circumstances would have taken more than 60 days. Five prospective bidders were approached on a quotation basis as the Department was left in a precarious position to take full responsibility to avoid embarrassment and lose credibility as stated by the Director-General.In view of the finding by the Auditor-General, the matter was under investigation for possible condonation.

**Incorrect procurement procedure:**  Irregular expenditure amounting to R345 000 was incurred due to not following correct procurement procedures with regards to quotations. The Department identified the utilisation of service providers for legal services as well as training without appropriate procurement procedure been followed. This was identified at a stage when invoices were presented for payment. Both cases involved the utilisation of selected providers without applying for the services through the Supply Management Office or by securing the services through the required three quotations process. The matters were under investigation by the Department.

**Wasteful, fruitless and unauthorised expenditure:** The Department did not incur unauthorised, fruitless and wasteful expenditure during the year under review.

**4.1.5. Virements and shifting of funds**

During the year under review, the Department effected virements amounting to R78.2 million. The virements amount increased by R67.3 million from R10.9 million in the 2015/16 financial year. Virements were effected mainly to defray excess expenditure on cost for communications and office accommodation in the Administration programme and examination and moderation related costs in TVET programme. The virements were effected from three programmes. An amount of R806 000 from University Education to the Administration programme, R6.080 million from the Community Education and Training to Administration programme and R71.378 million from the Community Education and Training to the Technical and Vocational Education and Training programme.

**4.2. Overview and assessment of the programme budget and expenditure for 2016/17 financial year**

**4.2.1. Programme 1: Administration**

The programme had six budget sub-programmes for the 2016/17 financial, namely; Ministry, Department Management, Corporate Services, Office of the Chief Financial Officer, Internal Audit and Office Accommodation.

The programme had a total appropriation of R379.624 million. Shifts were effected within the programme from sub-programme 3: Corporate Services (R4.139 million) and sub-programme 4: Office of the Chief Financial Officer (R10.869 million) to increase allocations in sub-programmes 1: Ministry by R6.624 million, 2: Departmental Management by R5.348 million, 5: Internal Audit by R512 000 and 6: Office Accommodation by R2.524 million. The expenditure at the end of the financial year was R372.713 million, which represented 98.2 per cent of the total budget. The expenditure increased by 0.47 per cent from the 2015/16 expenditure.

The programme recorded an underspending of R6.911 million at the end of the financial year. The underspending decreased by R1.228 million from R8.139 million recorded in 2015/16 financial year. Sub-programmes 3: Corporate Services and 4: Office of the Chief Financial Officer recorded a combined underspending of R5.362 million, which constituted 77.58 per cent of the total underspending within the programme. The underspending was attributed to posts that became vacant during the year and could not be filled as projected as well as vacant funded posts that were advertised as part of the TVET and CET function shift process during 2015/16. These posts were only filled mid 2016/17 due to large volumes of applications received and concomitant savings on goods and services, machinery and equipment. The largest expenditure of R143.098 million was on sub-programme 3: Corporate services, which represented 38.3 per cent of the total programme expenditure, followed by an expenditure of R66.443 million in sub-programme 4: Office of the Chief Financial Officer, R58.281 million in sub-programme 6: Office Accommodation, R56.308 million in sub-programme 2: Department Management and R39.558 million in sub-programme 1: Ministry.

In terms of expenditure per economic classifications, R366.785 million was for current payments, which R196.833 million was expenditure on compensation of employees and R169.952 million on goods and services. With regards to spending on goods and services line items, an expenditure of R58.767 million was on property payments, which constituted the largest expenditure line item, followed by expenditure of R25.354 million on computer services, an expenditure of R20.497 million on travel and subsistence line item and R13.070 million on agency and support/outsourced services.

An amount of R902 000 was for transfers and subsidies to Departmental agencies and accounts and households. The payments for capital assets expenditure was R5.026 million.

**4.2.2. Programme 2: Planning, Policy and Strategy**

This programme had six budget sub-programmes, namely; Programme Management: Planning, Policy and Strategy (previously known as Programme Management: Human Resource Development, Planning and Monitoring Coordination); Human Resource Development Strategic Planning and Coordination; Planning, Information, Monitoring and Evaluation Coordination; International Relations; Legal and Legislative Services and Social Inclusion in Education.

For the year under review, the programme had a total allocation of R71.584 million. The allocation increased by R16.335 million from R55.249 million allocated in the 2015/16 financial year. The programme expenditure at the end of the financial year was R56.816 million, which represented 79.4 per cent of the total budget. An underspending of R14.768 million was recorded under this programme. This was attributed to posts that became vacant during the year that could not be filled as well as vacant funded posts that were advertised as part of the TVET and CET function shift process during the 2015/16. These posts were only filled mid 2016/17 due to large volumes of applications received. Under expenditure was also as a result of outstanding invoices for litigation matters and the transfer to the India-Brazil-South Africa Trilateral Commission. There was favourable Rand/Dollar Exchange rate that was applicable when payments were made to the Commonwealth of Learning.

In terms of spending per economic classification, R53.680 million was expenditure on current payments, which R44.362 million was expenditure on compensation of employees and R9.318 million was for goods and services. With regards to goods and services, the bulk of the expenditure of R3.674 million was on legal services, followed by expenditure of R2.983 million on travel and subsistence. The expenditure of R2.726 million was for transfer and subsidies, of which R2.648 million was for transfers to foreign governments and international organisations. Payments for capital assets amounted to R410 000.

**4.2.3. Programme 3: University Education**

This programme had six budget sub-programmes, namely; Programme: University Education; University – Academic Planning and Management; University – Financial Planning and Information Systems; University – Policy and Development; Teacher Education, and University- Subsidies. There were no changes made to the Programme and Sub-Programmes.

The programme received a total allocation of R39.531 billion for the year under review, which increased by R6.684 billion from R32.847 billion allocated in the 2015/16 financial year. The programme expenditure at the end of the financial year was 100.0 per cent. The spending rate increased by 0.8 per cent from 99.2 per cent in 2015/16. The programme recorded an underspending to the amount of R15.969 million, attributed to posts that became vacant during the year that could not filled due to challenges in finding suitable candidates for specific professional posts. An expenditure of R27.964 billion in sub-programme 6: University Subsidies constituted the highest programme expenditure, which was 70.7 per cent. This sub-programme is responsible for transfers of the annual payments to universities. An expenditure of R11.504 billion, which constituted the second highest programme expenditure was in sub-programme 2: University Academic Planning and Management, which plans and monitors the university system, through analysing institutional and national plans, maintaining programmes and qualification combination.

In terms expenditure per economic classifications, R52.124 million was for current payments, of which R45.918 million was for compensation of employees and R6.206 million was for goods and services. In terms of spending on goods and services line items, the bulk of the expenditure of R3.993 million was on travel and subsistence line item. Transfers and subsidies expenditure was R39.463 billion, of which R11.490 billion was transfers to the Departmental agencies and accounts, R27.964 billion was for higher education institutions and R8.172 million for non-profit institutions. Payments for capital assets was amounted to R278 000.

**4.2.4. Programme 4: Technical and Vocational Education and Training**

The programme had five budget sub-programmes: Programme Management: Technical and Vocational Education and Training; Technical and Vocational Education and Training System Planning and Institutional Support; Programmes and Qualifications; National Examination and Assessments and Financial Planning.

For the year under review, the programme was allocated a total of R7.031 billion. The budget increased by R425.372 million from R6.606 billion allocated in 2015/16. Shifts were effected within the programme to increase allocations to other line items. The shifts constituted 3.9 per cent of the total programme budget. The bulk of the programme budget, R6.572 billion, which represented 93.4 per cent of the total programme budget was allocated for sub-programme 2: Technical and Vocational Education and Training System Planning and Institutional Support. The sub-programme provides support to management and councils; monitors and evaluates the TVET system performance against set indicators; develops regulatory frameworks for the system; manages and monitors procurement and distribution of learning and teaching support materials; provides leadership for TVET Colleges to enter into partnerships for utilisation of infrastructure and funding resources; and maps out the institutional landscape for the rollout of the TVET College system.

The programme’s expenditure at the end of the financial year was R7.029 billion, which represented 100.0 per cent of the total budget. In terms of spending per economic classifications, R5.434 billion was expenditure for current payments, of which R5.289 billion was for compensation of employees and R145.374 million was for goods and services. In terms of spending on goods and services line items, expenditure of R59.608 million on computer services constituted the largest expenditure line item, followed by R41.517 million on travel and subsistence, R19.889 million on consumables: stationery, printing and office supplies and R11.211 million on operating payments. In terms of transfers and subsidies, the expenditure was R1.593 billion, of which R1.566 billion was for subsidies to TVET Colleges. Payments for capital assets amounted to R1.538 million.

**4.2.5. Programme 5: Skills Development**

The programme had four (4) budget sub-programmes: Programme Management: Skills Development, SETA Coordination, National Skills Development Services and Quality Development and Promotion.

The programme received an allocation of R181.443 million. The budget increased by R57.896 million from R123.547 million allocated in 2015/16. Shifts to the value of R503 000 (R278 000 from sub-programme 1: Programme Management: Skills Development and R225 000 from sub-programme 3: National Skills Development Services) were effected to increase allocation for sub-programme 2: SETA Coordination. The programme expenditure at the end of the financial year was R180.635 million, which represented 99.6 per cent of the total programme budget. An expenditure of R147.961 million was in sub-programme 2: SETA Coordination, which constituted 91.9 per cent of the total programme budget. An expenditure of R23.138 million in sub-programme 4: Quality Development and Promotion was the second largest programme expenditure.

In terms of expenditure per economic classifications, R100.611 million was expenditure for current payments, of which R89.558 was for compensation of employees and R11.053 million for goods and services. With regard to spending on goods and services, the largest expenditure of R2.080 million was for inventory: materials and supplies, R1.923 million on travel and subsistence, R1.581 million on consumable supplies, R1.543 million on Communications. Transfers and subsidies expenditure was R79.078 million, of which R78.901 million was for transfers to Departmental agencies. Payments for capital assets amounted to R994 000.

**4.2.6. Programme 6: Community Education and Training**

This programme had four budget sub-programmes: Programme Management: Community Education and Training, Community Education and Training Colleges Systems Planning, Institutional Support, Financial Planning and Education and Training and Development Support.

The programme received a total budget of R1.992 billion for the year under review. The budget increased by R99.630 million from R1.892 million allocated in 2015/16 financial year. The programme expenditure at the end of the financial year was R1.981 billion, representing 99.5 per cent of the programme budget. The underspending at the end of the financial year was R10.626 million, attributed to claims in respect of Community Education and Training lecturers that were not received on time, as well as uncertainties on the division of posts in regional offices and posts provisioning norms of the various payrolls that were transferred to the Department of Higher Education and Training.

In terms of spending per economic classifications, R1.875 billion was for current payments, which R1.850 billion was expenditure for compensation of employees and R24.664 million for goods and services. 55.7 per cent (R13.290 million) of the expenditure on goods and services was for travel and subsistence. The second largest expenditure of R3.013 million on consumable: Stationery, printing and office supplies, followed by an expenditure of R2.253 million for operating leases and R2.007 million for venues and facilities. The expenditure for transfers and subsidies was R104.709 million, which R98.053 million was for transfers to CET Colleges. The payments for capital assets expenditure was R1.739 million.

**4.3. Auditor-General’s Report**

During the year under review, the Department received an unqualified audit opinion with findings by the Auditor-General.

**4.3.1. Emphasis of matter**

There were material findings on the following:

(i) The AG identified significant uncertainties with regard to the large increase in contingent liabilities, which is attributable to the possible pension liability of 500 TVET college staff members and the interest accrued during 2016-17. The AG noted that there are uncertainties relating to the amount of the outflow in respect of claims for the possible pension liability of R113,120 million, as calculated by actuarial valuators, which relates to the employment status of staff previously remunerated by college councils.

(ii) Predetermined objectives

Programme 4: Vocational and Continuing Education and Training

The AG reported that he was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicators in terms of the system targets due to unavailability of data. The AG found that due to limitations placed on the scope of his work. He was unable to confirm the reported achievement by alternative means. Consequently, he was unable to determine whether any adjustments were required to the reported achievements

Programme 5: Skills Development

The Auditor-General noted that on the indicator: Work-based learning opportunities, the reported achievement for the target relating to work-based learning opportunities was misstated as the evidence provided indicated 231 206 and not 148 517 as reported

Programme 6: Community Education and Training

The AG was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicators on headcount enrolments in all the CET colleges and certification rates in formal CET qualifications. The unavailability of data placed limitations on the scope of his work. The AG was unable to confirm the reported achievement by alternative means. Consequently, the AG was unable to determine whether any adjustments were required to the reported achievements.

 (iii) Adjustment of material misstatements

The Auditor-General identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 4: TVET, programme 5: Skills Development and programme 6: CET Management subsequently corrected only some of the misstatements. The AG also raised material findings on the reliability of the reported performance information.

(iv) Compliance with legislation

Procurement management

* Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by treasury regulation 16A6.1. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of treasury regulation 16A6.4.
* Invitations for competitive bidding were not always advertised for a required minimum period, as required by treasury regulation 16A6.3(c).
* Quotations were accepted from prospective suppliers who had not submitted a declaration on whether they are employed by the state or connected to any person employed by the state, which was prescribed in order to comply with treasury regulation 16A8.3.

Expenditure management

* Effective steps were not taken to prevent irregular expenditure amounting to R63 817 223 as disclosed in note 27 to the annual financial statements, in contravention of section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1.

 (v) Internal deficiencies

Leadership

The Auditor-General noted that the Department does not have sufficient monitoring controls over financial and performance management and compliance with laws and regulations due to inadequate consequence management to hold staff accountable for monitoring effective implementation of internal controls during the year. As a consequence, the Department was not in a position to identify non-compliance with policies and procedures and relevant legislation and to take the necessary corrective action in a timely manner to prevent misstatements of reported performance information and irregular expenditure.

Financial and performance management

* The Department does not have appropriate record management systems to ensure that complete, relevant and accurate information was accessible and readily available to support the employee costs in the financial statements.
* Sufficient controls over employee costs and disclosure notes were not implemented regularly throughout the year to ensure that the information fairly represented the financial affairs of the department in accordance with the Modified Cash Standard.
* Verification controls implemented by management over performance reporting were not fully effective to ensure that reported information was valid, accurate and complete and supporting listings were accurate. There was also a lack of reporting regulations which require TVET Colleges to report on headcount enrolments.

The Department did not implement effective and appropriate controls to ensure adequate monitoring of compliance with relevant legislation, resulting in repeat findings on the financial statements, performance report and supply chain management.

**4.4. Concluding remarks on the 2016/17 financial performance**

The Department’s total budget for the 2016/17 financial year was R64.421 billion, excluding funds from Departmental receipt and aid assistance. The Department was able to spend 99.9 per cent of the allocated budget. The underspending at the end of the financial year amounted to R50.717 million (0.078 per cent). Programmes 2: Planning, Policy and Strategy, University Education and Community Education incurred the highest underspending at R14.768 million, R15.969 million and R10.626 million respectively. Programme 2: Planning, Policy and Strategy recorded slow spending of 20.6 per cent. This was due to posts that became vacant during the year that could not be filled as projected as well as vacant funded posts that were advertised as part of the TVET and CET function shift process during the 2015/16 that were only filled mid 2016/17 due to large volumes of applications received. Outstanding invoices for litigation matters that were not received on time and a saving on transfer to the India-Brazil-South Africa Trilateral Commission as no invoices was received for services rendered during the financial year and favourable Rand/Dollar Exchange rate that was applicable when payments were made to the Commonwealth of Learning were also cited as causes for the underspending.

The Department effected virement amounting to R78.2 million across programmes. Irregular expenditure incurred during the year under review amounted to R63.817 million. This was an increase of 49.05 per cent from R31.308 million irregular expenditure incurred in the 2015/16 financial year. The irregular expenditure was due to non-compliance with laws and regulations governing procurement of goods and services.

**5. OVERVIEW AND ASSESSMENT OF THE DEPARTMENT’S SERVICE DELIVERY PERFORMANCE FOR 2016/17 FINANCIAL YEAR**

**5.1. Overview of overall service delivery performance**

**Table 5: Consolidated programme service delivery and financial performance over a three-year period**

|  |  |
| --- | --- |
| **PROGRAMME** | **FINANCIAL YEAR** |
| **2014/15** | **2015/16** | **2016/17** |
| **Percentage of targets achieved** | **Financial performance** | **Non-financial performance** | **Financial performance** | **Non-financial performance** | **Financial performance** |
| **%** | **R’000** |  | **R’000** |  | **R’000** |
| Administration | 0% | 234 097(99.9%) | 50% | 346 819 (97.7%) | 60% | 372 713 (98.2%) |
| Planning, Policy and Strategy | 66% | 45 683 (98.2%) | 56% | 52 019 (94.2) | 100% | 56 816 (79.4%) |
| University Education | 84% | 30 443 955(100.0%) | 90%\*76%\*\* | 32 844 629(99.2%) | 76%\* 80%\*\* | 39 515 718 (100.0%) |
| Vocational Education and Training | 20% | 6 035 801(100.0%) | 87%\*16%\*\* | 8 429 189(92.2%) | 73%\* 8%\*\*  | 7 029 987 (100.0%) |
| Skills Development | 100% | 104 985 (100.0%) | 67%\*50%\*\* | 122 898 (99.5%) | 100%\* 80%\*\*  | 180 635 (99.6%) |
| Community Education and Training | - | - |  |  | 71%\*0%\*\* | 1 981 693 (99.5) |
| **Total**  | **72%** | **36 865 521****(100.0%)** | **75%\*****51%\*\*** | **41 795 554****(99.8%)** | **80%\*****53%\*\*** | **49 137 562****99.9%** |

Note: All percentages identified with \* in the above table are Departmental targets (interventions by the Department for the Post-School Education and Training System) and \*\* are system performance (expected outcomes resulting from the interventions by the Department).

The Department’s overall performance on Departmental targets has been increasing over a three-year period from 2014/15 to 2016/17. For the year under review, the Department had 70 targets (Departmental targets) and 34 systems (NDP/MTSF) related targets. The performance has increased by 8 per cent from the 2014/15 financial year to 80 per cent in 2016/17. In terms of programme performance, programme 1: Administration, 2: Planning, Policy and Strategy and 5: Skills Development had improved their performance significantly, with programme 2 and 5 achieving 100 per cent of the planned targets. Of concern to note is that for the 2016/17 financial year, programme 1: Administration has achieved 60 per cent of the targets. However, the spending was 99.2 per cent of the total allocated budget. It is also critical to note that performance on Departmental targets of programmes 3: University Education and 4: Technical and Vocational Education and Training had decreased from 90 per cent and 87 per cent in 2015/16 to 76 and 73 per cent in 2016/17 respectively. Programme 4: TVET achieved 73 per cent of the Departmental targets.

In terms of system performance, there is a decrease of one per cent recorded in 2016/17 from 51 per cent achieved in 2015/16. This was mainly due to unavailability of data for the targets planned for programmes 4 and 6. Of significance to note is that these targets that were not reported on are NDP/MTSF related targets. Programme 3: University Education and 5: Skills Development had recorded increases in the performance of system targets, which increased by 4 and 30 per cent from 76 and 50 per cent recorded in 2015/16 respectively.

**5.2. Overview of programme service delivery performance**

**5.2.1. Programme 1: Administration**

The purpose of this programme is to provide strategic leadership, management and support services to the Department. The programme had three strategic objectives: to ensure effective financial management; including management accounting, financial accounting and supply chain management in line with the requirements of the Public Finance Management Act (PMFA); and to improve efficiency through the development of approved annual information communication technology (ICT) procurement plans for the implementation of the necessary information technology infrastructure and systems.

For the year under review, the programme had planned to deliver five (5) targets, of which three (60 per cent) were achieved and two (40 per cent) were not achieved.

The three achieved targets were: Filling 90 percent of the approved funded positions, (with 92.3 per cent achievement), payment of creditors within 30 days and having approved Information Communication Technology (ICT) procurement plan.

The following targets were not achieved as planned:

Resolving 100 percent of disciplinary cases within 90 days**:** The targets to resolve 100 per cent of disciplinary cases within 90 days and to fill an advertised post within an average 180 days were not achieved. Postponements were due to unavailability of either parties and poor management of cases and capacity constraints were cited as reasons for non-achievement of the target. Resolving disciplinary cases within 90 days had been a challenge for the Department and the majority of these cases were at TVET Colleges. During the consideration of the third quarter report of 2016/17 financial year, the Department reported that a process to centralise the investigations of cases was underway with the aim to improve performance in this area. The Department also reported that it had increased capacity through the appointment of a Deputy-Director at the head office and four Assistant Directors to be based in regional offices.

Filling of an advertised post within 180 days:The target was not achieved as planned. The Department only managed to achieve this target in the first quarter of 2016/17 where an average time to fill an advertised vacant post was 173 days. From the second to the fourth quarter the average number of days to fill an advertised post fluctuated outside of the target of 180 days. The Department cited the receipt of large volumes of applications as a cause for delay in the process of filling the posts. The Committee was also informed of and lack of capacity and budgetary constraints in the Recruitment Unit to respond to the demand were the causes for not achieving the target. To mitigate the challenges, the Department reported that it would utilise the Public Service Regulations to fill generic positions through the utilisation of a database for previously advertised posts in order to reduce the period it takes in dealing with the large volumes of applications received when the advertisement is issued.

The Committee was also informed that a service provider had been procured to assist the Department with the capturing of the large volumes of applications received for advertised posts. However, the appointment of the service provider has not yielded the positive outcomes, since the Department was still unable to achieve the target of 180 days to fill an advertised post. The Department also undertook to implement the e-recruitment application system to reduce manual capturing of applications and fast track the recruitment process. However, during the oversight visit to the Department in August 2017, the Department had not finalised the process to implement e-recruitment system and the utilisation of the Public Service Regulations to fill generic positions. This was an indication that mitigation strategies were not implemented earlier as was reported during the consideration of the third and fourth quarter of 2016/17.

**5.2.2. Programme 2: Planning, Policy and Strategy**

The purpose of the programme is to provide strategic direction in the development, implementation and monitoring of Departmental policies and the human resource development strategy for South Africa.

For this programme, the Department developed four strategic objectives: to develop seven new Post-School Education and Training policies and one piece of legislation Act including the revision of the National Qualifications Framework Act and the GENFETQA Act, in order to ensure a sound PSET system by 31 March 2020; to develop a Sector Monitoring and Evaluation Framework for effective implementation of oversight of the PSET system and produce annual monitoring reports by 31 March 2020; to develop and implement three teaching and learning support plan aimed at improving access to quality teaching and learning in the PSET system by 31 March 2020; and to develop management information systems for Colleges, SETAs and private Post-School Institutions by 31 March 2020.

The programme had nine targets planned for the year under review and all were achieved as planned. The Director-General approved a policy on Career Development Services across all spheres of Government, a Policy for Open Learning, a Monitoring and Evaluation Framework for PSET system was developed and approved as planned, an International Relations monitoring report was developed and approved as planned, and a Macro Indicator trend report on PSET. The targets to have materials developed for the identified programmes to be piloted in 2017/18 and to develop a report on the implementation of a strategy on open learning and distance education were achieved as planned. The annual report on skills supply and demand the annual Statistics on PSET report were published as planned.

**5.2.3. Programme 3: University Education**

The purpose of this programme is to develop and coordinate the policy and regulatory framework for an effective and efficient university education system. Furthermore, it provides financial support to universities, the National Student Financial Aid Scheme (NSFAS) and the National Institute for Higher Education (NIHE).

The programme had seven strategic objectives: to develop seven new and review 2 policies/regulations/pieces of legislation to ensure sound provision of university education by 31 March 2017; to develop 1 integrated plan that will enable collaboration between university education and other PSET sectors by March 2017; to monitor and evaluate the higher education sector and produce 12 annual oversight reports; to develop and implement a Teaching and Learning Development Capacity Improvement Programme (TLDCIP) covering 5 plans to improve the capacity of universities in terms of teaching and research by March 2017; to develop and implement a student leadership capacity development strategy and Central Application Services to support access to Post-School institutions by 31 March 2020; to publish an annual first-time entering undergraduate cohort analyses report; and to facilitate stakeholder networks through the establishment of a BRICS Think Tank and participative academic forum and report progress on partnerships annually.

The programme had 29 targets (Departmental targets) and 15 system targets planned for the year under review. Of the 29 Departmental targets, 22 targets (75 per cent) were achieved as planned. The targets that were achieved included, among others: governance indicators for universities; a Policy on Minimum Requirements for Programmes leading to Qualifications in Higher Education for Early Childhood Educators; a Ministerial Statement to guide the management and utilisation of the University Development Grant; 11 monitoring and evaluation reports on higher education; four teaching and learning support plans for higher education, and a report on the 2016 BRICS Academic Forum and Think Tank partnerships.

The Departmental targets that were not achieved as planned include:

* A Policy on Creative and Innovation outputs published in the Government Gazette by 31 March 2017. It was noted that the publication of the Policy was delayed due to the need to take the Council on Higher Education (CHE) advice into account before a final version could be developed for the Minister’s approval.
* A policy on Internationalisation of higher education published in the Government Gazette by 31 March 2017 The work towards the development of the policy was slow to get underway and completed. It was not possible to finalise and publish the final policy by the date originally targeted. The draft policy has been submitted to the Minister for approval to be published for public comment. It will be published once the Minister has approved the submission.
* A policy on Community Service for Graduates published in the Government Gazette by 31 March 2017. It was reported that the Task Team report was finalised. However, a policy on the matter has not been developed. The Report on Community Service for Graduates was taken to the Director-General’s Cluster for Governance and Administration. The recommendations of the report had major financial implications, and the Director- General’s cluster advised that the Minister should meet and consult with the Ministers of Labour and Public Service Administration regarding existing similar schemes that these departments are running with the view to making a strategic decision on whether it would be possible to incorporate graduate community service into these schemes.
* A draft policy statement on Differentiation in Higher Education was developed but requires further work and consultation before it can be published in the Government Gazette. The Department reported that the draft policy required substantial work and extensive further consultation before a final draft is produced for Ministerial approval and subsequent publication.
* The target on the revised funding framework for public Higher Education Institutions was finalised and ready for publication to obtain public comments in November 2015. The Minister approved the framework but requested that it be taken to Cabinet before publication and further consultation.
* A draft revised Language Policy for Higher Education was developed for public comments. The draft policy was inadequate and did not fulfil the policy consultation process for public comment. A project plan for taking the draft through a robust consultative development process to enable it to be published for public comment, has been set in place.

The NDP/MTSF has set targets for the higher education sector, and funding allocation amounting to R27.964 billion was made to the sector as subsidies, inclusive of R2.422 billion for infrastructure projects and R974.376 million for new universities (University of Mpumalanga and Sol Plaatje University) for building, maintenance and upgrading. This was to expand access through infrastructure development (expanding student accommodation and teaching and learning facilities, and to fund other operations of the universities so as to increase access and throughput rates).

The programme had 15 system targets (NDP/MTSF related targets), which 12 (80 per cent) were achieved and three (20 per cent) were not achieved. The system targets were achieved the follows: 984 000 students enrolled in public higher education studies at universities (achievement 985 212); 10 600 graduates in Engineering Sciences from universities (achievement 12 470); 9 700 graduates in Human Health and Animal Health from universities (achievement 9 851); 6 900 graduates in Natural and Physical Sciences (achievement 7 919); 18 300 graduates in Initial Teacher Education from universities (achievement 20 698); 2 200 Doctoral graduates from universities (achievement 2 530); 6 500 Research Masters graduates (achievement 7 317); 77 per cent success rate at universities (achievement 78 percent); 80 percent higher education under graduate success rate for contact students (achievement 83 percent); 68 percent higher education undergraduate success rate in distance learning (achievement 68 per cent), and 43 per cent percentage of University academic staff with Doctoral qualifications / PHDs (achievement 44 percent).

The allocation to NSFAS was increased from R6.448 billion in 2015/16 to R11.392 billion in 2016/17 financial year. The increase in 2016/17 budget allocation was to cater for zero per cent fee increment as announced by government as well as the historic debt relief for NSFAS students who were inadequately funded over three years (2013-2015 academic years), and those who qualified but could not be funded. This was to ensure that students who were academically capable were not financially excluded to access and succeed in higher education. The increase in allocation to NSFAS has ensured that the target to have 205 000 eligible student obtaining financial aid was achieved and exceeded by 20 950.

The following were targets not achieved as planned:

* 10 Universities offering accredited TVET College qualifications (achievement 1). The underperformance in this area was of great concern, given the challenges of underqualified and unqualified lecturers with inappropriate or lack of pedagogical training. This had contributed to the low certification and throughput rate in the TVET sector. The Department reported that there was no funding to implement this target. However, funding was subsequently secured and 12 institutions are supported to develop new programmes.
* 100 additional first-time entrants (black and women) to academic workforce (achievement 90). It was reported that disruptions at universities due to from September to December 2016 caused the delays in filling the posts.
* 30 400 first year students in foundation programmes (achievement 17 977). This was due to the exclusion of the University of South Africa students as the programme had not been approved and Tshwane University of Technology enrolled fewer students.

**5.2.4. Programme 4: Technical and Vocational Education and Training**

The purpose of this programme is to plan, develop, implement, monitor, maintain and evaluate national policy, programmes, assessment practices and systems for TVET. The programme had six (6) strategic objectives for the year under review: to develop three (3) and revise four (4) legislative and guiding frameworks aimed at steering the Technical and Vocational Education and Training sector by 31 March 2020; to standardise the level of governance across TVET institutions through monitoring and reporting on implementation of proposed best practice policies and guidelines issued by the Department of Higher Education and Training; to improve performance in programmes offered in TVET institutions through annual reporting and implementation of Teaching and Learning Support Plans and Student Support Plans by 31 March 2020; to improve success in programmes offered in TVET institutions by developing and implementing an appropriate student support plan by 31 March 2020; to strengthen geographic spread of TVET institutions through the establishment of 12 additional sites of delivery (i.e. campuses) by 31 March 2020; and to establish a functioning coordinating structure within the Department for support and research in the TVET sector by 31 March 2020.

The programme had 11 targets (departmental targets) and 12 system targets planned for the year under review. Of the 11 departmental targets, eight were achieved and three were not achieved as planned. The seven achieved targets covered steering mechanisms, implementation and teaching and learning supporting initiatives and they were approved by the Director-General: a revised costing model for TVET College programmes; two monitoring and evaluation reports on TVET institutions; an annual teaching and learning support plan for the TVET Colleges; an implementation report on teaching and learning support plans in TVET Colleges, an implementation report on the student support services plan for 2016 in TVET Colleges, and a report on the TVET Colleges infrastructure maintenance.

Targets that were not achieved as planned included: the establishment of a coordinating structure for stakeholder engagement South African Institute for Vocational and Continuing Education and Training (SAIVCET); the national admission and promotion guidelines for NC(V) and a revised conduct policy for NC(V). It was noted that national admission and promotion guidelines for NC(V) was not a departmental competence, and formed part of the qualifications policy which was the responsibility of Umalusi. Ministerial approval was sought to remove the target as an indicator for the 2016/17 financial year. While the Minister granted approval, changes could not be effected in the Annual Performance Plan because this only happened towards the end of the financial year. The Department also noted that the conduct policy could not be revised until such time that the assessment regime for the revised NC(V) qualification had been finalised by Umalusi. Umalusi had yet to release the qualifications policy for public comment. The Committee was informed that Umalusi had since published the revised NC(V) qualifications policy for comment.

The National Development Plan envisages that by 2030, South Africans should have access to education and training of the highest quality. The education, training and innovation system should cater for different needs and produce highly skilled individuals, and graduates of the post-school system should have adequate skills and knowledge to meet the current and future needs of the economy and society.The 2016/17 budget allocation for the TVET sector was geared towards achieving the following targets as contained in the 2014 – 2019 MTSF:

* Ensuring more students have access to post-school education and training and the need to provide more infrastructure, such as new TVET college campuses and student accommodation.
* The number of students enrolled in TVET Colleges will increase from 670 455 in 2013 to 1.238 million in 2019.
* 30 percent of TVET college lecturers should have workplace exposure every year by 2019.

For the 12 system targets, one (1) target of having 200 000 qualifying TVET students obtaining financial assistance was achieved. The target was exceeded by 26 007.

The NDP/MTEF target is to have 1,2 million students enrolled in the TVET colleges by 2019/2020. The programme had been underperforming in this target for over years. The underachievement was attributed to underfunding in terms of programmes and student funding. The target could not be achieved due to funding constraints and 829 000 headcount (not verified) enrolment was not achieved in 2016/17. In the 2016/17 financial year, the Department required a budget of R11.2 billion to fund the TVET sector and was allocated only 61.6 per cent (R6,9 billion) of the required budget, resulting in a shortfall of R4,6 billion. The funding allocated for students who qualified for the National Student Financial Aid Scheme (NSFAS) in 2016/17 was R2.4 billion and the required budget was R4.8 billion to cover the target of 80 per cent of college students with bursaries. This resulted in a shortfall of R2.4 billion.

The target to have 40 per cent certification rate for NC(V) Level 4 was not achieved, and the actual achievement was 32.6 per cent. In terms of the three (3) months lead time to issue certificates to qualifying candidates. The target was not achieved. It took more than six (6) months to issue certificates to qualifying students. The target to have 1 000 additional beds for student accommodation in public TVET Colleges could not be achieved as planned due to lack of funding. This would have a negative impact on expanding access to and success at TVET Colleges through infrastructure development. The target to build 1000 additional beds for student at TVET College and to have 5 000 students entering the Foundation Programme had since been discontinued for the remainder of the Medium-Term Strategic Framework due to lack of funding.

The NDP provides for an increased throughput of 75 per cent by 2030, in order to have a major impact on South Africa’s skills profile. The performance on the following targets had not been reported on due to unavailability of data for system performance indicators. The targets were: 65 per cent certification rate in the TVET qualifications N3; 45 per cent certification rate in the TVET qualification N6; 100 per cent of public TVET College examination centres conducting national examinations and assessments in compliance with national policy; 15 per cent TVET throughput rate and 14 per cent funded NC(V) Level 4 students obtaining qualification within stipulated time. It was cited that data was not yet available from the State Information Technology Agency (SITA). The throughput rate could not be generated until such time that certification backlogs had been resolved and baseline established.

**5.2.5. Programme 5: Skills Development**

The purpose of the programme is to promote and monitor the National Skills Development Strategy (NSDS III) and to develop a skills development policy and regulatory framework for an effective skills development system. For the year under review, the programme had three (3) strategic objectives: to steer and support skills development institutions to implement the National Skills Development Strategy (NSDS) through the development five new and six revised policies, including legislation, regulations and guidelines by 31 March 2020; to standardise the level of governance across Sector Education and Training Authorities (SETAs) by 31 March 2020, monitor and compile annual quarterly reports and take appropriate actions where deficiencies are detected; and to effectively manage artisan development assessment services inclusive of Recognition of Prior Learning in order to produce 24 000 qualified artisans per annum by 31 March 2020.

The programme had six targets (Departmental targets) and five system targets planned for the year under review and they were all achieved as planned. The Minister approved the workplace based learning programme regulations, the National Skills Development Strategy (NSDS) III, the Sector Education and Training Authorities (SETA) landscape, four SETA monitoring reports on skills development were approved by the Director-General. The target to have an average of 120 days from trade test application received until the trades test was conducted at INDLELA and average of 55 per cent regarding national artisan learners trade test pass rates at INDLELA were achieved as planned. The budget allocation has ensured increased access to training through skills development.

The programme had five system targets related to the 2014 – 2019 MTSF set for the Skills Development sector, and were achieved as follows: 120 000 work-based learning opportunities (achievement 148 517). The Auditor-General has noted that the reported achievement for the target relating to this target was misstated as the evidence provided indicated 231 206 and not 148 517 as reported; 21 110 new artisans qualified per annum (achievement 21 188); 30 750 new artisan learners registered nationally per annum (achievement 30 814); 67 per cent national artisan learners employed or self-employed (achievement 79 per cent); and 100 per cent of SETAs meeting standards of good governance (achievement 71 per cent). The Department reported during consideration of the fourth quarter 2016/17 that six SETAs did not meet the good governance because of non-submission of portfolio of evidence required by the Department due to confidentiality concerns.

**5.2.6. Programme 6: Community Education and Training**

The purpose of this programme is to plan, develop, implement, monitor, maintain and evaluate national policy, programme assessment practices and systems for community education and training.

The programme had four strategic objectives: to develop eight (8) and revise 1 legislative and guiding framework aimed at steering CET system by 31 March 2020, to develop and implement one (1) teaching and learning support plan for CET colleges by 31 March 2020, to ensure geographic spread and maintenance of nine CET colleges by 31 March 2020, and to forge links with strategic partners and stakeholders in the community education and training sector by developing and approving a strategy on strategic partnerships with key strategic partners by 31 March 2020.

The programme had seven (7) targets (Departmental targets) and two system targets planned for the year under review, which five (71.4 percent) were achieved as planned and two (28.5 per cent) were not achieved. The achieved targets included an approved monitoring and evaluation policy for Community Colleges, a Conduct Policy for General Education and Training Certificates for Adults, an annual plan and education, training and development improvement plan for CET Colleges, a CET College sites/facilities maintenance report, and a strategy on strategic partnerships.

The two targets that were not achieved as planned were the regulations for the establishment of the satellite Community Learning Centres (CLCs) which were not approved ned. This was due to a legal advice which advised that the policy was not compliant with the Community Education and Training Act, 2006 (Act No.16 of 2006) and stated that only Councils could establish CLCs and the Minister was limited to the establishment of Centres. The Department noted that a new policy and procedures for regulating the opening, merging and closing of CET learning sites was developed and approved by the Minister. The Committee expressed a concern during the third quarter of 2016/17 consideration that the Department did not obtain legal advice before setting the target to develop regulations for the establishment of the satellite CET Learning Centres. The target to have a National Curriculum Policy for Community College developed and approved by the Minister was not achieved due to the delays in the approval process.

The NDP committed government to increase youth and adult participation in CET sector to 1 million by 2030. This is aimed to expand access to and improve success for post-school youth and adults who wish to raise the bar for further learning, improve skills to bolster employability and/or facilitate progression to opportunities in the TVET College and university education sectors. In working towards realising the NDP, the Department set targets to have 310 000 headcount enrolment in all CET Colleges and 35 per cent certification rates in formal CET qualifications performance. However, performance on these targets was not reported due to unavailability of data.

**5.3. External assessment of 2016/17 financial and service delivery performance of the Department**

This section presents a summary of the inputs of the Department of Planning, Monitoring and Evaluation, TVETCGC and Parliamentary Budget Office on their assessment of the performance of the Department for 2016/17 financial year.

**5.3.1. Department of Planning, Monitoring and Evaluation (DPME)**

The DPME noted that the NDP 2030 was being implemented through five (5) year plans known as the MTSF which also entailed all 14 priority outcomes of government. The post-school education and training (PSET) system was central in sustaining the economy. However, the skills training in the country was insufficient. The size and shape of the PSET system was undesirable for a country faced with challenges of youth unemployment and skills shortages. The country was also not producing enough skilled graduates to sustain the economy. Out of the 1.2 million learners who started Grade 1, only 121 000 achieved bachelor passes. The country produced 160 000 graduates and 2 530 doctoral graduates per year from public universities.

In relation to the mid-term progress 2014 – 2016, the DHET was able to: meet the target of funding 205 000 university students through NSFAS in the 2016 academic year (255 213 actual achievement); increase university graduates in engineering from 12 058 in 2015 to 12 470, teacher education from 12 124 in 2014 to 21 148 in 2015 and increase awarding of bursaries to PhD students from 2 845 in 2014 to 3 454 in 2016.

The challenges of the DHET included: financial constraints in the TVET system which hampered critical areas such as increasing enrolment, development and implementation of foundation programmes; building and operationalisation of the remaining six (6) new TVET colleges campuses remained a challenge; weak data system in the TVET sector, which made it impossible to calculate the efficiency of the system which further weakens planning; the policy on community service for graduates, which was unlikely to be met and the recouping of outstanding NSFAS loans which needed to be accelerated, especially among public sector debtors.

With regard to what needs to be done to improve the performance of the PSET system, the DHET should: strengthen the articulation process from basic education to post-school through interventions such as foundation programmes; secure funding for sustaining the operational budget of new TVET college campuses; develop and strengthen the partnerships between colleges and industry to have suitable and relevant curriculum and workplace opportunities for the youth and establish a roadmap of strengthening relationship between PSET institutions and industry.

**5.3.2. Technical and Vocational Education and Training Colleges Governors Council (TVET CGC)**

The Committee invited the TVETCGC to provide input on progress on their oversight in monitoring the implementation of actions plans to address the prior year audit findings and the development of action plans to address the 2016/17 audit findings, as well as their engagements with the Auditor-General to address the challenging areas.

The Council noted that in 2015, the TVETCGC annual general meeting (AGM) resolved to pay attention and support colleges in dealing with issues of audit outcomes resulting from poor audit outcomes from prior years. Of concern was to note that the poor audits existed even though colleges were supported by the South African Institute of Chartered Accountants (SAICA) Chief Financial Officer (CFO) project. The TVETCGC engaged the AGSA to establish the in-depth and causes of poor audit outcomes at colleges, and the meeting resolved that the AGSA would support the TVETCGC in raising awareness through national and provincial workshops regarding audit outcomes.

The purpose of the workshops with the AGSA was mainly to: present common trends and challenges of colleges; present best practices for colleges to learn from each other; assist TVETCGC to produce a consolidated audit action plans and strategies to improve colleges audit outcomes; evaluate the support of SAICA to colleges and create awareness to councils on their oversight responsibility on the implementation of audit action plans.

With regard to the TVETCGC’s engagements with the AGSA, the Council undertook to: continue to convene the AGSA workshops with stakeholders including the Institute of Internal Auditors (IIA) to be held annually at national and provincial level; to conduct monitoring and evaluation of colleges audit action plans implementation quarterly; to request AGSA to conduct interim audits and convene meetings with SAICA and Internal Audits to evaluate the progress on the implementation of the audit action plans.

The challenges of the TVETCGC in monitoring and evaluation of colleges included: inadequate human resource capacity to carry out the mandate of TVETCGC; insufficient financial resources to properly execute effective monitoring of the audit action plans; lack of recognition of the TVETCGC as a statutory body resulting in limitation of authority and resources; TVET colleges underfunding and DHET’s failure to provide financial support for the implementation of monitoring and evaluation by the TVETCGC.

**5.3.3. Parliamentary Budget Office (PBO)**

The Committee had engaged with the PBO during the Vote 15 budget review process in May 2017 to understand the funding challenges of the Department of Higher Education and Training, TVET and CET sectors in particular. The Committee also undertook to further engage with the PBO on the matter. The PBO has noted that the target set for the TVET and CET sectors in the White Paper for Post-School Education and Training (PSET) are not commensurate with the level of funding allocated in the MTEF. The PBO noted TVET and CET Colleges were grossly underfunded. However, cautioned that there were serious problems within the TVET sector, which could not be solved by the increasing of funds. The Office further noted that there is a challenge relating to the schooling system and the level of preparedness of students when they arrive at the PSET institutions and the related highly inadequate levels of resources, including funding for bridging programmes.

The PBO noted a need to improve current management and financial systems within the TVET sector. Funding to ensure adequate management, staffing and teaching is required for the system to improve as a whole. In assessing the financial situation of the Department for 2017/18 financial year, the PBO total government funding allocated for higher education amounted to R68.9 billion in 2017/18. The Department of Higher Education received R52.3 billion or 75.9 per cent of which R41.9 billion or 60.8 per cent was allocated towards university and R7.4 billion or 10.7 per cent towards Technical and Vocational Education and Training (TVET). The Sector Education and Training Authorities received R13.3 billion or 19.3 per cent and the NSF received R3.3 billion or 4.8 per cent of the total expenditure estimates.

The PBO has further noted through analysis of expenditure per programme, growth in expenditure for Administration from 0.5 per cent over the 2013 MTEF to 0.6 per cent over the 2016 MTEF. Similarly, spending for the University Education programme was expected to grow from 58.8 per cent over the 2013 MTEF to 61.9 per cent over the 2016 MTEF. The proportion of total expenditure on programme 4: Technical and Vocational Education and Training decrease from 11.5 per cent over the 2013 MTEF to an estimated 10.5 per cent over the 2016 MTEF. The proportion of total expenditure spent on Community Education and Training (CET) was estimated to decrease from 3.4 per cent over the 2013 MTEF to 3.1 per cent over the 2016 MTEF. Programmes 2 and 5 remains at 0.1 and 0.3 per cent respectively. Although the proportion of total expenditure on Programme 5: Skills Development remains at 0.3 per cent over the 2016 medium term, funds have been reprioritised to this programme. Spending was projected to increase from R181.4 million in 2016/17 to R284.3 million in 2019/20, at an average annual growth rate of 16.2 per cent. Programme 5 is mainly responsible for SETA coordination, improving, monitoring and evaluating artisan development. The PBO noted that these functions are closely linked to the functions of programme 4 for technical and vocational education and training.

The PBO noted the planned growth in expenditure on the following goods and services line items, mainly in external audit costs, business and advisory consulting costs, legal services, operating leases, property payments, travel and subsistence and training and development. The PBO recommends consideration for further cost-containment or efficiency measures in these line items. The PBO has indicated that other functions such as monitoring and evaluation and financial systems are funded within individual programmes, whilst the coordination of monitoring and evaluation is done by programme 2: Planning, Policy and Strategy. A consideration to look into consolidating these functions under programme 2 should be explored.

**5.3.4. Technical and Vocational Education and Training underfunding**

Government has reiterated in its policies and commitments the importance and the intrinsic value of higher education and training towards the socio-economic transformation of South Africans and the economy. These policy positions have been translated for implementation into government policies in the form of the White Paper on Post- School Education and Training, the National Development Plan 2030 and Outcomes 4 of the Medium Term Strategic Framework. These government policies are meant to be driven and implemented by the Department of Higher Education and Training through the budget allocated to it.

One of the programmes which the budget has affected implementation of policy positions is in fulfilling the White Paper vision of prioritising Technical Vocational Education and Training (TVET) colleges being institutions of choice and progressively ensuring that TVETs are the prioritised sector in the PSET. However, through engagements with the Department and through oversight there is an observation that policy targets aren’t met due to the budget being insufficient to carry out these policies.

The table below demonstrates the impact of a shortage in funding in implementing policies over the last three Medium Term Expenditure Framework (MTEF).

Oversight work has demonstrated that the manner in which the sector is currently funded (and how the funding has been used) has led to some of these commitments not being met. The argument has been that the sector is expanding without the requisite funding to finance this expansion and therefore implementation of commitments and resolutions of the ANC are being compromised. This is partly attributed to the White Paper has not been costed and that 2015 cabinet decision to reprioritise from within the Department’s budget (from the TVET sector and the National Skills Fund to University Education).

**Table 6: Technical and Vocational and Training (TVET) priorities**

|  |  |  |  |
| --- | --- | --- | --- |
| **Policy commitments (NDP, White Paper on the PSET and the MTSF)** | **2014/15** | **2015/16** | **2016/17** |
| NDP: Produce 30 000 artisans per yearMTSF: The number of artisans produced every year will increase from 18 110 in 2013 to 24 000 by 2019 | 14 389 | 16 114 | 21 188 |
| NDP: Increase participation rates in Further Education and Training colleges to 25 percent.MTSF:the number enrolled in TVET colleges will increase from 670 455 in 2013 to 1.238 million in 2018 | 709 535 | 710 535 | 741 542Note: Without an increase in the baseline funding for enrolments, the Department will not achieve the targets as set in the NDP and would have to adjust its enrolment targets downwards from 2017 onwards in order to maintain and improve the provision of quality teaching and learning in colleges utilising limited allocated funds.  |
| MTSF:To ensure more students have access to post- school education and training, there is a need to provide more places, such as new TVET College campuses and student accommodation.Target is to build 3 colleges by 2018 | - | - |  Three College campuses; 1 completed: Thabazimbi and two: Bambanani and Nkandla A both at uMfolozi TVET College in KwaZulu-Natal were under construction from 2015/16. In terms of the progress, construction at the two sites; Bhambanani and Nkandla A was behind schedule, anticipated completion was 31 July 2017 and 29 July 2017 respectively.Note:Number of additional beds for student accommodation in public TVET colleges: The target was 1000. Due to inadequate funding this was unachieved. There is no funding for the target.  |
| MTSF:Increase the number of students enrolled in foundation programmes which provide enrichment for students who are not adequately prepare for post- school training. The target is 5000. | - | - | -Note:Due to non-availability of funds for Foundation Programmes, enrolments will depend on what colleges can afford through utilising their own funds.However, the work on the development of the Foundation Programme is currently underway |
| MTSF:To support the quality of lecturing, 10 universities will offer TVET lecturing qualifications by 2017. | - | - | Only 1 has been accredited. |
| MTSF:The interface (between SETAs, workplaces and education and training institutions) will support greater opportunities for work-based training and experience, with 140 000 work based learning opportunities planned for 2019 | 40 399 | 118 582 | 148 517 |

**5.4. Concluding remarks on service delivery performance**

The service delivery performance of the Department of Higher Education and Training in terms of the Departmental targets has improved by 8 per cent from 72 percent in 2014/15 to 80 per cent in the 2016/17 financial year. Similarly, performance on system targets has marginally increased by 2 per cent from 2015/16 to 2016/17. The performance on system performance indicators was impacted by the unavailability of data on some targets of the TVET and CET programmes. Programmes 2: Planning, Policy and Strategy and Skills Development achieved 100 percent of the Department targets, followed by the University Education at 75 percent and TVET and CET programmes at 73 per cent and 71 per cent respectively. Both the University Education programme and the Skills Development programme achieved 80 per cent achievement on system performance indicators. The majority of the system performance indicators of the two programmes have been exceeded, which commendable given that they are NDP/MTSF related targets. Of great concern is the lack of data to enable the Committee to assess progress in meeting the NDP/MTSF targets set for the TVET and CET programmes.

**6. COMMITTEE OBSERVATIONS AND RESPONSES**

6.1 The following formed part of the Committee’s key observations:

* + 1. The Department was unable to resolve 100 percent of disciplinary cases within 90 days. Only 22 percent of disciplinary cases were resolved within 90 days. The Department indicated that the majority of the outstanding disciplinary cases were at TVET colleges. This target could not be achieved even in the 2015/16 financial year.
		2. The Department did not have sufficient human resource capacity to fill advertised posts within 180 days as per the requirement. The Committee was also concerned about the delays in the processing of large volumes of applications received, although a service provider had been appointed to fast track this process. The Department acknowledged that the appointment of the service provider to assist with the processing of applications did not yield the intended outcome. The Department committed to implement an e - recruitment system by 2018.
		3. The non-achievement of the planned targets in the core delivery programmes was of great concern, especially in the TVET and CET programmes. The Department’s overall performance on system indicators was 47 per cent. The performance of the TVET and CET sectors was 8 per cent and 0 per cent respectively.. Overall, the Department managed to achieve 56 of the 70 targets planned for the year under review, whilst it spent 99 percent of its allocation. The Department indicated that it was committed to correct the deficiencies in the system given its limited resources.
		4. The certification and throughput rate of students in TVET colleges was concerning. The Department indicated that a number of interventions had been implemented to improve teaching and learning at TVET colleges. The Department would appoint subject specialists at provincial level to provide additional support to TVET colleges to improve teaching and learning. A number of policies had been published to regulate the TVET sector adequately. The training of lecturers was ongoing including the SAICA CFO project to improve the financial management of colleges.
		5. The non-availability of data for system performance indicators in the TVET and CET programmes was a serious concern. The Committee’s ability to exercise sufficient oversight over the performance of these two programmes was seriously hampered by non-availability of data. This concern had also been raised in the previous quarterly reviews of the Department’s performance. The Department indicated that the TVET and CET sectors did not have a proper information management system similar to universities which had higher education management information system (HEMIS). The Department relied on headcount enrolment data to plan for the TVET and CET colleges.
		6. The Department had incurred irregular expenditure amounting to R63 million for the 2016/17 financial year. Further concerning was that goods and services to the value above R500 000 were procured without inviting competitive bids. The Committee indicated that the weaknesses in the internal control systems of the Department were of great concern.
		7. The increase in irregular expenditure by the Department and entities reporting to it from R569 million in 2015/16 to R904 million in 2016/17 was of great concern. Irregular expenditure was as follows: DHET: R63 million, Agriculture SETA: R30.948 million; Culture, Arts, Tourism, Hospitality and Sports SETA: R43.487 million; Education, Training and Development Practices SETA: R1.3 million, Energy and Water SETA: R290 million, Public Services SETA: R80.498 million; Wholesale and Retail SETA: R144.735 million and Services SETA: R80.169 million, and the increase in fruitless and wasteful expenditure from R2 million in 2015/16 to R25 million (incurred by Finance and Accounting SETA: R22 million; Safety and Security SETA: R2.2 million and Education, Training and Development Practices SETA: R577 000) in 2016/17 within the Higher Education and Training Portfolio was noted with great concern. Furthermore, two of the SETAs, W&R SETA and SASSETA were under administration during the year under review. A high number of SETAs had vacancies at senior executive management level, which created capacity challenges.
		8. The Committee noted that the costing of the White Paper for PSET had not been completed, and as a result the financial resources availed to the Department to implement the objectives of the White Paper were inadequate. The TVET sector did not meet the target to have 829 000 headcount enrolment in the TVET Colleges, to have 1 000 additional beds for student accommodation in public TVET Colleges, 5 000 student entering foundation programmes. The Department indicated that it would require R18.9 billion in 2018/19 and R23.182 billion in 2019/20 MTEF period to meet funding shortfall of the TVET sector.
		9. The Committee noted that a commitment was made in 2014 to expand the geographical spread of TVET Colleges to make education and training accessible to youth and adults in the rural areas by building 12 new TVET College campuses. However, this commitment has not been funded from the voted funds, but funded through skills funds. However, to date only one new TVET College campus had been completed and the other two are nearing completion. The Committee expressed a concern about the slow rate of construction and funding sustainability for the operational costs of the three new TVET College campuses and the impact in rolling out the skills development interventions.
		10. The infrastructure maintenance backlog at TVET colleges remained a serious challenge. As a result, the infrastructure in some TVET colleges was deteriorating which also had a negative impact on increasing access. There was no dedicated infrastructure grant for TVET colleges.
		11. The Committee noted that the Public Finance Management Act, 1999 (PFMA) excludes the listing of institutions of higher education in Schedule 3, as well as under Schedules 1 and/or 2 of the PFMA. The AG has expanded audit of more institutions, however, they cannot afford the costs related to the obligations.
		12. It was concerning that there were uncertainties relating to the amount of the outflow in respect of claims for the possible pension liability of R113.120 million for TVET college employees as calculated by actuarial valuators.
		13. The Committee was concerned about the conflicting reported performance information by the Department and the Auditor-General for the targets related to work-based learning opportunities and payment of creditors. The Department indicated that the capturing of the number of students trained by SETAs was done manually, and there had been errors in the capturing process. However, going forward this would be corrected.
		14. There were repeat findings, such as non-compliance with laws and regulations in the procurement goods and services, the Department leadership not having sufficient monitoring controls over financial and performance management due to inadequate consequences in the 2016/17 financial year, which the Department did not adequately address as highlighted by the AGSA. The Department indicated that its 2016/17 audit outcome had improved, and it did not have any material adjustment on financial statements. Furthermore, the capacity of the finance unit had been increased.
		15. Non-compliance by some universities and TVET Colleges in submitting their annual financial statements as required was noted with concern.
		16. The Committee expressed concerns about the inability of NSFAS to recover loans from the beneficiaries who benefited from the financial assistance from NSFAS.

**6.2. Additional observations for the TVET sector underfunding**

The National Development Plan states that to reduce the acute effects of poverty on millions of South Africans over the short term, quality of education in Technical and Vocational Education and Training Colleges should improve. It further states that transforming the economy and creating sustainable economic growth, expanded skills base through better education and vocational training is vital. The NDP has identified the TVET Colleges as a high-level priority in the economic growth and overall development of the country. It stresses the need to raise the quality of TVET Colleges, through provision of relevant courses. It argues that improved quality will increase employability of graduates and this will automatically increase the demand for TVET services.

The TVET sector as part of the PSET system is expected to respond to the skills needs of all sectors of society, including business, industry and government. The NDP has noted that the TVET Colleges are the backbone of the technical and vocational education and training, and they should be strengthened to become institutions of choice for training of artisans and producing other mid-level skills. The Department of Higher Education and Training, through its White Paper for Post-School Education and Training aimed to strengthen and expand the TVET College sector to make them institutions of choice for school leavers.

The PSET system is currently characterised as an “inverted pyramid” with the university sector being the largest with enrolment totalling 980 900 as per the 2016/17 annual report of the Department. The TVET sector enrolment has been increasing, but stagnated from 2014/15 due to financial constraints, which resulted in the annual enrolment targets not been achieved. Consequently, the enrolment targets have been capped at 710 535 for the remainder of the 2014 -2019 MTSF. This would mean that government’s commitment to have 1.23 million sets for this MTSF would be not be achieved.

The White Paper sets to increase TVET headcount enrolment to 2.5 million in 2030 so as to change the current size and shape of the PSET system. In 2014, government made the following commitments for the TVET sector:

* To increase headcount enrolment from 670 455 in 2013 to 1.238 million in 2019.
* To ensure more students have access to post-school education and training by building 12 new TVET College campuses.
* 30 percent of TVET college lecturers should have workplace exposure every year by 2019.
* To have 5 000 additional beds for student accommodation in public TVET Colleges by 2019, and 5 000 students entering Foundation programmes.

The University sector receives funding in the form of University Capacity and Development Grants, Historically Disadvantaged Institution Grants, Teacher Development Grants, Foundation Programmes Grants, Infrastructure Efficiency Grants. These provisions of funding to improve access and success are not provided for in the TVET sector

Notwithstanding the pivotal role that the TVET sector has to play in accelerating skills development, the funding allocations to the sector has not been commensurate to the mandate. Also, the historical legacies have not been taken into consideration when allocating resources to the sector. In conducting oversight over the Department the Committee observed that though the allocation to the TVET programme has been increasing in real terms, the increase was mainly to cover compensation of employee costs, which was as a result of the TVET function shift. During the 2016/17 financial year, expenditure for compensation of employee costs constituted 75.49 per cent of the TVET programme budget, whilst transfer payment to TVET Colleges represented 22.05 per cent of the programme total budget. A similar observation was made by the Committee in the 2017/18 budget allocation. Allocations for spending on compensation of employees constituted 79.78 per cent of the programme’s total budget, while transfer payment to TVET Colleges, reduced by 4.13 per cent from 22.05 per cent in 2016/17 to 17.97 per cent in 2017/18.

While the NDP has noted that the TVET Colleges are the backbone of the technical and vocational education and training, and they should be strengthened to become institutions of choice for training of artisans and producing other mid-level skills, the inadequate funding hampers the realisation of this goal. The envisaged transformation of the economy and creation of sustainable economic growth and expanded skills base would be minimal if adequate resources are not availed to the sector to improve quality and strengthen them to become institutions of choice for training of artisans and producing other mid-level skills.

The Committee notes that though the performance of the Department increased by 5 per cent from 75 per cent in 2015/16 to 80 per cent in 2016/17 on the Departmental targets, the system targets related to the NDP/MTSF for the TVET and Community Education and Training has declined. Of concern is that the TVET sector has been underperforming over the years. For the 2016/17 financial year, the TVET sector did not meet the targets to have 829 000 headcount enrolment in the TVET Colleges, to have 30 per cent of TVET college lecturers having workplace exposure annually, to provide space for 1 000 additional beds for student accommodation in public TVET Colleges, and to have 5 000 student entering Foundation programmes.

Furthermore, the TVET sector does not have an information management system similar to the Higher Education Information Management System (HEMIS). This has impacted negatively on the Department as it relied on the State Information Technology Agency (SITA) for examination data management of both the CET and TVET sectors. The Committee also noted that a virement to the amount of R71.378 million was affected from CET programme to TVET programme to defray examination and moderation related costs. The Committee reiterates that the funding constraints impact negatively on the following:

* The ability of the TVET sector to respond to the skills needs of all sectors of society, including business, industry and government through increasing enrolment in line with the commitments of the NDP and White Paper for Post-School Education and Training to increase headcount enrolment at TVET Colleges to 1.25 million.
* The envisaged transformation of the economy and creation of sustainable economic growth and expanded skills base would be minimal if adequate resources are not availed to the sector to improve quality and strengthen the Colleges to become institutions of choice for training of artisans and producing other mid-level skills.
* The ability of the sector to contribute towards reducing poverty, unemployment and inequality.
* The ability of the Department to change current “inverted pyramid” PSET system.
* The ability of the Colleges to refurbish, update and address the infrastructure maintenance backlog of the existing facilities, as revealed during oversights to different TVET Colleges.
* To replace and update the outdated equipment in the workshops and simulation rooms, so as to ensure that students are provided with modern equipment similar to the one in the industry when they do practicals. Students are currently trained on outdated equipment and this will affect their employability.
* The Department will not be able to provide space for additional beds for student accommodation in public TVET Colleges to increase access and success in education and training.
* The ability of the sector to replenish the lecturing staff given that 980 of the lecturers currently in the system are 60 years and above.

**7. RECOMMENDATIONS**

The Committee having assessed the Annual Report 2016/17 of the Department and AG report recommends that the Minister of Higher Education and Training and the Minister of Finance should consider the following:

* 1. The Committee reiterates that the Department should put mechanisms in place to ensure that capacity in the Human Resource Unit is increased as well as ensuring that e-recruitment system is implemented to improve the turnaround times to fill advertised posts within 180 days. The Department should also put mechanisms in place to ensure that disciplinary cases are resolved with 90 days. The Committee will also undertake to engage with the Department of Public Service and Administration on the implementation of the revised organisation structure of the Department.
	2. The Money Bills Amendment Procedure and Related Matters Act, 2009 through Section 5 (2) enables Committees to annually submit a budgetary review and recommendation reports for tabling in the National Assembly for each department and Section 5(3) a budgetary review and recommendation report (c) may include recommendations on the forward use of resources. Section 10(6) another committee may advise a Committee on Appropriations that an amount must be appropriated specifically and exclusively for a purpose mentioned under a main division within a vote. Therefore, the request is that the Standing Committee on Appropriation and the Standing Committee on Finance consider an increase into the TVET sector to improve the quality of teaching, learning and skills development in the TVET sector. The following areas underpinned by the White Paper for Post- School Education and Training, Medium Term Strategic Framework (MTSF) 2014- 2019 and the National Development Plan (NDP) 2030 must be considered as areas which need to be funded.
	3. The Committee recommends to the Department to develop regulatory and policy instruments to ensure financial accountability of the universities and TVET colleges.
	4. The Committee recommends that the information management system for the TVET and CET sectors similar to the HEMIS should be expedited and the costs to Colleges of implementing the system needs to be examined.
	5. There is a need for an increase in universities offering accredited TVET College lecturer qualifications to ensure the necessary capacitation of TVET lecturers. The Department should ensure that the target of having 10 Universities offering TVET Lecturer College Qualifications is realised.
	6. The Committee noted the inability of NSFAS to recover loans from the beneficiaries who benefited from its financial assistance. The Committee recommends that the Department, NSFAS and institutions relook the methodology of loan recovery and include a progress report in quarterly reports to the Committee.
	7. The Department should improve performance on system performance indicators for the TVET and CET Colleges.
	8. The Department should work with the State Information Technology Agency to ensure procurement or development of the IT system that will assist in the consolidation of examination data written in different exam cycles. Furthermore, the Department should implement consequence management against TVET Colleges that submit data with errors and are not complying with the examination guidelines. In addition, the Department should investigate best practices in the certification area, both locally and internationally. Regular reporting on on certification backlog of TVET students and current issuance of certificate should be reported to the Committee quarterly.
	9. The Committee noted that a commitment to build 12 new TVET College campuses by 2020 was made by government. However, to date, only one new TVET College campus has been completed and two are nearing completion and its operationalisation costs are funded through the skills fund and with its negative impact on its sustainability and the impact in rolling out the skills development interventions. The Committee recommends that voted funds be provided for sustainable ways of funding the operationalisation of all the 12 new TVET College campuses.
	10. The Department should put in place necessary regulations to ensure that universities and TVET Colleges comply with the submission of annual financial statements, and there should be consequences for non-compliance.
	11. The Department should ensure the full establishment of the South African Institute for Vocational and Continuing Education and Training (SAIVCET).
	12. The Department should work with SETAs to ensure that MTSF target of having TVET lecturers undergoing specified hours in their industry for specified periods every two years from 2019 is realised.
	13. The SETAs should improve their capacity by filling vacant positions, especially at the senior executive management level.
	14. The Department should protect the work of the Labour Market Intelligence Partnership (LMIP) and ensure the establishment of a well-resourced unit with voted funds.
	15. A partnership should be encouraged between private and public TVET colleges and private companies in an effort to ensure that the private companies provide training. Furthermore, a partnership should also be encouraged between public and private TVET colleges and private institutions as a mechanism a workplace integrated plan.
	16. The Department of Higher Education and Training working with the Department of Trade and Industry and Labour should ensure that maximum benefit is derived from relevant charters and programmes to ensure training and skills development.
	17. The Committee recommends that the Department of Planning, Monitoring, Evaluation should strengthen its oversight over the Department to ensure improved performance. Furthermore, the DPME should attend the quarterly assessment meetings of the DHET by the Committee.
	18. There is a need for greater flexibility in bridging programmes to assist learners with potential needed, but due to historical academic backlogs are not able to keep up with the demands of TVET training.
	19. There is a need for greater flexibility in human resource practices to attract suitably qualified, skilled and competent lecturing staff particularly in areas where remuneration in the private sector far exceeds that offered by the public service.
	20. The NATED curriculum offered by TVET Colleges was outdated and there is need to urgently update the syllabi for NATED programmes.

7.21. There is a need for public TVET Colleges to be able to do better medium and long term planning.

7.22. The acute shortage of Community Education and Training delivery sites and lack of online learning opportunities for those who are not able to access appropriate study programmes should be addressed.

7.23. There must an expansion of the ‘apprenticeship model’ into the TVET and skills system. It is critical in developing trade-specific skills, noting that there are several sectors that need skilled artisans and the apprenticeship model is important for addressing the shortage in the mid- level skills needed by the sector. There is a need to re-establish a good artisan training system as an urgent priority; the current target is for the country to produce 30 000 artisans a year by 2030 as per the National Development Plan (NDP) 2030 and 24 000 by 2019 as per the Medium Term Strategic Framework (MTSF). The current trend of producing artisans over the last three Medium Term Expenditure Frameworks (MTEFs): 2014/15- 14 389, 2015/16- 16 114 and 2016/17- 21 199 demonstrates that the sector is not producing enough artisans as required by policy papers. Funding is required to ensure that infrastructure and facilities are in place in order to improve artisan development. Presently only 3 per cent of the artisan development funding comes from the Voted Fund. The other 70 per cent, which drives the operational activities of National Artisan Moderation Body (NAMB), artisan development and World Skills South Africa, are funded from the National Skills Fund. Artisan development will further improve if all its activities were funded from the voted funds.

7.24. Support needs to be given to the twenty colleges identified as Centres of Specialisation to ensure their sustainability as they are critical in developing the capacity to deliver particular priority artisan qualifications. Funding is needed to support these Centres of Specialisation to sustain their expansion. The funding challenges in relation to TVET enrolments have had an impact on the implementation of the White Paper on the Post- School Education and Training targets.

7.25. The funding challenges have led to the downward revision of targets for the remainder of the MTSF. TVET headcount enrolments have been revised downwards from 1. 2 million to a capped figure of 710 535. Without an increase in the baseline funding for enrolments, downward revision will continue to occur in order to maintain and improve the provision of quality teaching and learning in colleges utilising limited allocated funds.

7.26. The percentage of NC (V) L4: certification rate (revised from 65 to 40 percent), the percentage of N6: certification rate (revised from 65 percent to 50 percent), the percentage of funded NC (V) L4 students obtaining qualifications within the stipulated time (revised from 60 percent to 40 percent) has also been down revised due to funding constraints. Unless addressed through requisite funding this will continue to have an impact on the NDPs target of an increase in the throughput rate of 75 percent by 2030 which has also an impact on the skills profile of the country.

7.27. The number of qualifying TVET students obtaining NSFAS financial assistance (revised from 1 000 000 to 200 000). In order to ensure that NSFAS financially assists as many TVET students as it can, transport, accommodation allowances are not availed to TVET students, unlike students in the university sector who are funded for tuition, transport or accommodation allowances and meal allowances. The impact of the non- availability of allowances is that those funded by the NSFAS (poor and working class) aren’t able to attend class, thus affecting their ability to meet the eighty percent attendance requirement as per the Public Further Education and Training College Attendance and Punctuality Policy.

7.28. Universities receive grants to support their foundation programmes to ensure improvement in their success and throughout rates. This is not the case with TVET colleges as a result of the non-availability of funds the target of 5 000 students entering the foundation programmes in the TVET sector over the MTSF and the envisioned success rate of the fifty percent success has been discontinued.

7.29. Currently as a short term measure, the Department has been able to secure ad hoc capital funding from the National Skills Fund (NSF) for infrastructure development but this is limited. The current infrastructure is not being adequately maintained due to the shortage of funds within the current baseline. There is a need for a dedicated infrastructure grant for the TVET sector.

7.30. There is a need to provide more places, such as new TVET College campuses and student accommodation in an effort to ensure more students have access to post- school education and training. The target is to build three colleges by 2018, one college has been built in the 2016/17 MTEF and there is a process of completing two other colleges. Voted funding is required to ensure all the commitments made to establish colleges are fulfilled and that they are also used to sustain the operation of these colleges.

7.31. Due to budgetary constraints, the target of building residence at TVET Colleges to accommodate 5 000 students by 2020.This target has been discontinued for the remainder of the MTEF due to a lack of funding. The TVET sector does not have an infrastructure grant which creates provision for the building in the TVET sector and strongly relies on the funding the NSF. This impacts on the NSF ability to fund skills development as the fund is used to fund other items in the budget.

7.32. Funding needs to be prioritised to ensure the sustainability of the National Skills Fund (NSF), so that it can be optimally and strategically utilised in its mandate of skills development for the country. Currently the NSF is utilised to fund other mandates within the PSET such as infrastructure development and has reprioritised funding for university education which are depleting the funds in the NSF.

7.33. Voted funds are required to ensure the operationalisation of the central skills planning system that will inform the work of the planning unit in the department. This is to ensure that this unit supports the sustainability of the research work already conducted by the Labour Market Intelligence Report in the skills supply and demand of the economy.

7.34. The implementation of the National Articulation Policy is important as it ensure that the economy delivers on the skills needed through greater articulation between the different components of the PSET. This will enable an improvement in the interface between Sector Education and Training Authorities (SETAs), workplace, universities and TVET colleges, which will support greater opportunities for work based learning opportunities. This will also enable an improvement in skills development in an integrated TVET system.

7.35. In placing TVET colleges at the centre of skills development and making them institutions of first choice for school leavers, the quality of TVET colleges must be improved. Increasing the number of qualified lecturers is one of the ways to improve the quality of teaching and learning and the throughput of TVET colleges. The target is to have ten universities accredited to offer courses for TVET college lecturers.

7.36. The Department manages seven (7) different exam cycles for TVET Colleges per annum with very limited resources. There is an urgent need for the national examination administration to be sufficiently resourced.

**8. SUMMARY OF REPORTING REQUESTS**

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| --- | --- | --- | --- |
| **Entity** | **Reporting Matter** | **Action required** | **Time-Frame** |
| **DHET** | Recurring audit findings | The DHET to develop, implement and monitor an action plan to address the recurring findings and submit it to the Committee | Internal Audit and Audit Committee of the DHET to report to the Committee quarterly |
| Irregular expenditure | DHET to conduct investigations and implement consequence management | DHET to report to the Committee on the outcomes of the investigation and implementation of consequence management at the next quarterly report. |
| Implementation of the 2017 BRR Recommendation  | DHET to implement the BRR Recommendations | DHET to provide update to the Committee on the implementation of BRR Recommendations quarterly  |
| Pension liability of R113 million | DHET to resolve the uncertainties with regard to the claims for possible pension liability | DHET to report to the Committee on progress quarterly. |
| Information management system for TCET and CET sector | DHET to develop information management system for the TVET and CET sectors | DHET to report to the Committee quarterly. |
| **TVET CGC** | Audit findings | Action plan to address the AG findings should be developed, implemented and monitoredInternal audit and audit committees should appear before the Committee to report progress on the implementation of the action plans | At the next quarterly reporting in 2018 and during oversight visits. |
| **AGSA** | Audit outcomes | Audit outcomes of the outstanding universities and TVET Colleges | AGSA to report to the Committee in the next quarterly meeting in 2018. |
| **CATHSETA****EWSETA****SASSETA****Services SETA****PSETA****W&RSETA****ETDP SETA****FASSET****SASSETA** | Audit findings | Action plan to address the AG findings should be developed, implemented and monitoredInternal audit and audit committees should appear before the Committee to report progress on the implementation of the action plans | At the next quarterly reporting in 2018 and during oversight visits |
| **CATHSETA****EWSETA****Services SETA****PSETA****W&RSETA** | Irregular expenditure  | SETAs to conduct investigations and implement consequence management | SETAs to report to the Committee on the outcomes of the investigation and implementation of consequence management at the next quarterly report. |
| **ETDP SETA****FASSET****SASSETA** | Fruitless and wasteful expenditure | SETAs to conduct investigations and implement consequence management | SETAs to report to the Committee on the outcomes of the investigation and implementation of consequence management at the next quarterly report. |

**9. CONCLUSION**

The Department reported on its 2016/17 annual report, which is the second annual report since the implementation of the 2014 - 2019 Medium-Term Strategic Framework. The Department received an unqualified audit opinion with findings. Of great concern is to note the recurring of prior year findings, which is an indication that action plan developed to address the AG findings was inadequately implemented. Though the Audit Committee of the Department assured the Committee that action plans were been implemented, it was really concerning to see increases in the irregular expenditure, and some of the cases of the irregular expenditure were repeat findings. The Department’s expenditure during the year under review was 99.9 per cent, with 80 percent achievement of Departmental targets and 53 per cent achievement of system performance indicators. The Department recorded significant achievements in both Departmental and system performance indicators in University Education and Skills Development programmes. Overall, there was an increase of 5 per cent from 75 per cent achievement in 2015/16 to 80 per cent achievement in 2016/17.

Programmes 4: TVET and 6: CET underperformed in the system performance targets due to unavailability of data. The Committee expressed concerns about unavailability of data for the two sectors which hampered its oversight function over these programmes. Furthermore, the Committee expressed a concern with the impact of basic education on the outcomes of the PSET sector. The Committee commended the progress made in the issuance of NC(V) certification backlog and further urged that SITA should address the IT challenges so that certificates could be issued within the prescribed timeframes. The Committee also urged the Department to ensure that TVET Colleges submit clean data so as to expedite the issuance of certificates.

Report to be considered.