**Report of the Portfolio Committee on Higher Education, Science and Innovation on the 2021/22 Annual Reports of the National Skills Fund (NSF), Services Sector Education and Training Authority (SSETA), Insurance Seta (INESTA), Construction Education and Training Authority (CETA), Dated 2 December 2022**

1. **INTRODUCTION AND MANDATE**

The Portfolio Committee on Higher Education, Science and Innovation (“Committee”), having considered the 2021/22 Annual Reports of the National Skills Fund (NSF), Services SETA, Insurance SETA (INSETA) and Construction Education and Training Authority (CETA), reports as follows:

**1.1.** **Mandate of the Committee**

The Committee derives its mandate from Section 55(2) of the Constitution of the Republic of South Africa, which states 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.” Rule 227 of the Rules of the National Assembly (9th edition) provides for mechanisms contemplated in section 55(2) of the Constitution.

**1.2.** **Purpose of the Report**

The report accounts in accordance with Rule 339 of the Rules of the National Assembly for the work done by the Committee in considering the 2021/22 Annual Reports of NSF, SSETA, INSETA and CETA, which were tabled in accordance with Section 40 (1) of the PFMA; and as referred in terms of the National Assembly Rule 338 by the Speaker of the National Assembly to the Committee for consideration and reporting in terms of Rules 339 and 340, respectively.

**1.3.** **Method**

The Committee considered the 2021/22 Annual Reports of NSF, SSETA, INSETA and CETA. The Committee had briefing sessions with the Auditor-General South Africa (AGSA) to receive a briefing on the audit outcomes of the entities for the 2021/22 financial year. The Committee also held briefings with the NSF on 28 October 2022 and with the SSETA, INSETA and CETA on 02 November 2022 to consider their 2021/22 Annual Reports.

1. **OVERVIEW OF THE KEY POLICY FOCUS AREAS RELEVANT FOR THE NSF AND THE SETAs**
   1. **Key Government policies**
      1. **National Development Plan (NDP) Vision 2030**

South Africa has set itself goals through the National Development Plan (NDP), to eliminate poverty and to reduce inequality by 2030. In working towards achieving these goals, Government identified three main priorities, namely: raising employment through faster economic growth, improving the quality of education, skills and innovation; and building the capacity of the state to play a developmental, transformation role

The NDP sets out a vision for the country through its Vision 2030. The NDP identifies skills development and education as critical enablers of economic development. The NDP states that SETAs should play a more effective role in the production of skills that must meet the immediate needs of the employers. The NDP sets out the role for SETAs as facilitators of skills development in the following areas:

* Skills development for existing businesses;
* Unemployed people who wish to obtain employment in the sector and emphasis on internships; and
* Training should cover levels of the National Qualifications Framework (NQF) required by the sector.

**2.2.** **The White Paper for Post-School Education and Training (WPPSET)**

The White Paper articulates a vision for an integrated system of post-school education and training, with all institutions playing their role as part of a coherent but differentiated system. The White Paper sets out strategies to expand the current provision of education and training in South Africa, to improve its quality, to integrate the various strands of the post-school system. It further sets the interventions for implementation by different sectors of the Post-School Education and Training. The White Paper sets out policies to guide the Department of Higher Education and Training (DHET) and the institutions for which it is responsible for contributing to building a developmental state with a vibrant democracy and a flourishing economy.

It sets out a vision for:

* A post-school system that can assist in building a fair, equitable, non-racial, non-sexist and democratic South Africa;
* A single, coordinated post-school education and training system;
* Expanded access, improved quality and increased diversity of provision;
* A stronger and more cooperative relationship between education and training institutions and the workplace; and
* A post-school education and training system that is responsive to the needs of individual citizens and of employers in both public and private sectors, as well as broader societal and developmental objectives.

Furthermore, it is premised on achieving the following:

* Expanded access to TVET and university education;
* Establishment of community colleges and skills centres to mainstream vocational education and training;
* Establishment of a national skills planning mechanism within DHET;
* A strengthened National Skills Authority (NSA) to perform a monitoring and evaluation role in the skills system; and
* Opening up workplaces to give more youth access to work-integrated learning opportunities.

**2.3.** **Human Resource Development Strategy for South Africa (HRD-SA) 2010 – 2030**

The HRD Strategy for South Africa (2010 – 2030) is a call to action. Its primary purpose is to mobilise multi-stakeholder participation, and to encourage individuals and organisations to take on the challenge of improving the human resource stock of the nation. The document sets out collective commitments for sectors of society in skills production. The different sectors of the post-school education and training will have to ascribe to the goals of the HRD Strategy, which are: to urgently and substantively reduce the scourge of poverty and unemployment in South Africa; to promote justice and social cohesion through improved equity in the provision and outcomes of education and skills development programmes, and to substantively improve national economic growth and development through improved competitiveness of the South African economy.

**2.4.** **National Skills Development Plan (NSDP)**

The NSDP aims to ensure that South Africa has adequate, appropriate, and high-quality skills that contribute to economic growth, employment creation, and social development. The NSDP is the key policy, which informs the work of the NSF and the SETAs until 2030 and has been crafted within the policy context of the NDP, and the White Paper. The SETAs and the NSF will focus on addressing the eight NSDP outcomes as follows:

* Outcome 1: Identifying and increasing the production of occupations in high demand;
* Outcome 2: Linking education and the workplace;
* Outcome 3: Improving the level of skills in the South African workforce;
* Outcome 4: Increasing access to occupationally directed programmes;
* Outcome 5: Supporting the growth of the public college system;
* Outcome 6: Skills development support for entrepreneurship and cooperative development;
* Outcome 7: Encouraging and support worker initiated training; and
* Outcome 8: Supporting career development services.

**2.5.** **2019 – 2024 Medium-Term Strategic Framework (MTSF)**

The 2019 – 2024 MTSF is a five-year strategic plan of Government and forms the second five-year implementation phase of the NDP. The Department of Higher Education and Training is responsible for contributing to the realisation of the policy priorities as outlined in the MTSF Priority 3: Education, Skills and Health. For the 2020 – 2025 planning period, the Department will focus on these outcomes as follows:

* **Expanded access to PSET opportunities**, which aims to provide a diverse student population with access to a comprehensive and multifaceted range of PSET opportunities;
* **Improved success and efficiency in the PSET system** aims to improve efficiency and success of the PSET system;
* **Improved quality of PSET provisioning** to build the capacity of PSET institutions to provide quality education and training;
* **A responsive PSET system** to provide qualifications programmes and curricula that are responsive to the needs of the world of work, society and students; and
* **Excellent business operations within DHET** to ensure sound service delivery management and effective resource management within the department.

**2.6.** **Economic Reconstruction and Recovery Plan (ERRP) and ERRP Skills Strategy**

The impact of COVID-19 in the country has negatively affected an already ailing economy, which deepened the high unemployment rate, poverty and inequality. In response to the economic challenges resulting from the COVID-19 pandemic, the Government developed an Economic Reconstruction and Recovery Plan. The Plan sets out a reconstruction and recovery plan for the South African economy that is aimed at stimulating equitable growth. The Plan identifies priority interventions and enabling areas to grow the economy and create jobs.

The priority interventions are:

* Infrastructure investment and delivery;
* Industrialisation through localisation;
* Energy security;
* Gender equality and economic inclusion of women and youth;
* Support for the recovery and growth of the tourism, creative and cultural industries;
* Green economy interventions;
* Mass public employment interventions;
* Strengthening agriculture and food security; and
* Macro-economic policy interventions

In contributing towards the realisation of the ERRP goals, the Department developed the ERRP Skills Strategy, which is directed towards both public and private education and training institutions and skills development providers (including workplaces). The idea is to strengthen partnerships between the public and private sectors to improve efficiency and effectiveness. The Strategy aligns demand and supply of relevant skills for ERRP and there are eight interventions focused on the provision of targeted education and training programmes as follows:

* Intervention 1**:** Expand the provisioning of short skills programmes (both accredited and non-accredited) to respond to skills gaps identified in the strategy.
* Intervention 2: Enable the provisioning of short skills programmes (both accredited and non-accredited) that respond to skills gaps identified in the strategy.
* Intervention 3**:** Expand the provisioning of workplace-based learning (WBL) programmes to respond to occupational shortages and skills gaps identified in the strategy.
* Intervention 4: Increase enrolments in qualification-based programmes that respond to the occupational shortages identified in the strategy.
* Intervention 5: Review and revise education and training programmes to respond to occupational shortages and skills gaps identified in the strategy.
* Intervention 6:Update the draft Critical Skills List and associated regulatory mechanisms.
* Intervention 7:Strengthen entrepreneurship development programmes.
* Intervention 8: Embedskills planning into economic planning processes and vice.
* Intervention 9: Facilitate the use of the National Pathway Management Network (PMN) in the PSET system.
* Intervention 10:Strengthen the post school education and training (PSET) system

Entities of the Department are required to align their programmes and funding to contribute to the skills interventions aimed at supporting the ERRP.

**2.7.** **2021 State of the Nation Address (SONA)**

In February 2021, the President, Mr Ramaphosa addressed the South African citizens during his State of the Nation Address. The President’s SONA focussed on the following:

* To defeat the Coronavirus (COVID-19) pandemic;
* To accelerate economic recovery;
* To implement economic reforms to create sustainable jobs and drive inclusive growth; and
* Fight corruption and strengthen the State.

One of the key focus areas of the February 2021 SONA was inclusive growth, which addresses critical priorities for the Higher Education and Training sector. There has been a steady improvement in the reach of education; although it is acknowledged that it is inadequate. The continued focus on inclusive growth is about the critical actions that are required to build a capable state and place the economy on the path to recovery. The Department of Higher Education and Training (DHET) and its entities are required to implement programmes to contribute to the acceleration of economic recovery.

1. **OVERVIEW AND ASSESSMENT OF THE 2021/22 NON-FINANCIAL AND FINANCIAL PERFORMANCE OF THE NSF, SSETA, INSETA AND CETA**

The NSF was established in 1999 in terms of section 27(1) of the Skills Development Act, 1998 (Act No. 97 of 1998) (SDA). The NSF is a Schedule 3A public entity, governed by the Public Finance Management Act (PFMA) (No. 1 of 1999, as amended).

The entity’s mandate is derived from the SDA and its subsequent amendments. The money of the NSF may be used for the primary objectives as defined by the prescripts of the SDA, namely,

* To fund projects identified in the national skills development strategy as national priorities (section 28(1) of the SDA);
* To fund projects related to the achievement of the purposes of the SDA as the Director-General (of the Department of Higher Education and Training) determines (section 28(1) of the SDA);
* To fund any activity undertaken by the Minister (Higher Education, Science and Innovation) to achieve a national standard of good practice in skills development (section 30B of the SDA); and
* To administer the NSF within the prescribed limit (section 28(3) of the SDA). Regulations to prescribe the limit for the administration of the NSF at 10% of revenue have been approved and published in Notice No. R.1030, Government Gazette No. 33740 dated 8 November 2010.

The Sector Education and Training Authorities (SETAs) are established in terms of the Skills Development Act, 1998 (Act no 97 as amended) and listed in terms of the PFMA, as Schedule 4A public entity. The Skills Development Act mandates the SETAs to promote skills development for education and training sector. The SETAs are funded through the one per cent levy income paid by employers to the South African Revenue Service (SARS).

Their mandate is derived from the Skills Development Act (No. 97 of 1998) and its subsequent amendments. Its responsibilities include the following:

* Develop a Sector Skills Plan (SSP) within the framework of the NSDS;
* Establish and promote learnerships through:
* Collect and disburse the skills development levies in its sector; approve workplace skills plans and allocate grants in the prescribed manner to employers, education and training providers and workers;
* Fulfil the functions of an Education and Training Quality Assurance (ETQA), as delegated by the Quality Council for Trades and Occupations (QCTO); and
* Monitoring education and training in the sector.

**3.1.** **NATIONAL SKILLS FUND (NSF)**

**3.1.1.** **Overview and assessment of the NSF’s 2021/22 non-financial performance**

**Table 1: The NSF’s Programmes, with their related achievement against performance targets for the 2021/22 financial year**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme** | **APP Targets 2021/22** | **Achieved** | **Not achieved** | **% Achievement** |
| 1. Administration | 6 | 1 | 5 | 17% |
| 2. Skills Development Funding | 15 | 5 | 10 | 33% |
| 3. PSET Improvement Funding | 8 | 1 | 7 | 13% |
| **Overall Total** | **29** | **7** | **22** | **24%** |

The NSF had three budget programmes for 2021/22. The budget [programmes contribute to the achievement of the three Outcomes as follows: Organisational sustainability, a skilled and capable workforce for an inclusive growth path and an improved Post-School Education (PSET) and Training System.

The three budget programmes had a total of 29 Annual Performance Plan (APP) targets. The NSF achieved seven or 24 per cent (23 per cent in 2020/21) of the planned targets.

**3.1.2.** **Non-financial performance per programme**

**Programme 1: Administration**

The programme contributes to the Outcome 1: Organisational Sustainability. During the year under review, the programme had six targets. Five or 17 per cent of the targets were achieved.

Targets not achieved

* Percentage (100%) of the audit findings addressed (achieved 13 per cent).
* Percentage (100%) of approved standard operating policies (SOPs) and procedures implemented (achieved 50 per cent)
* Percentage (100%) of planned policies and procedures developed and revised (achieved 50%).
* Percentage (80%) of the key of Information Communication Technology (ICT) priorities implemented (achieved 50 per cent).

**Programme 2: Skills development funding**

The programme contributes to Outcome 2: A skilled and capable workforce for an inclusive growth path. The programme had 15 targets, of which five or 33 per cent were achieved.

**Selected key achievements**

* The NSF funded 81 532 learners for education and training
* The NSF funded 58 761 learners were funded for education and training towards occupations in high demand and 37 188 learners were funded by the NSF education and training
* The NSF awarded 55 017 bursaries.

**Targets not achieved**

* Number (35 000) of NSF-funded beneficiaries who completed their education and training (OIHD) (achieved 13 639).
* Number (10 500) of NSF-funded learners who completed their education and training towards occupation in high demand (OIHD) (achieved 4 113)
* Number (12 500) of NSF-funded beneficiaries from rural areas who completed their training (achieved 10 800).
* Number (1000) of learners from rural areas funded by the NSF for skills development in response to innovation and digital technologies (achieved 851).
* Number (1000) of small, medium and micro-enterprises (SMMEs) and co-operatives funded by the NSF for skills development (achieved 0)
* Number (5 000) of learners funded by the NSF through SMME and co-operative skills development initiatives (achieved 0).
* Number (1 450) of learners NSF-funded who completed their education and training through the SMME and co-operative skills development initiatives (achieved 0).

**Programme 3: PSET system improvement funding**

The programme contributes to Outcome 3: An improved PSET system. For the year under review, the programme had eights and achieved one or 13 per cent of the planned targets.

**Selected targets that were not achieved**

* Percentage (85%) of NSF-funded projects that are aimed at skills infrastructure development, which achieved more than 60 per cent of envisaged outputs (achieved 33 per cent)
* Number (49) of capacity development projects funded as per the approved implementation plan (achieved 27).
* Percentage (85%) of the NSF-funded projects that are aimed at PSET capacity development, which achieved more than 60 per cent of the envisaged outputs (achieved 41%).
* Percentage (85%) of the NSF-funded projects that are aimed at research projects which achieved more than 60 per cent of the envisaged outputs (achieved 0%).

**3.1.3.** **Overview and assessment of the NSF’s 2021/22 budget allocation and expenditure**

The NSF’s total revenue for the 2021/22 financial year amounted to R4,3 billion (R2,9 billion in 2020/21). The NSF’s revenue comprised R3,9 billion from non-exchange transactions (Skills development levies: R3,8 billion, Income from SETAs: R3,0 million and Transfer from the DHET: R100,0 million) and R427,7 million from exchange transactions (Finance income: R407,2 million and Finance income from advance payments to skills development programmes and projects: R20,4 million). The total revenue increased by R1,4 billion from the previous financial year. The increase is attributed to the increase in the skills development levies and the transfer from the DHET to the Presidential Youth Programme.

The NSF had spent R4,6 billion (R1,8 billion in 2020/21), recording an overspending of R337,2 million. It was reported that the increase in spending was due to the R3,3 billion once-off shortfall funding commitment towards the National Student Financial Aid Scheme (NSFAS) for the 2021 academic year. Spending on employee-related costs amounted to R92,2 million the expenditure on operating expenses and R43,3 million.

The key cost drivers in terms of the operating expenses include amongst others; DHET Shared Services Charge: R15,1 million (R15,1 million in 2020/21), External Auditor’s remuneration: R7,5 million (R5,0 million in 2020/21), Internal Auditor’s remuneration: R5,1 million (R4,6 million in 2020/21), travel and subsistence: R4,9 million (R1,7 million) and R4,5 million (10,6 million).

**3.1.4.** **Irregular, fruitless and wasteful expenditure**

The NSF incurred irregular expenditure amounting to R1,7 billion, of which R1,3 billion was incurred in 2021/22 and R433,7 million was carried over from the previous years. The current irregular expenditure was incurred due to the NSF exceeding the approved budget to fund the NSFAS shortfall project. The prior years’ irregular expenditure was due to the following:

* R411,414 million: Appointment of TVET College construction contractors.
* R2,404 million: Provision of Hosted Exchange and archiving environment of the electronic mail network for DHET and NSF.

**3.1.5.** **2021/22 audit outcomes**

For the 2021/22, the NSF obtained a qualified audit opinion, which was an improvement from a disclaimer opinion obtained 2020/21.

**Basis for the qualified opinion**

* **Skills development funding:** The AG noted that the NSF did not have adequate systems in place to account for skills development funding in accordance with GRAP 1, Presentation of financial statements, as expenses were not recorded in the correct period. Consequently, skills development funding expenses reported in the statement of financial performance and note 20 to the financial statements are overstated by R226 million (2020-21: R48,4 million), with a corresponding overstatement in the prior year deferred expenditure related to skills development funding balance reported in the statement of financial position and note 8 to the financial statements. This also impacts the surplus for the period and on the accumulated surplus.

Additionally, the AG was unable to obtain sufficient appropriate audit evidence that skills development funding for the current and previous years had been properly accounted for, as evidence that the services received could not be provided. This was due to inadequate project monitoring and expenditure approval processes. The AG was unable to confirm the skills development funding by alternative means, as the public entity’s systems did not permit this. Consequently, was unable to determine whether any adjustment was necessary for the skills development funding, stated at R4,5 billion (2020/21: R1,7 billion) in the statements of financial performance and note 20 to the financial statement. This also impacts deferred expenditure related to skills development funding stated at R904 million (2020-21: R823,9 million) in the statement of financial position and note 8 to the financial statements.

* **Accruals from non-exchange transactions:** The AG was unable to obtain sufficient appropriate audit evidence that the accruals from non-exchange transactions had been properly accounted for, as evidence that the services had been received could not be provided. This was due to inadequate project monitoring and expenditure approval processes at the public entity. The AG was unable to confirm accruals from non-exchange transactions by alternative means as the public entity’s systems did not permit this. Consequently, the AG was unable to determine whether any adjustment was necessary to accruals from non-exchange transactions stated at R1.9 billion (2020-21: R596.3 million) in the statement of financial position, as disclosed in note 12 to the financial statements. This also impacts deferred expenditure related to skills development funding stated in the statement of financial position and note 8 to the financial statements.

**Report on the Audit of the Annual Performance Report**

* **Usefulness and reliability of the reported performance information:** The AGhas made findings on the usefulness and reliability of reported performance information of Programme 2: Skills Development Funding. The AG reported that achievements were reported in the annual performance report for five indicators as follows:
  + Number of learners funded by the NSF for education and training towards occupations in high demand (OIHD) (reported achievement: 58 761)
  + Number of NSF-funded learners who completed their education and training towards occupations in high demand (OIHD) (reported achievement: 4 113).
  + Number of learners from rural areas funded by the NSF for education and training (reported achievement: 37 188)
  + Number of bursaries funded (reported achievement: 55 017)
  + Number of learners funded by the NSF for worker education (reported achievement 1 119).
  + Number of individuals participating in constituency-based interventions funded (reported achievement: 399).

**Compliance with legislation**

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

Material misstatements of non-current assets, liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

* **Expenditure management:** Resources of the National Skills Fund were not utilised economically, as required by section 57(b) of the PFMA.
* **Consequence management:** The AG was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed. Disciplinary steps were not taken against some officials who had incurred or permitted fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA.
* **Internal control deficiencies:** Management did not implement adequate internal controls relating to project monitoring and reporting. This resulted in underlying records not being readily available to support the skills development activities funded by the NSF.

Management did not implement adequate monitoring and preventative controls to ensure compliance with key legislation. The leadership did not exercise adequate oversight, specifically regarding the reporting of the skills development funding expenditure and performance reporting, resulting in material misstatements identified during the audit.

* **Material irregularities** (Payments made in respect of duplicate unit standards): The National Skills Fund entered into a project funding agreement with a skills development service provider. The objective of the project was to benefit 1 000 learners by enrolling them in a Security Officer Learnership programme (NQF level 3).

The National Skills Fund approved and paid for three credits that are already included in the original modules as additional modules. Which resulted in additional costs with no additional benefit, in contravention of section 57(b) of the PFMA. The non-compliance is likely to result in a material financial loss if it is not recovered from the supplier.

The AG initially notified the accounting authority of the material irregularity on 09 July 2021 and 09 August 2021 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter.

The accounting authority has not taken adequate action in response to being notified of the material irregularity. The AG recommended that the accounting authority take the following actions to address the material irregularity, which should be implemented by 2 December 2022:

* Appropriate action should be taken to finalise the investigation into the non-compliance with section 57(b) of the PFMA to determine the circumstances that led to the non-compliance to take appropriate corrective actions and to address control weaknesses;
* The financial loss relating to the duplicated modules should be quantified;
* Appropriate action should commence recovering the financial loss. The recovery process should not be unduly delayed;
* Effective and appropriate disciplinary steps should be initiated without undue delay against any official whom the investigation found to be responsible, as required by section 51(1)(e) of the PFMA.

**3.2.** **SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY (SSETA)**

**3.2.1.** **Overview and assessment of the SSETA’s 2021/22 non-financial performance**

**Table 2: The SSETA’s Programmes, with their related achievement against performance targets for the 2021/22 financial year**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme** | **APP Targets 2020/21** | **Achieved** | **Not achieved** | **% Achievement** |
| 1. Administration | 7 | 6 | 1 | 85,7% |
| 2. Skills Planning | 9 | 9 | 0 | 100% |
| 3. Learning Interventions | 33 | 24 | 9 | 72,7% |
| 4. Quality Management | 2 | 2 | 0 | 100% |
| **Overall Total** | **51** | **41** | **10** | **80,4%** |

For the 2021/22 financial year, SSETA had four budget programmes, namely, Administration, Skills Planning, Learning Programmes and Quality Assurance. For the period under review, the four budget programmes had a total of 51 targets. SSETA achieved 41 or 80 per cent of the planned targets. The SETA recorded a 40 per cent increase in its performance, from 40 per cent in 2020/21.

**3.2.2.** **Non-financial performance per programme**

**Programme 1: Administration**

The enables the delivery of the Services SETA Mandate through the delivery of support services. For the period under review, the programme had seven targets and achieved six or 85,7 per cent.

Selected key achievements

* SSETA implemented 100 per cent of its Recruitment Plan
* Eighty-four per cent of the Personal Development Plans were implemented.
* SSETA actioned 100 per cent of the audit ad compliance action plans.

**Programme 2: Skills Planning**

The programme enables the Services SETA and Services Sector to target relevant skills development. It is responsible for researching skills needs within the Services Sector, issuing the Sector Skills Plans (SSPs), developing strategic and annual performance plans for the Services SETA, monitoring and evaluating organisational performance, and conducting targeted evaluations to strengthen programme improvement in executing its mandate.

The programme had nine targets and achieved 100 per cent.

**Selected key achievements**

* Twenty-five (13 in urban and 12 in rural) career exhibitions were conducted.
* Forty Career Development Practitioners were trained.
* SSETA concluded three research partnerships with the University of Western Cape (Institute for post-school studies) for evaluating Services SETA’s implementation of the NSDSIII and NSDP 2030 thus far as a baseline for NSDP 2030 implementation strategy; Mzabalazo Advisory Services for evaluating Services SETA’s implementation of the National Skills Development Strategy (NSDS) III and NSDP 2030 thus far as a baseline for the NSDP 2030 implementation strategy; and the Cape Peninsula University of Technology for research on the Skills Development Forecast Model to inform Services Sector Skills Needs.
* Ten established and emergent cooperative skills needs were identified through the research.

**Programme 3: Learning Programmes**

The delivers the SSETA’s service offering to the target stakeholders to achieve the mandate. The programme is responsible for the disbursement of Services SETA discretionary grants through special and regular infrastructure development projects, expanding access to skills development in rural and underserviced areas, and pivotal learning interventions.

* SSETA established partnerships with 11 TVET colleges, six higher education institutions and four CET colleges.
* 40 TVET lecturers were exposed to the industry through skills programmes.
* 11 TVET Managers received training in curriculum studies.
* 16 CET college lecturers were awarded skills development programmes.
* SSETA supported seven trade unions and federations.
* Seven rural skills development projects were initiated for learners through personal care-related skills programmes.
* Four centres of specialisation (Majuba TVET, Gert Sibande TVET college, Tshwane South TVET college and Umfolozi TVET college) were supported.
* 652 cooperatives and SMEs were supported with training.
* 5 896 (2 622 unemployed and 3 274) learners entered skills programmes.

**Targets not achieved**

* Number (5 004) of employers (3 345 small firms, 991 medium firms and 668 large firms) submitting WSP/ATR (achieved 4 560).
* Number (8 016) of learnerships completed (achieved 262).
* Number (1 750) of bursaries entered (achieved 1 627).
* Number (1 818) of Artisans completions (achieved 1 517)
* Number (386) of Adult Education and Training completed (achieved 0).

**Programme 4: Quality Assurance**

The programme is responsible for the quality assurance of occupationally directed qualifications in line with the QCTO assessment policy and certification process.

The programme had two targets during 2021/22 and achieved 100 per cent. SSETA achieved 97 per cent increase in the number receiving certificates.

Ten qualifications were developed or aligned to the priority skills.

**3.2.3.** **Overview and assessment of the SSETA’s 2021/22 budget allocation and expenditure**

For the 2021/22 financial year, SSETA’s total revenue amounted to R1,7 billion (R1,08 billion in 2020/21). SSETA’s revenue increased significantly by R619,1 million from R1,08 billion in 2020/21. The revenue comprised of R33,8 million of revenue from exchange transactions (R33,2 million from investment revenue and R587 000 from other income) and R1,6 billion from non-exchange transactions (Skills Development Levy Income: R1,6 billion, Skills development levy: Interests and Penalties: R45,4 million and other income: 6,8 million). Skills development levy income increased significantly by R610,9 million from R1,0 billion in 2020/21. Of significant to note is the substantial decrease of R11,9 million in revenue from other income.

SSETA spent R932,0 million or 55 per cent of the total revenue, recording a surplus of R775,7 million at the end of the 2021/22 financial year. Spending on administration expenses amounted to R197,8 million (R173,9 million in 2020/21). Spending on employer grants and projects amounted to R733,8 million, which was a significant increase compared with R596,9 million in 2020/21.

The key cost drivers in terms of the administration expenses include amongst others; employee-related costs: R87,2 million (R60,4 million in 2020/21), Depreciation, amortisation, and impairment – admin-related costs: R19,7 million (R33,4 million in 2020/21), Consulting and professional fees: R15,8 million (R17,1 million in 2020/21), communication costs: R10,1 million (R8,5 million in 2020/21), IT expenses: R10,6 million (R7,7 million in 2020/21) accounting Authority and Audit Committee costs: R9,0 million (R8,8 million in 2020/21), Auditor’s remuneration: R8,0 million (R4,5 million in 2020/21), QCTO: R7,8 million (R11,4 million in 2020/21).

**3.2.4.** **Irregular, fruitless and wasteful expenditure**

SSETA’s total irregular expenditure amounted to R2,0 billion, comprising R1,8 billion carried over from the previous financial years and R138,1 million incurred in the 2020/21 financial year. The 2021/22 irregular expenditure was incurred due to the following:

* R93,1 million: Discretionary grant in excess of 7,5 per cent limit. SSETA reported that the determination report has been concluded and consequence management was being implemented.
* R76 000: Training purchase orders awarded without following the SCM process. The determination report has been concluded and consequence management was being implemented.
* R906 000: Expenditure incurred in excess of the request for quotation thresholds – SCM process. The determination report has been concluded and consequence management was being implemented.
* R42,3 million: Project expenditure outside contract/commitment terms. The determination report is at the review stage.
* R1,6 million: the process of appointing Accounting Authority members was non-compliant with the Skills Development Act. SSETA reported that submission to the National Treasury for condonement was in the process.

In terms of fruitless and wasteful expenditure, SSETA incurred R1,4 million for 2021/22. It was noted that the fruitless and wasteful expenditure was due to a litigation settlement relating to several providers. SSETA reported that all matters relating to fruitless and wasteful expenditure have been concluded by the Loss Control Function, and submissions were made to the National Treasury for approval of condonement. All staff members identified to have been involved in all matters are going through consequence management processes. No element of fraud or any other criminal intent was identified through the Loss Control Function review.

**3.2.5.** **2021/22 audit outcomes**

SSETA received a qualified audit opinion for the fourth consecutive audit cycles.

**Basis for the qualification**

* **Discretionary grant commitments:** The AG noted that SSETA did not disclose the correct amount of amendments in relation to the discretionary grant commitments in note 26 to the financial statements, as required by GRAP 1, Presentation of financial statements. There were differences between the amendments on discretionary grant commitments and the underlying supporting evidence. This was a result of inadequate controls over the accounting records. Consequently, discretionary grant commitments are understated by R528 562 883.

The AG was unable to obtain sufficient appropriate audit evidence for discretionary grant commitments, as the public entity did not maintain accurate and complete records of the contractual information used to determine the commitments. Additionally, the public entity did not maintain proper records of reconciliations for commitments. The AG could not confirm the amounts by alternative means.

Consequently, the AG was unable to determine whether any adjustments were necessary to the following items in the financial statements:

* Discretionary grants commitments stated at R2 698 586 000 (2021: R3 463 411 000) in note 26 to the financial statements.
* Irregular expenditure stated at R99 397 000 in the comparative period in note 34 to financial statements.

**Material findings**

* **Usefulness and reliability of the reported performance information.** The AGhas made findings on the usefulness and reliability of reported performance information of Programme 3: Learning Programmes. The AG was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined evidence or method of calculation to be used when measuring the actual achievement for the indicators. This was due to insufficient measurement definitions and processes for the following indicators:
  + Number of learnership completions (target: 8 016)
  + Number of skills programmes (target: 1 844)
  + Number of candidacy completed (target: 124)
  + Number of employers submitting WSP/ART (target: 5 004)

The AG further noted that the achievement in the annual performance report differed materially from the supporting evidence provided for the indicators listed below:

* Number of skills programmes completed (target: 1 844)
* Number of internship placement completion (target: 2 863)
* Number of learnership completions (target: 8 016)

**Compliance with legislation**

* **Annual financial statements:** The AG reported that the financial statements were not submitted for auditing within the prescribed period after the end of the financial year, as required by section 55(1)(c)(i) of the PFMA. The financial statements submitted for audit were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be subsequently provided, which resulted in the financial statements receiving a qualified opinion.
* **Expenditure management:** The AG noted that effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 495 000, as disclosed in note 33 to the annual financial statements, as required by section 51(1) (b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest and other costs on litigation against the entity.

Furthermore, the AG reported that effective and appropriate steps were not taken to prevent irregular expenditure amounting to R138 142 000, as disclosed in note 34 to the annual financial statements, as required by section51(1) (b)(ii) of the PFMA. The majority of the irregular expenditures were caused by non-compliance with SETA grant regulations.

* **Internal control deficiencies:** The AG indicated that the SETA did not prepare accurate and complete financial statements that were supported and evidenced by reliable information. This is evidenced by material misstatements identified in various financial statement line items. The record-keeping processes of the public entity were not effective to ensure that information is accessible and readily available to support the financial statements.

It was also reported that **t**he monthly processes for monitoring and reviewing financial information were not adequately implemented, which resulted in financial statements that were not free from material misstatements. Oversight of responsibility regarding financial reporting and compliance was not adequately exercised, as the controls in place did not prevent or detect internal control deficiencies, resulting in material misstatements and non-compliance.

**3.3.** **INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY (INSETA)**

**3.3.1.** **Overview and assessment of the INSETA’s 2021/22 non-financial performance**

**Table 1: The INSETA’s Programmes, with their related achievement against performance targets for the 2021/22 financial year**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme** | **APP Targets 2021/22** | **Achieved** | **Not achieved** | **% Achievement** |
| 1. Administration | 4 | 2 | 2 | 50% |
| 2. Skills Planning | 7 | 7 | 0 | 100% |
| 3. Learning Programmes | 40 | 34 | 6 | 85% |
| 4. Quality Assurance | 5 | 5 | 0 | 100% |
| **Overall Total** | **56** | **48** | **8** | **86%** |

During the period under review, INSETA had four budget programmes, namely, Administration, Skills Planning, Learning Programmes and Quality Assurance. The four programmes contribute to the 10 Strategic Outcome-Oriented Goals identified by INSETA to contribute to the achievement of the National Skills Development Plan (NSDP) and the Skills Development Act mandate, and its operational efficiency.

During the year under review, INSETA’s four budget programmes had 56 targets. The SETA achieved 48 or 86 per cent of the planned targets, which is a significant improvement from the 72 per cent achieved in 2020/21.

**3.3.2.** **Non-financial performance per programme**

**Programme 1: Administration**

The programme contributes to the NSDP Outcome 9: Effective corporate governance maintained. For the 2021/22 financial year, the programme had four targets. The programme achieved two or 50 per cent of the targets.

During the year under review, 100 per cent of all INSETA Management Team, specialists and Supply Chain Management (SCM) division personnel received SCM-related training. INSETA planned to obtain a clean audit opinion for the year under review, but achieved a qualified audit opinion due to errors in the financial and performance reports that led to the qualified audit opinion.

**Programme: Skills Planning**

The programme contributes to NSDP Outcome 1: Identify and increase the production of occupations in high demand. The programme had seven targets and achieved 100 per cent.

**Selected key achievements**

* The SETA exceeded the targets of 37 per cent of discretionary grants allocated to developing high-level skill through bursary grant funding and 60 per cent of discretionary grant budget allocated at developing intermediate skills through Learnerships, Skills Programmes, Work Experience/Internships and Work-Integrated Learning grant funding (achieved 40 per cent and 79 per cent, respectively).
* INSETA approved 747 Work skills Plans WSPs and Annual Training Reports (ATRs) for small firms, 138 for medium firms and 222 for large firms.
* A sector research agreement for TVET occupationally directed programmes was signed.

**Programme 3: Learning Programmes**

This programme contributes to seven NSDP Outcomes as follows:

* NSDP Outcome2: Linking education and the workplace
* NSDP Outcome 3: Improving the level of skills in the South African workforce;
* NSDP Outcome 4: Increase access to occupationally directed programmes;
* NSDP Outcome 6: Skills development support for entrepreneurship and cooperative development;
* NSDP Outcome 7: Encourage and support worker initiated training;
* NSDP Outcome 8: Support career development services, and
* NSDP Outcome 10: Number of rural development projects initiated.

The programme had 40 Annual Performance Plan targets for 2021/22. Thirty-four or 85 per cent of the planned targets were achieved.

**Selected key achievements**

* 619 TVET students requiring WIL to complete their qualifications were placed in workplaces.
* 748 unemployed learners enrolled in internships.
* 1 151 unemployed learners enrolled in learnership programmes.

672 unemployed learners enrolled in Skills Programmes.

* 521 unemployed learners completed Learnerships and 610 unemployed learners were certified for Learnerships Programme.
* 975 workers were granted bursaries (new entries).
* 583 workers granted bursaries completed their studies.
* 759 workers enrolled in Learnerships.
* 556 workers were certified for Learnerships programme.
* 844 unemployed learners were granted bursaries (new enrolments).
* Partnerships with four TVET, three higher education institutions, two Community Education and Training colleges and two SETA-Employer partnerships with the Employer Professional Bodies and Trade Association were established.
* 132 Co-operatives were funded for skills that enhance enterprise growth and development and 359 small and emerging enterprises were trained on sector and national identified priority occupations or skills.
* The SETA held 14 career development events in rural areas on occupations in high demand and trained 11 career development practitioners.

**Targets not achieved**

* Number (420) of TVET students completed their WIL placements (achieved 206).
* Number (150)of workers granted Bursaries (continuing), (achieved 39).
* Number (2 625)of workers completed skills programmes (achieved 914).
* Number (625) of unemployed learners granted Bursaries completed their studies (achieved 93).
* Number **(355)** of learners placed in employment on completion of Internships and Learnerships (achieved 307).

**Programme 4: Quality Assurance**

This programme contributes to the INSETA’s NSDP Outcome 4 and 5: Increase access to occupationally directed programmes and support the growth of the public college system, respectively.

The programme had five targets and has achieved 100 per cent.

**Key selected key achievements**

* Four TVET colleges were accredited to offer insurance occupationally directed learning programmes addressing occupations in high demand.
* Two INSETA offices were established and maintained in TVET colleges.
* Forty-nine TVET lecturers were exposed to the industry through skills programmes.
* Ten TVET college lecturers were awarded bursaries.

**3.3.3.** **Overview and assessment of the INSETA’s 2021/22 budget allocation and expenditure**

For the 2021/22 financial year, INSETA’s total revenue amounted to R606,1 million (R408,8 million in 2020/21). The revenue increased by R197,2 million from R408,8 million in 2020/21. The revenue comprised R19,4 million of revenue from exchange transactions (R19,4 million from interest received and R43 000 from other income) and R586,6 million from non-exchange transactions (Skills Development Levy Income: R577,8 million, fines, public contributions and donations: R2,1 million and Skills development levy: Penalties and interest: R6,6 million). Notably, skills development levy income increased significantly by R203,5 million from R374,2 million in 2020/21.

At the end of the 2021/22 financial year, INSETA had spent R475,9 million or 78,5 per cent of the total revenue, recording a surplus of R130,1 million. The expenditure on employee-related costs amounted to R35,6 million and administration expenses amounted to R45,0 million. Notably, spending on administration increased significantly by R14,9 million from R30,1 million in 2020/21. Spending on discretionary grants amounted to R254,7 million and employer grant expenses amounted to R139,9 million. There is a notable decrease of R100,3 million from R355,0 million in 2020/21 in the expenditure on discretionary, while there is an increase in the spending on employer grants, which increased by R55,2 million from R84,7 million in 2020/21.

The cost drivers in terms of the administration expenses include amongst others; Consulting and outsourcing: R11,3 million (R3,3 million in 2020/21), IT expenses: R10,1 million (R5,3 million in 2020/21), rental and head office: R6,5 million (R6,5 million in 2020/21), Audit fees: R3,3 million (R2,7 million in 2020/21), other Board expenditure and Board and subcommittee fees: R2,8 million and QCTO: R2,5 million (R3,5 million in 2020/21).

**3.3.4.** **Irregular, fruitless and wasteful expenditure**

The total irregular expenditure amounts to R18,9 million, comprising of R812 000 carried over from the previous financial year and R18,1 million incurred in the 2021/22 financial year. The 2021/22 irregular expenditure was incurred due to the following:

* Cancelled head office lease contract. The lease contract was independently investigated for material non-compliance issues identified.
* Irregular expenditure relating to the 2020 lease contract amounts to R12 892 603. The investigation relating to the 2020 irregular lease contract further revealed possible irregularities relating to the contract variations which were concluded during the 2018 financial year on the old expired contract. Management will obtain a legal opinion and comply with the National Treasury Guidelines and Framework on dealing with irregular expenditure with respect to the items relating to the reported possible irregular variations reported on the old expired contract.
* Board members’ fees deemed irregular due to the appointment vetting process conducted after the appointment of the affected board members. The application for condonement of this irregular expenditure is currently being led by Department of Higher Education and Training on behalf of all SETAs to National Treasury. Payment relating to this line item amounts to R303 000.
* Communication and data lines contract with Telkom and Nashua, which were deemed irregular due to payments after expiry of contract as follows: Telkom: R1 002 511 and Nashua: R71 074.
* INSETA incurred project admin costs in excess of the 7,5 per cent limit, contravening Grant Regulation 6.9(iii). R3 906 350 was incurred in contravention of Grant Regulation 6.9(iii).

Fruitless and wasteful expenditure for 2021/22 amounted to R764 000. The closing balance for fruitless and wasteful expenditure is R768 000, which includes an amount of R4 000 carried over from 2020/21. Current-year fruitless and wasteful expenditure relates to payments which were made to a fictitious company under discretionary project grants. INSETA reported that consequence management has already been implemented, whereby officials implicated in the award have been suspended and disciplinary processes were at an advanced stage.

**3.3.5.** **2021/22 audit outcomes**

For the 2021/22 financial year, INSETA obtained a qualified audit opinion, which is a regression from an unqualified audit opinion with findings in 2020/21.

**Basis for the qualification**

* **Administration expenses:** The AG noted that INSETA did not properly account for administration expenses in accordance with GRAP 1, Presentation of financial statements due to inadequate processes and systems, which resulted in invoices for goods and services received in the current financial year not being recognised as expenditure. The AG was unable to determine the full extent of the understatement of the administration expenses stated at R45 275 000 in note 19 to the financial statements as it was impracticable to do so.
* **Payables from non-exchange transactions:** The AG noted that INSETA did not account for project creditors in accordance with GRAP 1, Presentation of financial statements. Payments made to suppliers during the financial year were included in the payables balance at year-end, this was due to inadequate review controls. The AG was unable to determine whether any adjustments were necessary to payables from non-exchange transactions stated at R32 706 000 in note 9 to the financial statements as it was impracticable to do so.

In addition, INSETA did not perform an assessment of the levies payable as required by GRAP 19, Provisions, contingent liabilities and contingent assets. As a result, the AG was unable to determine whether the balance for other levies stated at R 3 613 000 in note 9 to the financial statements required any adjustments. The AG was unable to determine the full extent of the misstatements as it was impracticable to do so.

**Material findings**

* **Usefulness and reliability of the reported performance information.** The AGhas made findings on the usefulness and reliability of reported performance information of Programme 3: Learning Programmes. The AG was unable to obtain appropriate audit evidence for the achievement of the number of unemployed learners granted bursaries (continuing) as reported in the Annual Performance Report. This was due to lack of accurate and complete records.
* **Adjustment of material misstatements:** The AG identified material misstatements in the annual performance report submitted for auditing. The material misstatements were in the reported performance information of Programme 3: Learning Programmes. INSETA Management subsequently corrected only some of the misstatements.

**Compliance with legislation**

* **Annual financial statements:** The AG reported that the financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and as required by section 55(1)(b) of the PFMA. Material misstatements of cash and cash equivalents, related parties, project administration expenses, irregular expenditure and fruitless and wasteful expenditure identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion.
* **Expenditure management:** The AG noted that effective and appropriate steps were not taken to prevent irregular expenditure amounting to R18 175 000 as disclosed in note 31 to annual financial statements, as required by section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management prescripts.

Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R768 000, as disclosed in note 30 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA.

* **Internal control deficiencies:** The AG indicated that the accounting authority did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance, as the controls in place did not prevent or detect internal control deficiencies that resulted in material misstatements in the financial and performance reports as well as non-compliance with applicable laws and regulations.

The public entity developed an audit action plan to address the internal control deficiencies; however, the plan was not adequately monitored to ensure the effective implementation of corrective measures to address these weaknesses and therefore improve the overall audit outcome.

Management did not implement proper recordkeeping to ensure that complete, relevant and accurate information was accessible and available in a timely manner. Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information. This was evidenced by the material misstatements identified, some of which were corrected during the audit. Additionally, the AG found that the controls for the daily and monthly processing and reconciliation of transactions were not effective in preventing and detecting material misstatements.

**3.4.** **Construction Education and Training Authority (CETA)**

**3.4.1.** **Overview and assessment of the CETA’s 2021/22 non-financial performance**

**Table 1: The CETA’s Programmes, with their related achievement against performance targets for the 2021/22 financial year**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme** | **APP Targets 2021/22** | **Achieved** | **Not achieved** | **% Achievement** |
| 1. Administration | 25 | 22 | 3 | 88,0% |
| 2. Research, Planning & Reporting | 5 | 5 | 0 | 100,0% |
| 3. Learning Programmes and Projects | 62 | 25 | 37 | 40,3% |
| 4. Quality Assurance | 12 | 12 | 0 | 100,0% |
| **Overall Total** | **104** | **64** | **40** | **61,5%** |

For the 2021/22 financial year, CETA had four budget programmes, namely, Administration, Skills Planning Research and Reporting, Learning Programmes and Projects and Quality Assurance. Each programme contributed to the four Outcomes Oriented Goals, namely,

* Goal 1: To provide ethical and strategic leadership and management;
* Goal 2: To ensure a credible mechanism for skills planning and reporting in the construction sector;
* Goal 3: To address skills priorities within the construction sector; and
* Goal 4: Implementation of Quality Assurance that will enhance and ensure the provision of quality training.

The four budget programmes had a combined total of 104 targets. CETA achieved 64 or 61,5 per cent of the planned targets, which is a significant improvement from the 22 per cent recorded in 2020/21. However, the core programme, Learning Programmes and Projects, has underperformed compared to the other programmes.

**3.4.2.** **Non-financial performance per programme**

**Programme 1: Administration**

This programme contributes to Outcomes Oriented Goal 1: To provide ethical and strategic leadership and management. The programme had 25 targets for 2021/22. The programme achieved 22 or 88,0 per cent of the targets.

Selected key achievements

* CETA reduced its vacancy rate to 19 per cent against the target of 25 per cent.
* Ten CETA staff were provided with bursaries.
* Increased participation of women in all learning programmes by 62 per cent against a target of 60 per cent.
* Submitted four quarterly financial reports to the Department of Higher Education and Training.
* CETA approved Delegation of Authority Framework.
* Approved and reviewed the annual risk and compliance plan and the annual risk register and compliance universe.
* Updated the quarterly risk register and compliance universe.
* Conducted two training and awareness campaigns for staff on COVID-19 and consequent safety in the workplace.

**Targets not achieved**

* Creditor payment age as per the Treasury Regulations (30 days). The actual achievement was 35 days. CETA attributed the ono-achievement of the target to the delays experienced in the verification of supplier payments and further noted that a new invoice tracking tool was being considered for implementation.
* Number **(**12**)** of Functional Governance Committees meeting on a monthly (EXCO) basis to provide oversight on the delivery of the CETA’s mandate and provide guidance. CETA noted that the target could not be achieved as the entity was still under administration and processes were being refined. To ensure good governance; EXCO meetings commenced and continued; initially with the Advisory team and Administrator, and later the Acting Executives and Chief Executive Officer.
* Number **(**6**)** of functional governance committees meeting on a monthly (Finance Committee) basis to provide oversight on the delivery of the CETA’s mandate and provide guidance. It was reported that there was no Finance Committee since the CETA was under Administration.

**Programme 2: Research, Planning and Reporting**

The programme contributes to the Outcome Oriented Goal 2: To ensure a credible mechanism for skills planning and reporting in the construction sector. The programme had five targets and all were achieved as planned.

During the period under review, 2 410 levy paying members had submitted and approved Work Skills Plans (WSPs) and Annual Training Reports (ATRs) that contribute to the development of the Sector Skills Plan. CETA conducted nine Skills Development Facilitators (SDF) workshops on the WSP and ATR compilation and submission and submitted four monitoring reports to the DHET.

**Programme 3: Learning Programmes and Projects**

This programme contributes to Outcome Oriented Goal 3: To address skills priorities within the construction sector. The programme had 62 targets, which constitute 59,6 per cent of the total targets in the 2021/22 Annual Performance Plan. The programme achieved 25 or 40,3 per cent of the planned targets.

**Selected key achievements**

* CETA allocated 69 per cent of discretionary grant budget at developing intermediate level skills.
* Eighty (unfunded) employed learners entered learnerships.
* 1 672 (unfunded) unemployed learners completed learnerships.
* 5 359 (funded) unemployed learners entered skills programmes.
* 715 (unfunded) unemployed learners completed skills programmes.
* 2 782 (funded) unemployed learners completed artisan programmes

**Targets not achieved**

* Percentage (20%) of discretionary grant budget allocated at developing high-level skills, (achievement was 19 per cent).
* Percentage (20%) of discretionary grant budget allocated at developing elementary level skills, (achievement was 12 per cent).
* Number (1179) of learners who completed workplace-based learning programmes absorbed into employment or self-employment, (achievement was 0).
* Number (873 funded)of unemployed learners per year entering learnerships, (achievement was 414),
* Number (417 unfunded)of unemployed learners per year entering learnerships, (achievement was 53).
* Number (103 funded) of employed learners per year completing learnerships, (achievement was 0).
* Number (75 unfunded) of employed learners per year completing skills programmes, (achievement was 3)
* Number (608 unfunded)of unemployed learners per year entering artisan programmes, (achievement was 23).
* Number (45 funded)of employed bursaries learners enrolled (new enrolments), (achievement was 15).

**Programme 4: Quality Assurance**

The programme contributes to Goal 4: Implementation of Quality Assurance that will enhance and ensure the provision of quality training. During the year under review, the programme had 12 targets and it has achieved 100 per cent.

**Selected key achievements.**

* Sixty new training providers were accredited for short skills programmes.
* CETA maintained a data-base of accredited training providers and database of Quality Council for Trades and Occupations (QCTO) registered construction qualifications.
* Forty TVET lecturers were trained.
* CETA designed, developed and registered 16 occupational qualifications and curriculum.
* A Monitoring and Evaluation Policy was approved.
* CETA conducted four quarterly site visit audits for all accredited training providers to verify if they are still compliant.

**3.4.3.** **Overview and assessment of the CETA’s 2021/22 budget allocation and expenditure**

CETA’s total revenue for the 2021/22 financial year amounted to R632,340 million (R446,707 million in 2020/21). The revenue comprised R45,058 million of revenue from exchange transactions (R44,964 million from interest received and R94 000 from other income) and R587,282 million from non-exchange transactions (Levies: R571,984 million, fines, penalties, and forfeits: R14,180 million and In-Kind contributions – facilities: R1,438 million). Notably, revenue from exchange transactions decreased by R13,039 million from R58,097 million in 2020/21, while revenue from non-exchange transactions increased significantly by R198,672 million. The increase was due to the increase in revenue from skills levies.

CETA had spent R847,296 million or 134 per cent, recording a deficit of R214,956 million. A significant portion of the deficit was driven by the salaries and costs of forensic investigations. The expenditure on employee costs amounted to R61,708 million and administration expenses amounted to R90,060 million. Notably, administration expenses increased significantly from R56,028 million in 2020/21 to R90,060 million in 2021/22. Spending on discretionary grants amounted to R618,558 million and employers grant expenses amounted to R71,897 million.

The cost drivers in terms of the administration expenses include amongst others; Consulting and outsourcing: R27,461 million (R21,271 million in 2020/21), legal costs: R19,943 million (R6,838 million in 2020/21), admin and general expenses: R7,401 million (R2,589 million in 2020/21), Auditor’s remuneration: R6.644 million (R3,829 million in 2020/21), licenses: R5,636 million (R2,713 million in 2020/21) and rental Expenses: R5,371 million (R3,286 million in 2020/21).

**3.4.4.** **Irregular, fruitless and wasteful expenditure**

CETA’s total irregular expenditure amounted to R771,299 million, comprising R76,020 million for 2021/22 and R695,297 million carried over balance from the previous financial year. For the year under review, irregular expenditure amounting to R18,261 million was incurred due to unauthorised extension of contracts, R52,197 million due to exceeding 7,5 per cent threshold for project administration and R5,562 million due to irregular appointment of an employee with fraudulent qualifications, who is was dismissed.

Fruitless and wasteful expenditure amounted to R22,646 million, comprising R5,878 million carried over from the previous financial year and R16,768 million incurred in 2021/22. The current fruitless and wasteful expenditure was due to SARS interest and penalties (R1,019 million) due to late submission and payments of the EMP201 returns. CETA committed to conducting an investigation to determine the root cause and responsible persons. In terms of the R15,749 million, this was due to Data collected, which was not usable for the discretionary grant target. The data collection, project was charged at a standard rate of R750. From the actual data collected of 11 575 CETA could not determine the validity of the information, which resulted in fruitless expenditure for all the payments made toward the project. An investigation will be conducted to determine the root cause and the responsible persons.

**3.4.5.** **2021/22 audit outcomes**

For the 2021/22 financial year, CETA obtained a qualified audit opinion, which is a regression from an unqualified audit opinion with findings in 2020/21.

**Audit findings**

* **Commitments:** The Auditor-General (AG) was unable to obtain sufficient appropriate audit evidence that commitments for the current year had been properly accounted for, due to the status of the accounting records. The AG was unable to confirm these commitments by alternative means. Consequently, the AG was unable to determine whether any adjustments were necessary to commitments, stated at R2,1 billion in note 23 to the financial statements.
* **Restatement of corresponding figures**: the AG noted that as disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2022.
* **Usefulness and reliability of the reported performance**: The AGhas made findings on the usefulness and reliability of reported performance information of Programme 3: Learning Programmes and Projects, noting that some supporting evidence provided materially differed from the reported achievements, while in other instances the AG was unable to obtain sufficient appropriate audit evidence to support the achievements reported in Annual Performance Report for the following indicators, Number of unemployed learners per year completing learnerships – Funded (reported achievement: 1 672); Number of unemployed learners per year completing learnerships - Unfunded (reported achievement: 566); number of employed learners per year completing learnerships - Unfunded (reported achievement: 96); Number of unemployed learners per year completing artisan programmes – Funded (reported achievement: 2 782); Number of University Student Placement entered per year - Funded (reported achievement 65) and Number of TVET Student Placement completed per year - Funded (reported achievement: 34). The AG notes that this was due to a lack of accurate and complete records and the AG was unable to confirm the reported achievements by alternative means. Consequently, the AG was unable to determine whether any further adjustments were required to the above reported achievements.

It is further reported that the AG was unable to obtain sufficient audit evidence that clearly defined the predetermined method of collection to be used when measuring the actual achievement for the following indicators: Percentage of discretionary grant budget allocated to developing high-level skills (reported achievement: 19 per cent), Percentage of discretionary grant budget allocated to developing intermediate level skills (reported achievement: 61 per cent) and Percentage of discretionary grant budget allocated to developing elementary level skills (reported achievement: 16 per cent). The AG indicated that this was due to insufficient measurement definitions or processes and that the AG was unable to test whether the indicator was well defined by alterative means.

* **Adjustments of material misstatements:** The AG identified material misstatements in the annual performance report submitted for auditing. The material misstatements were in the reported performance information of Programme 3: Learning Programmes and Projects. CETA Management subsequently corrected only some misstatements.

**The material findings on compliance with the specific matters in key legislation are as follows:**

* **Financial Statements:** The AG reported that the financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.
* **Expenditure Management:** The AG found that effective and appropriate steps were not taken to prevent irregular expenditure amounting to R76 million, as disclosed in note 25 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by procurement irregularities and overspending on the 7,5 per cent threshold of the total discretionary grants expenditure relating to administration expenditure.
* **Procurement and Contract Management:** Some goods and services with a transaction value above R1 000 000 were procured without inviting competitive bids, as required by treasury regulation 16A6.1 and paragraph 3.3.1 of Instruction Note 02 of 2021/22. Some invitations for competitive bidding were not advertised for the required minimum period, as required by treasury regulation 16A6.3(c). Some contracts were awarded to bidders based on pre-qualification criteria that differed from those stipulated in the original invitation for bidding, in contravention of preferential procurement regulations 4(1) and 4(2) of 2017.

Some commodities designated for local content and production were procured from suppliers who did not submit a declaration on local production and content in accordance with paragraph 3.4 of National Treasury Instruction Note 4 of 2015/2016. Some bid documentation or invitations to tender for the procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by preferential procurement regulation 8(2) of 2017.

* **Internal Control Deficiencies:** the AG noted that the CETA Management did not implement proper record-keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting. Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.

The AG further noted that Management did not review and monitor compliance with applicable laws and regulations. CETA Leadership did not implement adequate oversight over financial and performance information, compliance with legislation and related internal controls, as misstatements were identified on the financial statement and the annual performance report.

1. **KEY FINDINGS AND OBSERVATIONS**

The Committee, having assessed the 2021/22 Annual Reports of the NSF, SSETA, INSETA and CETA, made the following key findings and observations.

**4.1.** **National Skills Fund**

4.1.1. The performance of the NSF for the year under review is disappointing. The entity achieved seven (7) out of 29 targets and its spending was not commensurate with its performance. Compounding the situation is that the entity also overspent its budget by R337 million. Furthermore, the Committee noted that the failure to achieve the planned targets would delay the achievement of the National Development Plan (NDP) targets, including the achievement of the country’s developmental goals.

4.1.2**.** The irregular expenditure amounting to R1.3 billion incurred by the entity during the year under review was noted as a serious concern. Compounding the situation is that the entity also incurred fruitless and wasteful expenditure amounting to R6.3 million due to duplicate claims and delays in project implementation. The Committee was concerned with the slow implementation of investigations and consequence management related to poor financial management, which resulted in recurring irregular, fruitless and wasteful expenditure in the entity.

4.1.3. The NSF is the biggest contributor in terms of irregular expenditure incurred in the Higher Education and Training (HET) portfolio and it had the worst performance among the DHET entities. Thus, evidence of poor performance and financial accountability supported the Committee’s sentiments towards the NSF.

4.1.4. Although the entity obtained a qualified audit opinion from a disclaimer opinion, the Committee was of the view that this did not symbolise a significant improvement in its financial performance. The Committee was also concerned with the inadequate implementation of the AGSA’s Audit Action Plan by the entity to address the audit findings identified in the prior years, which were recurring.

4.1.5. The Nexus Forensic Investigation and the MTT on Strategic Review of the NSF were necessary interventions to assist in turning-around the situation at the entity. The Committee also indicated that the entity needed to have a clear and specific plan of action aimed at implementing the recommendations emanating from these two important reports.

4.1.6. The high drop-out rate of learners in the NSF skills interventions remains a serious concern as there was no value for money invested.

4.1.7. The Committee was also concerned that the entity did not have proper checks and balances to verify and monitor the implementation of its funded skills programmes. As a result, service providers who entered into contracts with the NSF could not fully account for the utilisation of the funds allocated for projects for the benefit of young and unemployed beneficiaries. In certain instances, funds from the NSF to service providers were transferred into unknown bank accounts making it difficult to trace its utilisation.

4.1.8. The absence of adequate systems in place to account for skills funding of the entity was noted as a serious risk. The Committee was also seriously concerned about the role of the entity’s internal audit unit and capacity of the financial management unit considering the material findings raised by the AGSA.

4.1.9. The delays in the filling of vacant positions in the entity during the year under review was noted as a serious concern. The entity has been operating without a permanent Chief Executive Officer for over a year, and there were 73 vacancies remaining across the entity’s directorates. The Committee was also concerned that five officials were implicated in the Nexus forensic report and were on precautionary suspension; thus, possibly affecting the ability of the entity to operate optimally given the possible capacity constraints.

4.1.10. The entity may struggle in the near future to attract suitably qualified and skilled personnel due to its reputational damage. Thus, the speedy implementation of the turn- around strategy to improve the operations of the entity remains critical to improve public confidence and its reputation.

4.1.11. The NSF plays a key role in addressing the skills deficit in the country and contributing to ensuring that young people are provided with the necessary skills to access employment opportunities and contribute to economic growth. However, the misuse of the entity’s funding for activities outside its mandate remains a serious concern.

4.1.12. The entity is among the few public entities, which have the Director-General (DG) as the sole Accounting Authority (AA) as provided for in terms of section 49(2)(b) of the Public Finance Management Act, 1999 as amended and section 29 of the Skills Development Act, 1998. Thus, the recommendation for the review of this legislation to enable the establishment of a Board comprising different personnel was welcomed by the Committee.

4.1.13. The absence of evidence or supporting documents to support the reported performance information in relation to Programme 2: Skills Development Funding made it very difficult for the Committee to trust the reported achievements, as well as limiting its ability to assess the impact of the entity’s skills development programmes on beneficiaries. Furthermore, the entity was unable to account on the number of beneficiaries who received employment upon completing the skills development programmes.

4.1.14**.** The areas of overlaps and duplications between the entity and SETAs in relation to funding of skills development intervention remain a concern. Compounding the situation is the absence of integrated management system, which contains data of all beneficiaries of skills programmes in the PSET sector.

4.1.15. Notwithstanding that the entity was classified as a Schedule 3A public entity, its dependency on the Department for some of its functions such as HR, remains a serious concern. This has also affected the ability of the entity to speedily fill outstanding vacancies in some key directorates.

**4.2.** **Services SETA**

4.2.1. The recurring qualified audit opinions received by the entity for the past four years remains a serious concern. The Committee was seriously concerned that the entity had presented its Audit Action Plan in November 2021 and March 2022, and yet, there was inadequate improvement in the audit outcomes. The Committee had also made clear recommendations on how the entity could improve its financial management, however, it appears that there was inadequate implementation of the Committee’s advice and inadequate oversight by the Board over management’s performance to turn-around the situation at the entity.

4.2.2. A notable improvement in the entity’s performance (80 per cent achievement compared to 40 per cent in 2020/21) was welcomed. Notwithstanding this significant improvement in performance, the absence of sufficient and appropriate evidence to support the reported achievements was noted as a concern.

4.2.3. Irregular expenditure amounting to R138 million incurred by the entity during the year under review was concerning, and this was the second highest irregular expenditure in the HET Portfolio. The Committee was seriously concerned that for the last three financial years, the entity received irregular, wasteful and fruitless expenditure. This pointed to the slow consequence management by the Board over management, and its failure to act swiftly against senior managers who occupied senior positions without the requisite qualifications.

4.3.4. The Committee has raised concerns with what appeared to be poor execution of fiduciary duties by the entity’s Board. Since 2019, the Committee had warned the entity that the presence of some senior managers without the requisite skills and qualifications would impact its turn-around strategy. It was further noted that the Board has not taken a serious action against the underqualified CFO who has been part of the entity for the past three financial years, which had qualified audit with findings.

4.2.5. The AGSA raised recurring material findings regarding the internal control deficiencies in the entity, this is concerning considering that the entity had developed an Audit Action Plan, which was inadequately implemented.

4.2.6. The non-achievement of targets that were aimed at providing bursaries, internships and skills development interventions meant to empower young people remains a concern. It was noted that the public demand or need for such programmes in society is ever increasing, however, the entity defaulted in achieving 100 per cent in these targets.

4.2.7. The fact that 73 per cent of the entity’s beneficiaries of skills development interventions were women was welcomed. However, the Committee noted that young men should not be left behind and they should be given sufficient opportunities to access the entity’s programmes.

**4.3.** **Insurance SETA**

4.3.1. The improvement in the entity’s performance from 72 per cent in 2020/21 to 85 per cent in 2021/22 was welcomed, however, the Committee was concerned that there was insufficient evidence provided to the AGSA to verify the reported achievement in relation to learners granted bursaries.

4.3.2. The skills interventions of the entity benefitted 13 357 beneficiaries at a cost amounting to R255 million. Furthermore, the entity’s focus on supporting TVET and CET colleges students and programmes was commended.

4.3.3. The Board was commended for having nine women members out of its 14 members and having a young and female CEO.

4.3.4. Concerns were raised in relation to the regression from an unqualified audit opinion in 2020/21 to a qualified audit with findings in 2021/22, including irregular expenditure amounting to R12 million. The regression pointed to the deficiencies within the internal control systems of the entity, something, which the entity should address to improve its audit outcomes.

4.3.5. The suspension of the two officials involved in financial irregularities was welcomed. The Committee has reiterated the need for public entities to act swiftly against financial misconduct. The Committee also called for the entity to recoup any funding that it may have lost due to the actions of these two employees.

4.3.6. Concerns were raised regarding the funding of 63 beneficiaries who were also funded by NSFAS, including 345 learners who participated in multiple skills programmes and the funding of learners who were above 65 years old.

4.3.7. The delays in the filling of the three senior management positions (Skills Planning & Research, Finance Manager and Education and Training Quality Assurance) were noted as a concern.

**4.4.** **Construction Education and Training Authority**

4.4.1. The notable improvement in the performance of 64 per cent (23 per cent in 2020/21) during the year under review was welcomed. However, the absence of sufficient and appropriate evidence to support the reported performance in the entity was noted with concern.

4.4.2. The non-achievement of the targets in relation to the skills development interventions meant to empower young people was a cause for concern.

4.4.3. Concerns were raised in relation to the over-spending in the budget of the entity amounting to R214 million even though the performance of the entity was 64 per cent.

4.4.4. The regression from an unqualified audit opinion with findings in 2020/21 to a qualified audit opinion in 2021/22 was noted as a concern. The Committee further noted with concern the internal control deficiencies and urged that the NSF management should put measures in place to strengthen the weakness identified by the AGSA.

4.4.5. The disagreements between the entity and the AGSA in relation to its audit outcomes were unfortunate and should be prevented from recurring. The Committee further noted that the AGSA has a mandate of ensuring that public entities account for the utilisation of public funds in accordance with the relevant legislation. Thus, the disagreements between the AGSA and public entities hinder public accountability and good governance.

4.4.6. It was concerning that some of the service providers appointed by the entity to recruit young people to benefit from its skills development programmes had failed to honour their contractual obligations, thus causing the entity to default on some of its targets.

4.4.7. Concerns were raised regarding the entity’s due diligence review systems against service providers or companies that render services to it. The entity had awarded contracts to companies, which had questionable Companies and Intellectual Property Commission (CIPC) registration.

4.4.8. The capacity of the entity to monitor and verify its funded skills development programmes and the exit opportunities available to its beneficiaries was noted as a concern.

. 4.4.9. The delays in the filling of the five Board positions were noted as a serious concern given the importance of the role the Board plays over a public entity such as Construction SETA.

4.4.10. The employment equity statistics of the entity was shocking given that out of the 106 staff complement, there was only one white employee.

1. **SUMMARY**

The assessment of the NSF, Services SETA, INSETA and CETA Annual Reports for the 2021/22 financial year by the Committee was informed by the AGSA’s assessment of the higher education and training portfolio performance for the year under review. These entities, according to the AGSA’s report, obtained qualified audit opinions with findings on a number of areas, and they also were the top contributors to irregular expenditure amounting to R1.7 billion for the year under review. Furthermore, the NSF, Services SETA and CETA were also the top contributors to irregular expenditure in the prior year, amounting to R1.9 billion. Thus, the AGSA had recommended that these entities be closely monitored by the Committee until they can improve their performance and audit outcomes. The Committee has also agreed to have in-year engagements with these entities to monitor the implementation of the mitigation strategies to improve their audit outcomes.

In relation to the NSF, the entity has been receiving unfavourable audit outcomes over the past five years, with the 2019/20 and 2020/21 financial years being the worst (disclaimer opinions). The AGSA identified several findings that impacted the performance and expenditure of the NSF, including internal control deficiencies largely due to the high vacancy rate and the absence of fit for purpose systems to enable the entity to operate optimally. The absence of these systems has resulted in the entity regressing badly on its performance and failing to account and provide sufficient evidence on the funding of skills development programmes to the tune of R5 billion over two financial years. Consequently, various stakeholders called for an investigation into the affairs of the NSF, and the Minister appointed a Ministerial Task on Strategic Review of the NSF and instituted a forensic investigation to uncover maladministration and corruption in the funding and utilisation of skills development programmes.

Notwithstanding that the NSF moved from a disclaimer opinion in 2020/21 to a qualified opinion in 2021/22, the Committee was still concerned that the entity has not addressed the deficiencies and other material irregularities highlighted by the AGSA in the previous financial years. This pointed to the inadequate implementation of the Audit Action Plan by the entity and poor oversight by the Accounting Authority in monitoring in-year progress made by the entity. The Committee welcomed the commitment made by the Accounting Authority to implement a turn-around strategy that is aimed at improving the performance of the entity, and indicated that it will closely monitor the progress made towards stabilising the entity.

In relation to the SETAs, the three of them received qualified audit opinions with matters of emphasis highlighted by the AGSA. The Services SETA, in particular was a serial repeat offender, having also received qualified audit opinions in the past four consecutive financial years. This pointed to the slow response by the management of the entity in correcting the material irregularities as highlighted by the AGSA. The Services SETA and CETA were also among the top contributors to irregular expenditure incurred in the past two financial years following the NSF.

The SETAs play an important role in the funding of skills development priorities for their respective sectors, however, the main concern of the Committee is the poor monitoring of these funded projects by SETAs. The Committee committed to closely monitor the performance of these SETAs and requested them to submit revised Audit Action Plans aimed at improving their audit outcomes.

1. **RECOMMENDATIONS**

The Committee, having assessed the 2021/22 Annual Reports of the NSF, SSETA, INSETA and CETA, recommends that the Minister of Higher Education, Science and Innovation consider the following:

**6.1.** **National Skills Fund**

6.1.1. The NSF develops a monitoring strategy to assess the impact of its skills development interventions on its beneficiaries and whether they get employment opportunities post the training programmes.

6.1.2. The process of reviewing the Skills Development Act, 1998 to enable the necessary amendments for the NSF to have a Board comprising different members representing the public sector, business and other civil society organisations should be expedited.

6.1.3. The filling of the 73 vacancies in the entity’s organisational structure needs to be prioritised so that the NSF can improve its capacity and operate optimally.

6.1.4. The procurement of fit for purpose ICT infrastructure and systems at the NSF should be prioritised to improve record keeping and digitisation of records needed to support reported information.

6.1.5. The appointment of a capable internal audit unit and strengthening of the financial management unit of the NSF should be prioritised.

6.1.6. The disciplinary processes against the five employees implicated in the Nexus forensic report should be expedited and the outcome of the process be submitted to the Committee.

6.1.7. The entity should account to the Committee quarterly regarding the progress made in the implementation of its Audit Action Plan to address the audit findings.

6.1.8. The process of seconding staff from the Department to the NSF to close the constraint HR environment in the NSF needs to be done following proper HR processes and relevant legislation prescripts.

6.1.9. The setting of targets and planning processes of the NSF needs an urgent review.

6.1.10. The turn-around strategy to improve performance and the business model of the NSF should be submitted to the Committee

**6.2.** **Services SETA**

6.2.1. The Board should implement consequence management against officials responsible for the recurring under-performance in the entity as it relates to financial management and supply chain management (SCM) processes. Furthermore, senior management needs to be held accountable for recurring qualified audit opinions in the entity.

6.2.2. The entity should provide the Committee with quarterly reports on the progress made in the implementation of its Audit Action Plan. The Audit Action Plan should have clear timeframes to rectify the material irregularities identified by the AGSA.

6.2.3. The Board should act swiftly against some senior managers that still occupy positions without the requisite qualifications.

6.2.4. Management should put proper systems in place to ensure that performance information is supported by credible records.

**6.3.** **Insurance SETA**

6.3.1. The filling of vacant posts, especially critical posts (Skills Planning & Research, Finance Manager and Education and Training Quality Assurance) should be expedited to enable the entity to improve its performance and operate optimally.

6.3.2. INSETA should improve its internal controls environment and implement the Audit Action Plan to improve the audit outcome and prevent the recurrence of irregular expenditure.

**6.4.** **Construction Education and Training Authority**

6.4.1. The filling of the five vacant Board positions should be expedited to improve the capacity of the Board and its oversight function over the entity. The filling of these posts will also assist the Board in speeding up the implementation of its turn-around strategy to improve the performance of the entity.

6.4.2. The entity should implement the Audit Action Plan to improve the audit outcomes and have a closer working relationship with the AGSA so that it can find common ground in what the AGSA expects from it in terms of reporting.

6.4.3. The service providers who failed to deliver on the contractual agreements with the CETA should be barred from doing any further business with any other SETA.

6.4.4. The monitoring and evaluation or project management capacity of the entity needs to be strengthened to enable improved monitoring of funded skills projects and contract delivery by service providers.

6.4.5. Management should closely monitor the in-year budget spending of the entity so that expenditure does not exceed the approved budget for the financial year.

**6.5.** **Other recommendations**

6.5.1. The process of having NSFAS taking over the disbursement of bursaries offered by SETAs should be expedited to minimise duplication and related inefficiencies, Additionally, the Department should start a process, which will assist in the review legislation and SETA Regulations to provide for the ring-fencing of funds for bursaries to NSFAS.

6.5.2. SETAs should undertake impact analysis studies on their skills development interventions to determine the alignment of their programmes to the developmental agenda of the country.

6.5.3. The Department should conduct closer oversight over SETAs, especially those that received qualified audit outcomes from the AGSA, including the implementation of their Audit Action Plans.

6.5.4. The Department should consider the possibility of utilising universities, TVET and CET colleges to deliver the skills development programmes that are mostly allocated to service providers at exorbitant costs and with poor accountability.

6.5.5. The Department should develop an integrated management information system for SETAs, which will contain data of all skills development programmes offered by these entities, including the details of beneficiaries. This system will assist in addressing the deficiencies and corruption related to funding and implementation of skills programmes.

Report to be considered.