**5. BUDGETARY REVIEW AND RECOMMENDATION REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING, DATED 26 OCTOBER 2016**

The Portfolio Committee on Higher Education and Training (hereinafter referred to as the Committee), having considered the 2015/16 performance of the Department of Higher Education and Training (hereinafter referred to as the Department), the National Student Financial Aid Scheme (NSFAS) and the Quality Council for Trades and Occupations (QCTO) reports as follows:

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

Section 42(3) of the Constitution of the Republic of South Africa, Act No 108 of 1996, bestows oversight function over the executive to the National Assembly (NA). One of the functions of oversight listed in the Oversight and Accountability Model of Parliament of the Republic of South Africa is to ensure that policies announced by government and authorised by Parliament are actually implemented, furthermore, the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), section 5 requires that the National Assembly, through its committees, conducts an annual assessment of the performance of each national department with regard to the medium term estimates of expenditure.

This report accounts for work done by the Committee during assessment on the performance of the Department and the entities it oversees. The report further makes budget review and recommendations for consideration by the Minister responsible for the Vote as well as the Minister of Finance.

**1.1. Mandate of Committee**

The Committee derives its mandate from the Constitution of the Republic of South Africa, Act 108 of 1996. Section 55(2) of the Constitution stipulates that the National Assembly (NA) must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of (i) the exercise of the national executive authority including the implementation of the legislation; and (ii) any organ of state.

Furthermore, the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), section 5 requires that the National Assembly, through its committees, conducts an annual assessment of the performance of each national department with regard to the medium term estimates of expenditure.

The Parliament Oversight and Accountability Model clearly requires Parliament to ensure that policies announced by government and authorised by parliament are actually delivered. This function should include monitoring the achievement of goals set by legislation and the government’s own programmes.

**1.2. Description of core mandate of the Department of Higher Education and Training**

The following are the key functions of the Department:

* Increasing the rate at which the key skills necessary for economic growth and social development are delivered;
* Serving the growing number of young people and adults;
* Providing alternative entry points into and pathways through the learning system;
* Providing quality post-school learning irrespective of where learning takes place (i.e. college, university or workplace); and
* Providing easy pathways across the various learning sites.

 The Committee oversees the Department and its entities in their efforts to deliver on their mandates. To this end, the Committee should monitor the implementation of, and adherence to policies such as the White Paper for Post-School Education and Training; relevant legislation; principles of good governance; efficient spending, and service delivery in line with their mandates, strategic objectives, and government policies and priorities.

**1.3. Purpose of the Budgetary Review and Recommendation Report (BRRR)**

The Money Bills Amendment Procedure and Related Matters Act (No 9 of 2009) sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. In October of each financial year, the Committee compiles a Budgetary Review and Recommendations Report (BRRR) that assesses service delivery performances given the available resources; evaluates the effective and efficient use and forward allocation of resources; and makes recommendations for consideration by the Minister of Higher Education and Training and the Minister of Finance.

**1.4. Assessment Method**

In preparation for the 2016 BRRR process, the Committee considered key policy documents that inform the work of the Department, including, among others, the Medium Term Strategic Framework (MTSF) 2014 - 2019, 2015/16 Annual Reports of the Department, the National Student Financial Aid Scheme (NSFAS) and the Quality Council for Trades and Occupations (QCTO).

The Committee had a briefing session with the Auditor-General of South Africa (AGSA) on the 2015/16 audit outcomes of the Department and the post-school education and training institutions, that included the Schedule 3A Public Entities of the Department, universities and 30 Technical and Vocational Education and Training (TVET) Colleges audited by AGSA during the year under review. The Committee had not engaged stakeholders for an independent assessment and analysis of the Department’s 2015/16 financial and non-financial performance.

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

**2.1. Key Government policy documents that are relevant:**

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

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

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

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

In terms of the implementation of Outcome 5: *“A skilled and capable workforce to support an inclusive growth path”*, the following MTSF sub-outcomes have been identified for this Outcome:

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

**2.1.3. The 2015 State of the Nation Address**

The President in the 2015 State of the Nation Address (SONA) pronounced that government has identified 16 sites for the construction of 12 new TVET campuses and the refurbishment of two existing campuses. He also noted that work was continuing to establish the three new universities, Sol Plaatje in the Northern Cape, the University of Mpumalanga and Sefako Makgatho Allied and Health Sciences University.

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

**3.1. 2015 BRRR RECOMMENDATIONS**

This section briefly summarises the 2015 recommendations and subsequent progress and challenges in the implementation.

**3.1.1. Filling of vacancies**

The Department reported that the filling of vacant funded posts was in progress. The Department was able to fill 93.1 percent of approved funded positions. The Department indicated that it took longer than the average target of 180 days from the recruitment requisition received until appointment recommendation was made. Of significance to note was that many of the audit findings in relation to the Technical and Vocational Education and Training (TVET) Colleges were attributed to the unfilled vacancies of the Chief Financial Officers (CFOs). The delays in filling these vacancies would further impact negatively on the financial management of the Colleges.

**3.1.2. Implementation of the skills audit and staff capacity should be expedited**

The Department reported that it had a plan, but was unable to implement it due to insufficient budget allocation/lack of funds.

**3.1.3. Audit outcome action plans should be submitted within a month after receipt of the AGSA report and implementation thereof to be closely monitored**

The Department noted that the Audit action plan was compiled and implementation commenced within 30 days after receiving the audit. Of great concern as noted in the Auditor-General’s report, was that management did not always develop action plans that were sufficient to address prior year reported internal control deficiencies. Furthermore action plans were not effectively implemented on a timely basis during the year as recurring findings were identified. Recurring findings were identified in the annual financial statements, procurement and contract management, leadership and financial and performance management during the year under review.

**3.1.4. Universities should prioritise the development and rollout of the TVET College Lecturer Qualification**

The Department confirmed that this had been prioritised. The Teaching and Learning Development Capacity Improvement Programme had been implemented with a specific project focussed on TVET lecturer qualification development.

**3.1.5. The Department in partnership with AGSA should conduct workshops with all TVET Colleges to train them in the accounting framework of AGSA for auditing of colleges in 2016**

The Department reported that it held a workshop with the AG, TVET College Governance Council (TVET CGC) and all the 50 TVET Colleges on 26 September 2016 at the Ekurhuleni West TVET College to train them on the AGSA Auditing Framework, and audit readiness required relating to the 2016 upcoming audits. The South African Institute of Chartered Accountants (SAICA) CFOs had been trained to ensure a more coordinated audit process, which would contribute to an improved audit outcome.

**3.1.6. The appointment of Internal Audit Units and Audit Committees in all TVET Colleges should be prioritised**

The Department reported that as at 6 October 2016 (based on reporting by the Chief Financial Officers at TVET Colleges):

* 44 of 50 TVET Colleges had established Internal Audit Functions (88%); and
* 49 of 50 (98%) TVET Colleges had established Audit Committees.

There was a significant improvement from the previous financial year as this process had been prioritised by Department and the SAICA CFO Project team.

**3.1.7. Adequate funding for higher education and training will enable the Department to achieve on its: curriculum review for Report 190/1 programme; establishment of the South African Institute for Vocational and Continuing Education and Training (SAIVCET), increase subsidies to universities, expansion of the Higher Education AIDS programme to TVET Colleges, expanded access to TVET Colleges, implementation of the Department’s new organisational structure and strengthening of the monitoring and evaluation unit**

The Department reported that there had not been dedicated additional funding allocated for the curriculum review or SAIVCET. Funding support was provided for the HIV/Aids programme in TVET Colleges through the National Skill Fund (NSF). No baseline adjustment was made for the expansion of the TVET Colleges, the new structure as well as to strengthen monitoring and evaluation.

**3.1.8. The National Student Financial Aid Scheme should find innovative ways of loan recollection and fast track the implementation of the fund raising strategy**

NSFAS had implemented improved procedures for recoveries in the first quarter of 2016/17 and had exceeded its recovery target.

**3.1.9. Fast tracking of the forensic investigation into the administration of NSFAS loans and bursaries at post-school education and training institutions should be prioritised**

The Department reported that the forensic investigation was underway. In the 2015/16 Annual Report, the Department also reported that the first phase of the Forensic Audit had been concluded. A report on the outcome of the first phase had been submitted to the Minister for perusal.

**3.2. 2016/17 BUDGET VOTE 15 REPORT**

Summary of selective 2016/17 Committee Budget Vote 17 Report Recommendations:

The Portfolio Committee after considering the strategic plans, annual performance plans and budget of the Department, the National Student Financial Aid Scheme (NSFAS), the Council on Higher Education (CHE), the South African Qualifications Authority (SAQA) and the Quality Council for Trades and Occupations (QCTO) in May 2016, recommended as follows:

3.2.1 The Department should prioritise the filling of vacant Deputy Director-General (DDG); posts for Programme 2: Planning, Policy and Strategy and Programme 6: Community Education and Training (CET);

* + 1. The filling of critical posts within the stipulated six-month period should be adhered to;

3.2.3. Feedback on the ongoing forensic investigation into NSFAS administration at post-school education and training institutions should be provided to the Committee;

3.2.4. Dedicated interventions should be implemented to support the historically disadvantaged institutions, particularly on financial management;

3.2.5. The expansion of the public university system should be supported by requisite funding to eliminate future protests which impact on the academic offering;

3.2.6. The completion of the 12 new TVET college campuses should be prioritised to increase access and opportunities for occupational and mid-level skills required for economic growth;

3.2.7. The review of the funding norms for TVET colleges should be prioritised to assist with infrastructure development and the need for increased subsidies in the sector;

3.2.8. The Committee noted that there was no funding allocated in the current MTEF to cater for zero percent fee increment in 2017 academic year going forward. The Department indicated that its current funding will not allow for reprioritisation to fund zero percent fee increase. This matter should be attended to urgently so that universities can be informed in time to make accurate budget decisions for 2017. Furthermore, there is an urgent need to address the zero percent fee increase for 2017 academic year;

3.2.9. The Committee welcomed the additional funding allocated to cater for the zero percent fee increase and for NSFAS debt relief and funding for continuing students. While awaiting the finalisation of the work of the Presidential Commission and the Inter-departmental task team, consideration should be given to funding current shortfalls to implement the 2016/17 annual performance plans of the Department and entities.

3.2.10. Additional funding should be allocated to increase the TVET college programme subsidies as well as the NSFAS allocation for TVET college bursaries so as to fund the targeted 80 percent of students, and to achieve enrolment numbers as projected in the 2014-2019 MTSF

3.2.11. The Task Team on the Missing Middle should fast-track the development of a funding model to assist the students whose parents are earning above the NSFAS threshold, and are unable to secure bank loans to fund education for their children; and

3.2.12. Additional funding should be allocated to the CHE so that it can fulfil its mandate of protecting the public against poor quality higher education effectively.

**4. OVERVIEW AND ASSESSMENT OF THE DEPARTMENT’S 2015/16 FINANCIAL AND NON-FINANCIAL PERFORMANCE**

**4.1. Overall Budget Allocation and Expenditure: 2015/16 financial year**

Table 1: Overall budget and expenditure of the Department

|  |  |  |
| --- | --- | --- |
| **Programmes** | **2015/16** | **2014/15** |
| **Adjusted appropriation**  | **Final appropriation** | **Actual expenditure** | **Variance** | **Final appropriation** | **Actual expenditure** |
|  | R’000 | R’000 | R’000 | R’000 | R’000 | R’000 |
| Administration | 359 519 | 354 958 | 346 819 | 8 139 | 234 361 | 234 097 |
| Human Resource Development, Planning and Monitoring Coordination | 58 253 | 55 249 | 52 019 | 3 230 | 46 411 | 45 683 |
| University Education | 32 847 445 | 32 847 445 | 32 844 629 | 2 816 | 30 443 974 | 30 443 955 |
| Vocational and Continuing Education and Training | 8 502 290 | 8 498 939 | 8 429 189 | 69 750 | 6 035 836 | 6 035 801 |
| Skills Development | 112 631 | 123 547 | 122 898 | 649 | 105 999 | 105 985 |
| **Programme sub total**  | **41 880 138** | **41 880 138** | **41 795 554** | **84 584** | **36 866 681** | **36 865 521** |
| **Statutory Appropriation**Skills Levy and Sector Education and Training Authorities | **15 156 433** | **15 156 433** | **15 156 433** | **-** | **13 838 798** | **13 838 798** |
| **Total** | **57 036 751** | **57 036 571** | **56 951 987** | **84 584** | **50 705 479** | **50 704 319** |

The Department’s total budget for 2015/16 was R57.03 billion. This included R41.8 billion of the voted funds and R15.1 billion Direct Charges. The total expenditure at the end of the financial was R56.9 billion (99.9) of the total budget of R57.03 billion. In terms of economic classifications, R49.3 billion was the expenditure for transfers and subsidies and R7.5 billion for current payments. Of current payments expenditure, R7.1 billion was for compensation of employees.

R364.9 million was spent on goods and services, which increased from R190.8 million allocated in 2014/15. The bulk of the budget for goods and services was spent on travel and subsistence, which increased from R48.5 million in 2014/15 to R88.5 million in 2015/16. Programme 1: Administration and Programme 4: Vocational and Continuing Education and Training (VCET) combined had the highest expenditure on travel and subsistence, which amounted to R79.8 million of the R88.5 million. Programme 4: VCET’s travel and subsistence expenditure at the end of the financial year was R61.7 million and Programme 1: Administration was R18.04 million. Programme 3: University Education’s expenditure on travel and subsistence was R3.6 million.

The second largest expenditure item in terms of the Department’s overall goods and services budget was property payments, which increased from R36.8 million in 2014/15 to R70.07 million in 2015/16.

The expenditure of R65.03 million for computer services was the third largest expenditure line item in goods and services. The huge increase in the expenditure compared to 2014/15, was attributed to the function shift of the TVET and CET College sectors to the Department.

The spending on contractors had significantly increased from R898 000 in 2014/15 to R12.07 million during the financial year under review. Similarly, the spending on the agency and support/outsourced services increased from R4.8 million in 2014/15 to R17.06 million in 2015/16. The spending on contractors in Programme 1: Administration had increased significantly from R795 000 in 2014/15 to R11.4 million in 2015/16. Similarly, spending on agency and support/outsourced services increased from R4.1 million in 2014/15 to R10.4 million in 2015/16. Programme 4: VCET had a high expenditure on agency and support/ outsourced services, which amounted to R4 962 million.

**4.2. Programme budget, expenditure and performance: 2015/16 financial year**

**4.2.1. Programme 1: Administration**

Table 2: Programme 1 budget and expenditure

|  |  |  |
| --- | --- | --- |
| **Sub-Programmes** | **2015/16** | **2014/15** |
| **Adjusted appropriation**  | **Final appropriation** | **Actual expenditure** | **Variance** | **Final appropriation** | **Actual expenditure** |
|  | R’000 | R’000 | R’000 | R’000 | R’000 | R’000 |
| Ministry | 27 522 | 39 884 | 39 735 | 149 | 32 416 | 32 408 |
| Departmental Management | 48 371 | 51 421 | 51 153 | 268 | 38 408 | 38 400 |
| Corporate Services | 138 975 | 132 436 | 126 422 | 6 014 | 80 467 | 80 230 |
| Office of the Chief Financial Officer | 83 521 | 56 999 | 55 663 | 1 336 | 40 488 | 40 483 |
| Internal Audit | 8 685 | 7 023 | 6 676 | 347 | 6 056 | 6 051 |
| Office Accommodation | 52 445 | 67 195 | 67 170 | 25 | 36 526 | 36 525 |
| **Total** | **359 519** | **354 958** | **346 819** | **8 139** | **234 361** | **234 097** |

This programme had a total budget of R354.9 million. This programme had six budget sub-programmes. The expenditure at the end of the financial year amounted to R346.8 million. In terms of expenditure on the current payments, R161.6 million was for compensation of employees and R176.4 million was for goods and services. In terms of expenditure related to goods and services, R67.7 million was spent on property payment. The second largest expenditure was on computer services, which amounted to R30.6 million. Travel and subsistence constituted the largest expenditure, at R18.04 million.

The expenditure on contractors and agency and support / outsourced services amounted to R11.4 million and R10.4 million respectively. The underspending at the end of the financial year was R8.1 million. The bulk of the underspending at R6.01 million was incurred in sub-programme 3: Corporate services. The programme spent 97.7 percent of the allocated budget.

**4.2.2. Programme 2: Human Resource Development, Planning and Monitoring Coordination**

Table 3: Programme 2 budget and expenditure

|  |  |  |
| --- | --- | --- |
| **Sub-Programmes** | **2015/16** | **2014/15** |
| **Adjusted appropriation**  | **Final appropriation** | **Actual expenditure** | **Variance** | **Final appropriation** | **Actual expenditure** |
|  | R’000 | R’000 | R’000 | R’000 | R’000 | R’000 |
| Programme Management: Human Resource Development, Planning and Monitoring Coordination | 3 021 | 3 232 | 3 222 | 10 | 2 965 | 2 933 |
| Human Resource Development, Strategic Planning and Coordination | 14 237 | 14 929 | 14 816 | 113 | 11 730 | 11 584 |
| Planning, Information, Monitoring and Evaluation Coordination | 11 440 | 11 010 | 10 707 | 303 | 7 203 | 6 854 |
| International Relations | 11 352 | 11 853 | 11 242 | 611 | 10 822 | 10 775 |
| Legal and Legislative Services | 13 403 | 9 459 | 7 464 | 1 995 | 9 624 | 9 386 |
| Social Inclusion in Education | 4 809 | 4 766 | 4 568 | 198 | 4 167 | 4 151 |
| **Total** | **58 258** | **55 249** | **52 019** | **3 230** | **46 511** | **45 683** |

The programme received a total allocation of R55.2 million, which increased by R8.7 million from R46.5 million allocated in 2014/15. The budget was shared among six sub-programmes. The total expenditure at the end of the financial year was R52 million. In terms of economic classification, R42.4 million was for compensation of employees and R6.6 million for goods and services. Expenditure for transfers and subsidies was R2.6 million, which the bulk of it, R2.5 million was spent on foreign governments and international organisations. The programme spent 94.2 percent of the allocated budget. The underspending at the end of the year was R3.2 million.

**4.2.3. Programme 3: University Education**

Table 4: Programme 3 budget and expenditure

|  |  |  |
| --- | --- | --- |
| **Sub-Programmes** | **2015/16** | **2014/15** |
| **Adjusted appropriation**  | **Final appropriation** | **Actual expenditure** | **Variance** | **Final appropriation** | **Actual expenditure** |
| Programme Management: University Education | 2 394 | 4 026 | 3 915 | 111 | 1 961 | 1 959 |
| University – Academic Planning and Management | 6 558 464 | 6 558 347 | 6 557 911 | 436 | 6 249 120 | 6 249 117 |
| University- Financial Planning and Information Systems  | 9 055 | 8 572 | 8 437 | 135 | 7 560 | 7 556 |
| University – Policy and Development | 22 379 | 22 330 | 21 048 | 1 282 | 19 742 | 19 736 |
| Teacher Education | 11 926 | 10 943 | 10 208 | 735 | 10 498 | 10 494 |
| University Subsidies | 26 343 227 | 26 243 227 | 26 243 110 | 117 | 24 155 093 | 24 155 093 |
| **Total** | **32 847 445** | **32 847 445** | **32 844 629** | **2 816** | **30 443 974** | **30 443 955** |

This programme had six sub-programmes and it received a total allocation of R32.8 billion. The total expenditure at the end of the financial year was R32.8 billion (100 percent). In terms of economic classifications, R43.4 million was for compensation of employees. The expenditure for goods and services was R5.9 million. Transfers and subsidies expenditure was R32.7 billion. The bulk of the expenditure on transfer and subsidies was for higher education institutions, which amounted to R26.2 billion. The underspending at the end of the financial year amounted to R2.8 million.

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

Table 5: Programme 4 budget and expenditure

|  |  |  |
| --- | --- | --- |
| **Sub-Programmes** | **2015/16** | **2014/15** |
| **Adjusted appropriation**  | **Final appropriation** | **Actual expenditure** | **Variance** | **Final appropriation** | **Actual expenditure** |
|  | R’000 | R’000 | R’000 | R’000 | R’000 | R’000 |
| Programme Management: Vocational and Continuing Education and Training  | 5 105 | 7 536 | 6 177 | 1 359 | 9 105 | 9 104 |
| Planning and Institutional Support | 6 358 736 | 6 199 766 | 6 136 247 | 63 519 | 5 832 634 | 5 832 631 |
| Programme and Qualifications | 1 871 185 | 1 852 473 | 1 847 691 | 4 782 | 15 965 | 15 964 |
| National Examination and Assessment | 267 264 | 439 164 | 439 074 | 90 | 178 132 | 178 102 |
| **Total** | **8 502 290** | **8 498 939** | **8 429 189** | **69 750** | **6 035 836** | **6 035 801** |

This programme had a total budget of R8.4 billion, which R8.4 billion was spent at the end of the financial year. In terms of economic classification, R6.9 billion was for current payments, made up of R6.8 billion for compensation of employees and R162.2 million for goods and services. Transfers and subsidies expenditure at the end of the financial year amounted to R1.3 billion. The largest expenditure on goods and services was for travel and subsistence, which amounted to R61.7 million, followed by computer services at R34.02 million and consumables: stationery, printing and office supplies at R28.1 million.

This programme also had the highest expenditure in agency and support/ outsourced services at R4.9 million, which increased from R56 000 in 2014/15. The programme incurred the highest under-expenditure of R69.7 million.

**4.2.5. Programme 5: Skills Development**

Table 6: Programme 5 budget and expenditure

|  |  |  |
| --- | --- | --- |
| **Sub-Programmes** | **2015/16** | **2014/15** |
| **Adjusted appropriation**  | **Final appropriation** | **Actual expenditure** | **Variance** | **Final appropriation** | **Actual expenditure** |
| Programme Management: Skills Development | 1 940 | 2 724 | 2 645 | 79 | 1 414 | 1 413 |
| SETA Coordination | 81 224 | 89 218 | 88 823 | 395 | 75 053 | 75 044 |
| National Skills Development Services | 7 619 | 9 099 | 8 950 | 149 | 6 365 | 6 361 |
| Quality Development and Promotion | 21 848 | 22 506 | 22 480 | 26 | 23 167 | 23 167 |
| **Total** | **112 631** | **123 547** | **122 898** | **649** | **105 999** | **105 985** |

This programme had four budget sub-programmes during the year under review. The total budget of the programme was R123.5 million, and the expenditure at the end of the financial year was R122.8 million. R100.1 million was for current payments made up of R86.6 million for compensation of employees and R13.5 million for goods and services. Transfers and subsidies expenditure was R22 million. The programme spent 99 percent of the allocated budget. The under-expenditure at the end of the financial year was R649 000.

**4.3. Key virements**

The Department made virements amounting to R10.9 million from three budget programmes to address the excess expenditure on compensation of employees in Programme 5: Skills Development. This represented a decrease of R2.6 million compared to the amount of virements in 2014/15. The virements were applied within the Department, as follows: R4 561 000 from Programme 1: Administration; R3 004 000 from Programme 2: Human Resource Development, Planning and Monitoring Co-ordination and R3 351 000 from Programme 4: Vocational and Continuing Education and Training. The virements were approved in accordance with the Public Finance Management Act (PFMA) and reported to National Treasury and the Minister.

**4.4. Under-expenditure**

Table 6: Under-expenditure for 2015/16

|  |  |  |
| --- | --- | --- |
| **Programmes**  | **2014/15** | **2015/16** |
| Under-expenditure | Percentage  | Under-expenditure | Percentage  |
| Administration | 264 | 0.11 | 8 139 | 2.29% |
| Human Resource Development, Planning and Monitoring Evaluation | 828 | 1.78 | 3 230 | 5.85% |
| University Education | 19 | 0.00 | 2 816 | 0.01% |
| Vocational and Continuing Education and Training | 35 | 0.00 | 69 750 | 0.82% |
| Skills Training | 14 | 0.00 | 649 | 0.53% |
| **Total** | **1 160** | **0.00%** | **84 584** | **0.20%** |

The above table depicts the under-expenditure on the Department’s programmes budget, measured against the allocations after virement. At the end of the 2015/16 financial year, the Department’s underspending was R84.5 million. The underspending increased significantly compared to R1.1million incurred in 2014/15. The highest underspending was incurred in Programme 4: Vocational and Continuing Education and Training. This was due mainly to the slow filling of vacant funded posts, retained funds from TVET colleges to cover the uncertainty of the actual cost that would emanate from function shift; performance assessments of staff in the TVET colleges for 2014/15 financial year were not received on time; pay progression for staff that moved from provincial education departments that was not instated in all instances and moratorium on the filling of vacant posts in the TVET sector. Other underspending was incurred as a result of a saving on transfers to the India-Brazil South Africa Trilateral Commission as no invoice was received for services rendered in the financial year, and in goods and services as a result of slow filling of vacant positions which resulted in the concomitant savings on machinery and equipment.

**4.5. Irregular Expenditure, Wasteful and Fruitless and Unauthorized Expenditure: 2013/14 – 2015/16**

Table 7: Incurred irregular expenditure 2013/14 – 2015/16

|  |  |
| --- | --- |
|  | **Higher Education and Training** |
|  | **2013/14** | **2014/15** | **2015/16** |
| Irregular expenditure | R0.05 million | R1.3 million | R31.3 million |
| Wasteful and fruitless | - | - | - |
| Unauthorised Expenditure | - | - | - |

The Department incurred irregular expenditure amounting to R31.3 million. This was a significant increase compared to irregular expenditure incurred in 2014/15. Of this amount, R30.1 million of the irregular expenditure was incurred when a contract was awarded to a bidder who did not score the highest point in the evaluation process. R1.1 million was incurred in relation to suppliers not listed on the database. The Department reported that these transgressions were under investigation. The Department did not incur wasteful and fruitless and unauthorised expenditure during the year under review.

**4.6. Auditor-General’s report**

**4.6.1. Audit opinion**

During the year under review, the Department received an unqualified audit opinion with findings by the Auditor-General. The Department had never received a clean audit since its inception in 2009.

**4.6.2. Emphasis of matter**

There were material findings on the following:

(i) Predetermined objectives in relation to programme 4: Vocational and Continuing Education and Training

* On the usefulness of reported performance information: The AG’s finding was that the processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 48 percent of indicators were not verifiable. Also, 48 percent of the targets were not measurable.

(ii) Compliance with legislation

* Annual financial statements (AFS): AFS 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 40(1) (a) and (b) of the Public Finance Management Act (PFMA).
* Procurement and contract management: contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order, as required by Treasury Regulation 16A9.1(d) and the Preferential Procurement Regulations. Furthermore, a contract was awarded to a bidder that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations.

(iii) Internal controls

* The AG identified that sufficient controls were not implemented by the parties involved in the TVET/Continuous Education and Training (CET) function shift to ensure that all relevant employee records were accurate and complete and were transferred to the DHET within a reasonable time frame, as a result adequate employee records were not readily available for audit process.
* Management did not always develop action plans that were sufficient to address prior year reported internal control deficiencies. Furthermore, the action plans were not effectively implemented on a timely basis during the year as recurring findings were identified.
* There was an inadequate consequence management by the Director-General and the Deputy Director-Generals where action plans were not implemented to address previously reported internal control deficiencies by external and internal audit.
* There were insufficient internal controls, policies and procedures to ensure that the disclosure notes to the financial statements were accurate and complete in accordance with the modified cash basis of accounting on a continuous basis throughout the year.
* The Department was unable to perform all the required verification and monitoring functions over its entities due to lack of funding and human resource capacity constraints. As a result, the reliability of reported achievements by its entities and institutions that were consolidated into the achievements reported by the Department was not adequately verified.

(iv) Financial and performance management

* Records for compensation of employees, related balances, disclosures and compliance were not readily available as a result of the function shift. Quality control processes over employee records were not implemented by all parties involved in the function shift to ensure that records were valid, accurate and complete.
* The Department did not implement sufficient internal controls and adequately monitor compliance with relevant legislation. As a result, recurring findings were raised in the area of supply chain management.

(v) Investigations

* An investigation was undertaken by an internal audit service provider from September 2015 to December 2015 regarding an allegation of a departmental employee selling trade tests to candidates for a certain fee. The investigation was complete and the report was issued during March 2016. The allegation of fraud was not confirmed, although significant control weaknesses over various trade test processes were identified.
* An investigation was undertaken by internal audit from May 2015 to September 2015 regarding a complaint about an appointment where the employee did not declare having a criminal record. The investigation by internal audit was completed and recommended for further action, which was still in progress.
* An investigation was undertaken during 2015-16 by the DHET Human Resources division regarding allegations that an employee incorrectly captured and increased the notch of a colleague without authority. The notch of the implicated employee was also increased. Subsequently the employee lodged a grievance against the Department regarding the investigation and the revoking of his access rights on Persal.

**4.7 Concluding remarks on the 2015/16 financial performance of the Department**

The Department was able to spend 99.9 percent of R57.03 billion allocated in the 2015/16 financial year. The Department effected virements amounting to R10.9 million from three programmes to Programme 5: Skills Development. The underspending at the end of the financial year was R84.5 million, of which R69.7 million was incurred in programme 4: Vocational and Continuing Education and Training. Of significance to note was that the underspending on compensation of employees in Programme 4 was due to, among others, the slow filling of vacant posts, in particular the Chief Financial Officers posts at the TVET Colleges which was also one of the reasons for poor audit outcomes of the colleges, as noted by the AG.

The Committee noted with concern the recurrence of the previous year’s findings, which pointed to the lack of or inadequate monitoring and evaluation of the action plans by the leadership of the Department. Furthermore, lack of / or inadequate consequence management against employees who failed to implement the action plans was an area of concern. The inadequate internal controls also contributed to increase in irregular expenditure from R1.3 million in 2014/5 to R31.3 million in 2015/16 financial year.

**5. OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE**

**5.1. Service delivery performance for 2015/16**

**5.1.1 Annual Performance Plan**

The Department developed four Strategic Outcome-Oriented Goals, namely: to have a credible institutional mechanism for labour market and skills planning; to increase access and success in programmes leading to intermediate and high-level learning; to increase access to high-level occupationally directed programmes in needed areas; and to increase access to occupationally-directed programmes in needed areas, and thereby expand the availability of intermediate level skills with a specific focus on artisan skills.

During the year under review, there were five budget programmes, with a combined total of 96 planned targets. Of these targets, 65 were the Departmental targets, and 31 were the system targets, resulting from the interventions by the Department. The system targets were shared among the three delivery programmes, namely, University Education, Vocational and Continuing Education and Training and Skills Development. Of the total planned targets for the Department, 49 (75%) were achieved, and 16 (25%) were not achieved. With regard to system targets, 15 (48%) were achieved and 16 (52%) were not achieved as planned.

**5.1.2. Programme performance**

**(i) Programme 1: Administration**

The purpose of the programme is toprovide strategic leadership, management and support services to the Department. There were six sub-programmes under this programme, namely, sub-programme 1: Ministry, sub-programme 2: Department Management, sub-programme 3: Corporate Services, sub-programme 4: Office of the Chief Financial Officer, sub-programme 5: Internal Audit and sub-programme 6: Office Accommodation.

This programme had six planned targets for the year, which three (50%) were achieved as planned and three (50%) were not achieved as planned. The Department was able to exceed its target of filling 90 percent of approved funded positions (3.1% above the target), approved Information Communication Technology procurement plan and to have 100 percent of the audit issues attended to and addressed.

With regard to the target not achieved, the Department was not able to achieve an average of 180 days from recruitment requisition received until appointment recommendation made. It was reported that it took an average of 221 days to process appointments due to lack of capacity in the Recruitment and Selection Unit due to: the delays due to the unavailability of panel members when dates were initially identified and coordinated by the Recruitment and Selection Committee, the delays in submission from relevant documents for advertising from line managers and approval of adverts for placement. The Department was not able to achieve a target to resolve 100 percent of disciplinary hearings within 90 days, and payment of creditors within 30 days.

**(ii) Programme 2: Human Resource Development, Planning and Monitoring Coordination**

The purpose of this programme is to provide strategic direction in the development, implementation and monitoring of departmental policies and the Human Resource Development (HRD) Strategy of South Africa. The programme had six sub-programmes, namely, sub-programme 1: Programme management: Human Resource Development, Planning and Monitoring Coordination, sub-programme 2: Human Resource Development, Strategic Planning and Evaluation Coordination, sub-programme 3: Planning, Information, Monitoring and Evaluation Coordination, sub-programme 4: International Relations, sub-programme 5: Legal and Legislative Services, and sub-programme 6: Social Inclusion in Education.

The programme had six budgeted sub-programmes with nine targets spread across the sub-programmes. Of these targets, five (56%) were achieved and four were not achieved. The targets achieved included, policy and guidelines on Recognition of Prior Learning was developed and gazetted, the “iWiL” registration system for learners seeking work integrated learning opportunities and firms wanting to provide work integrated learning on the internet was developed. It was commendable to note that 400 students and five employers had already registered on the “iWIL” registration system.

The other targets that could not be fully achieved as planned, included, the development and gazetting of a policy and guidelines on articulation, publishing a policy framework on social inclusion and publishing an Annual Report on Skills and Demand.

 **(iii) Programme 3: University Education**

The purpose of this programme is todevelop and coordinate policy and regulatory frameworks for an effective and efficient university education system. The branch also provides financial support to universities, NSFAS and national institutes for higher education. The programme had six sub-programmes, namely, sub-programme 1: Programme Management - University Education, sub-programme 2: University – Academic Management, sub-programme 3: University – Financial Planning and Information Systems, sub-programme 4: University - Policy and Development, sub-programme 5: Teacher Education and sub-programme 6: University Subsidies.

This programme had 20 planned targets for the year, which 18 (90%) were achieved and two (10%) were not achieved. The majority of these targets were annual reports on the monitoring and evaluation of the higher education sector, policies/regulations to ensure sound provision of higher education.

In terms of the system targets, there were 17 targets planned for the year. The targets were aligned to the Medium-Term Strategic Framework (MTSF) 2014-2019. Of these, 12 were achieved and five not achieved. The system achieved the following targets: 10 100 graduates in Engineering Sciences (achievement 12 058), 6 600 graduates in Natural and Physical Sciences (achievement 7 295), 17 500 graduates in Teacher Education from universities (achievement 19 124), 2 050 Doctoral graduates from universities (achievement 2 258), 6 200 Research Masters graduates (achievement 7 229), 76 percent success rate at universities (achievement 77 percent), 35 percent higher education throughput rate (achievement 35 percent), 80 percent higher education under graduate success rate for contact students (achievement 82 percent), and 42 percent percentage of university academic staff with Doctoral qualifications / PHDs (achievement 43 percent).

Areas of underperformance included: 1 000 100 students enrolled in public higher education studies at universities (achievement 969 154), 9 000 graduates in Human Health and Animal Health from universities (achievement 8 982), 71 percent higher education undergraduate success rate in distance learning (achievement 68 percent), 23 902 first year students in foundation programmes (achievement 19 212), 205 000 eligible university students obtaining financial aid (achievement 186 150).

**(iv) Programme 4: Vocational and Continuing Education and Training**

The purpose of this programme is to plan, develop, monitor, maintain and evaluate national policy, programmes, assessment practices and systems for vocational and continuing education and training, including for TVET Colleges and post-literacy Adult Education and Training (AET). The programme had four sub-programmes, namely: sub-programme 1: Programme Management – Vocational and Continuing Education and Training, sub-programme 2: Planning and Institutional Support, sub-programme 3: Programmes and Qualifications and sub-programme 4: National Examination and Assessment.

During the year under review, the programme had 15 planned targets for the Department and 12 system targets. Of the Departmental targets, 13 (87%) were achieved and two (13%) were not achieved. The majority of the targets were policies/regulations to ensure sound provision of the Technical and Vocational Education and Training sector and annual reports on the monitoring and evaluation of the sector.

With regard to the system targets, two targets were achieved and 10 were not achieved. The programme achieved its target on 200 000 of qualifying TVET students obtaining financial assistance (achievement was 298 457) and the percentage of TVET institutions compliant to governance standards by 2019 and increasing every year thereafter.

The programme had underperformed on certification rates in TVET Colleges: NC(V) L4, Certification rates in TVET Colleges: N6, Public TVET College examination centres conducting the national examination and assessment in compliance with national policy, TVET lecturers undergoing hours of work in their industry for specified periods every two years from 2019, issuance of certification.

There had been consistent underperformance in this programme over the years. The teaching and learning deficiencies within the sector should be addressed in order to increase certification rates in both the NC(V) and Report 191 programmes. Of great concern was the non-compliance of the public TVET College examination centres conducting national examinations and assessments. This posed a serious risk to the currency of the certificates acquired at these centres.

 **(v) Programme 5: Skills Development**

This programme promotes and monitors the national skills development strategy, develops skills development policy and a regulatory framework for an effective skills development system. The programme had four budget sub-programmes, namely: Programme Management, SETA Coordination, National Skills Development Services and Quality Development and Promotion.

The programme had 15 planned targets for the Department, which 10 (67%) were achieved and five (33%) were not achieved. The programme achieved five planned targets on policies/regulations to ensure sound provision of the skills development environment and four SETA monitoring reports on skills development were approved by the Director-General. Targets not achieved as planned included: approval of the Occupational team policy recommendations, an average of 80 days from trade test application received until trade test conducted, design and approval of single national artisan development information management system, 20 110 new artisans qualified per annum.

For the system, the programme had five planned targets, three were achieved and two were not achieved as planned. The 50 percent national artisan learners pass trade test rate, including INDLELA target was achieved (4% above the target), and the work based learning opportunities target of 45 000 was achieved (73 582 above the target). Targets not achieved included: national artisan learners employed or self-employed, new artisan qualified per annum.

The Department noted during the 2015/16 fourth quarter and 2016/17 first quarter reporting that the average of 80 days from trade test application received until trade test conducted targets in both quarters could not be achieved, due to capacity constraints in high demand trades. They also reported that there were fewer workshops for high demand trades.

**5.1.3. Key reported achievements**

During the year under review, the post-school education and training sector, in particular, university sector experienced student protests relating to transformation and later in the year, another wave of protests erupted demanding a zero percent fee increase. Despite these challenges, significant achievements were recorded within the Department and the system. The Department was able to establish a new Medical School at the University of Limpopo, and the President launched the Sefako Makgatho Health Sciences University. The Department hosted the 2nd National Higher Education Transformation Summit on 15 – 17 October 2015 in Durban. The university system had also performed well with regard to producing graduates in most of the scarce and critical skills areas, producing 12 058 engineering graduates (1 958 above the target), 7 259 natural and physical science graduates (659 above the target) as well as 19 124 new teachers (1 624 above the target).

The Adult Education and Training (AET) and the Technical and Vocational Education and Training (TVET) sectors were successfully incorporated into the Department of Higher Education and Training. Nine Community Education and Training Colleges were established and their councils were appointed. The Department developed 29 standardised financial policies for the TVET sector, which would enhance and strengthen internal controls within the sector. The curriculum for the National Senior Certificate for Adults (NASCA) and regulations on the conduct, administration and management of an assessment for the NASCA – A Qualification at Level 4 on the National Qualifications Framework (NQF) had been approved by the Minister.

In the skills development environment, the Department extended the licensing period of the SETAs for further two years until 31 March 2018, as well as the National Skills Development Strategy (NSDS) III, and the tenure of the SETAs accounting authorities. The proposal for a new NSDS and SETAs landscape was published for public comment. The Department further developed and published the Artisan Recognition of Prior Learning (ARPL) Policy to promote and implement the ARPL as an active pathway to a full artisan trade occupational qualification in all sectors of the economy and sets national criteria and guidelines on the practice of ARPL.

**5.1.4. Key reported challenges**

The university sector experienced unprecedented student protests during the year under review, in the main the demand for zero percent fee increase for 2016 academic year, the release of funds to realise fee-free higher education, and to provide resources to end outsourcing. These protests had affected teaching and learning at most institutions, where at some examinations had to be postponed. Of great concern to note, was the violent protests that led to damage of university property. The sector did not meet all its set targets for the year. Some universities did not submit their annual financial reports on time, and a Report on the Annual Ministerial Enrolment planning targets. Inadequate budget for the programme also contributed to limited monitoring and evaluation, in particular, limited visits to the institutions of higher learning.

The Technical and Vocational Education and Training (TVET) sector had been expanding rapidly, whilst the funding had not been commensurate with the increasing enrolment. The sector had been plagued with inadequate infrastructure to accommodate the growing student numbers, lack of infrastructure funding to refurbish the existing infrastructure and to modernize workshop equipment. The Department had also reported some student protests, which also disturbed teaching and learning at some colleges.

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

The performance of the Department had been on the increase in the last three years. There had been a significant achievement in the system targets in Programme 3: University Education. The majority of annual targets towards achieving the MTSF 2014 – 2019 objectives had been exceeded. Of significance to note was that these targets were in the scarce and critical skills areas, and this would go a long way in addressing the skills shortages in the country. The area of concern was the system targets in Programme 4: Vocational and Continuing Education and Training. There had been a consistent under-achievement in this programme.

**6. COMMITTEE OBSERVATIONS**

**6.1. Service delivery performance**

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

**6.1.1. Programme 1: Administration**

* The delays in the filling of funded vacant posts, especially at senior management level remained a concern;
* The Department experienced a high number of resignations and staff turnover;
* There was an increase in the number of subsistence and travelling (S&T) claims; and
* Wrongful payments were made to certain employees owing to inaccurate employee records as result of the function shift.

**6.1.2. Budget**

* The voted allocation to the Department of Higher Education and Training was inadequate to cater for its expanded mandate. The subsidies to the universities, TVET and CET Colleges were grossly inadequate while the number of students accessing higher education and training as well as the costs of running these universities had increased. This had contributed significantly to the high universities fee increases to complement the government subsidy shortfalls. Consequently, the fee increase had made education unaffordable to the majority of students, and the unprecedented protests in demand of fee free higher education;
* The budget for the Department’s operations negatively affected the monitoring and evaluation of the institutions that were tasked to produce a skilled and capable workforce;
* The Department had not been able to implement its organisational structure and to establish and capacitate regional offices in all the provinces due to funding constraints.
* Due to inadequate funding, the Department has had inadequate and unfunded mandates;
* The Department had not achieved its target on the number of students eligible for financial assistance at universities because the demand for financial assistance outstripped the available budget; and
* The percentage of Gross Domestic Product (GDP) spending on higher education was 0.7 percent which was low in comparison with the Organisation for Economic Co-operation and Development (OECD) and other African countries.

**6.1.3. Programme 2: Human Resource Development Planning and Monitoring Coordination**

* The Department did not have adequate capacity to perform its monitoring and evaluation function over its entities owing to funding and capacity constraints;
* The Department had set performance targets that were beyond its control to achieve;
* Inadequate implementation of action plans to address internal control deficiencies reported in the previous year was a concern; and
* The overall performance of the Department for the year under review stood at 75 percent and 48 percent for the entire system.

**6.1.4. Programme 3: University Education**

* The performance of this programme for the year under review was commendable (90 percent);
* The increase in the number of universities receiving a qualified audit opinion in 2015/16 was concerning;
* The ongoing disruptions in higher education were noted as a serious concern; and
* The criminal acts resulting in destruction of university property were strongly condemned.

**6.1.5. Programme 4: Vocational and Continuing Education and Training**

* A notable improvement in the issuing of outstanding NC(V) certificates had been observed during the year under review. However, there were still students who had outstanding NC(V) certificates;
* The delays with the construction of the remaining 9 TVET College campuses were experienced as a result of challenges with the supply chain and procurement processes;
* There was an increase in the number of TVET Colleges with outstanding audits (six) in 2015/16 as compared to (1) in 2014/15. This was further compounded by gaps in legislation which did not subject colleges to adhere to the PFMA regulations; and
* The large percentage of TVET Colleges with qualified, disclaimed and adverse opinion was a serious concern.
	+ 1. **Programme 5: Skills Development**
* There was a decline in the number of new artisan learners registered annually and new artisans qualified per annum, and
* An overall improvement was recorded in the number of the SETAs with clean audits (6). However, the recurring poor performance of the Safety and Security SETA and Wholesale and Retail SETA was concerning.

**6.1.7.** **Quality Council for Trades and Occupations**

* The regression from a clean audit in 2014/15 to an unqualified audit opinion in 2015/16 with matters of emphasis on compliance with legislation was a concern. The QCTO procured goods and services with a transaction value of R187 000 without obtaining the required price quotations, as required by Treasury Regulation 16A6.1;
* During the year under review, the QCTO had a combined total of 12 targets. Of these, six (50%) were achieved and six (50%) were not achieved. Programme 2: Occupational Qualifications achieved two of the planned targets, while Programme 3: Quality Assurance three (50%) of the six planned targets;
* The involvement of the industry in the development and design of qualifications was essential to ensure that the training providers offered programmes that were in line with industry needs;
* The entity experienced an increase in the remuneration costs of the executive management and council members for 2015/16; and
* The entity did not have sufficient capacity to monitor all the private training providers owing to limited resources.

**6.1.8. National Student Financial Aid Scheme**

* The entity was commended for getting eight new funders who would assist in contributing financial aid for needy students;
* Inadequate debt recovery of loans from the former NSFAS beneficiaries remained a challenge at the entity;
* It was commendable that all the eligible NSFAS students were funded in 2016;
* The entity was commended for developing innovative methods of funding more financially needy students, including the missing middle through the Ikusasa Student Financial Aid Programme (ISFAP);
* The delays in the transfer of the NSFAS allowances to students, especially at universities contributed to student drop-out and failure; and
* The ISFAP would require legislative changes in order to be adequately rolled-out and to raise the funds that were required.

**6.1.9. Auditor-General’s Report**

* The Committee was concerned about the inadequate details on the audit outcomes of the Department’s entities and the AG’s inability to respond to the questions raised by members. The Committee requested another meeting to get a detailed report.

**7. RECOMMENDATIONS**

The Committee having assessed the Annual Report 2015/16 of the Department, recommends that the Minister of Higher Education and Training should consider the following:

**7.1. Programme 1: Administration**

* The filling of funded outstanding vacancies should be prioritised, especially the Deputy Director-General posts;
* The human resource capacity of the Department should be improved;
* Employee records should be corrected to prevent wrongful payments;
* The Department should report to the Committee on steps they are taking to work towards achieving a clean audit;
* The Department should ensure that criminal charges are laid against employees found guilty of contravening the PFMA regulations; and
* The monitoring and evaluation function over entities should be improved to ensure that the information supplied by entities is validated and reliable.

**7.1.1. Budget**

* Future funding dispensation should not exclude the TVET and CET Colleges to create a viable environment for the production of critical and scarce skills required by the economy;
* The Committee will confer with the Standing Committee on Appropriations for the future funding of the post-school education and training sector;
* The Department of Higher Education and Training has not been fully capacitated since its inception, and its operational budget was severely inadequate to enable the Department to strengthen its oversight function over more than 100 entities it oversees. Adequate funding should be allocated to address capacity constraints within the Department; and
* The White Paper for Post-School Education and Training targets should be properly costed and funded. This costing should be inclusive of the entire post-school education and training sector.

**7.2. Programme 2: Human Resource Development, Planning and Monitoring Coordination**

* TVET Colleges and Universities are currently not subject to procurement requirements of the Public Finance Management Act (PFMA), Treasury Regulations and Preferential Procurement Policy Framework Act (PPPFA). There is a need to engage with other relevant Departments to resolve this challenge;
* TVET Colleges are also not required in terms of the Continuing Education and Training Act (Act No. 16 of 2006) to report on their performance against predetermined objectives. There is a need to review this Act to ensure that Colleges report accordingly;
* The Skills Development Act should be reviewed to cater for the expanded mandate and adequate resourcing of the QCTO;
* The National Student Financial Aid Scheme Act should be reviewed to make provision for the entity’s future funding model; and
* The Skills Development Levies Act should be reviewed to make provision for government departments to pay 1 percent skills levies, so as to ensure that government related SETAs are funded adequately to provide skills interventions relevant to building a capable and developmental state.

**7.3. Programme 3: University Education**

* The legitimate and genuine demands of students in higher education should be speedily addressed;
* Universities should provide adequate academic support programmes to reduce the high drop-out rate and improve throughput rate of students; and
* A long-term solution to the challenge of university funding should be explored to prevent further disruptions to teaching and learning.

**7.4. Programme 4: Vocational and Continuing Education and Training**

* Additional capacity within the finance units of TVET Colleges should be improved so that they can function optimally;
* Increased enrolment in TVET Colleges should be supported by requisite funding;
* The curriculum review of the TVET sector should be expedited;
* A dedicated infrastructure grant for TVET Colleges should be explored to support their future expansion; and
* The reduction of the NC(V) certification backlog to zero should be prioritised.

**7.5. Skills Development**

* There is a need to improve the number of new artisan learners trained to meet the National Development Plan (NDP) target of 30 000 artisan produced per annum by 2030.

**7.6. Quality Council for Trades and Occupations**

* The entity should improve its monitoring and evaluation function to ensure that private training providers do not offer unaccredited programmes;
* Additional resources should be made available to the entity so that it can increase its financial and human resource capacity, given its critical function in the post-school education and training (PSET) sector;
* The development process of qualifications should be improved to increase access to the occupational programmes;
* The digitisation process of the old qualifications dating back to the 1960s should be expedited;
* The entity should assist the Department to review and reconstruct the Report 191 qualifications so that they can be aligned to the industry needs; and
* The occupational qualifications learner uptake, especially in scarce and critical skills programmes should be expanded to support the development of the country.

**7.7. National Student Financial Aid Scheme**

* Internal controls should be strengthened to prevent the recurring irregular expenditure; and
* Notwithstanding the improvements in the loan recovery from the former beneficiaries, the entity should continue to explore innovative ways to improve loan recovery.

**8. SUMMARY OF THE REPORTING REQUESTS**

|  |  |  |  |
| --- | --- | --- | --- |
| **Entity** | **Reporting Matter** | **Action required** | **Time-Frame** |
| **DHET** | Recurring audit findings | The DHET to develop, implement and monitor an action plan to address the recurring findings and submit it to the Committee Internal audit and audit committees should appear before the Committee to report progress on the implementation of the action plans | At the next quarterly reporting at the beginning of 2017 |
| Irregular expenditure | Investigate the irregular expenditure and implement consequence management; as well as to report to the Committee about the outcomes of the investigation | At the next quarterly reporting at the beginning of 2017 |
| NSFAS Forensic Report (First Phase)NSFAS Forensic Report (second phase) | The Department should submit and present this report to the CommitteeThe investigation should be expedited, and a report be submitted to the Committee | At the next quarterly reporting at the beginning of 2017By June 2017 |
| **NSFAS** | Audit findings | Action plan to address the AG findings should be developed, implemented and monitored, and the plan should be submitted to the CommitteeInternal audit and audit committees should appear before the Committee to report progress on the implementation of the action plans | At the next quarterly report at the beginning of 2017 |
| **TVET Colleges** | Audit findings | Action plan to address the AG findings should be developed, implemented and monitoredInternal audit and audit committees should appear before the Committee to report progress on the implementation of the action plans | At the next quarterly reporting at the beginning of 2017, and during oversight visits |
| Outstanding students fees | Colleges should put mechanisms in place to ensure recoverability of outstanding fees, and report progress to the Committee | At the next quarterly reporting at the beginning of 2017 |
|  | Filling of the Chief Financial Officers vacant posts | DHET should fast track the appointment of CFOs at some TVET Colleges | At the next quarterly reporting at the beginning of 2017 |
| **SETAs** | Audit findings | Action plan to address the AG findings should be developed, implemented and monitoredInternal audit and audit committees should appear before the Committee to report progress on the implementation of the action plans | At the next quarterly reporting at the beginning of 2017, and during oversight visits |
| **National Skills Fund (NSF)** | Audit findings | Action plan to address the AG findings should be developed, implemented and monitoredInternal audit and audit committees should appear before the Committee to report progress on the implementation of the action plans | At the next quarterly reporting at the beginning of 2017 |
| Irregular expenditure | Investigate the irregular expenditure and implement consequence management, as well as to report to the Committee about the outcomes of the investigation | At the next quarterly reporting at the beginning of 2017 |
| **SASSETA** | Audit findings | Action plan to address the AG findings should be developed, implemented and monitoredInternal audit and audit committees should appear before the Committee to report progress on the implementation of the action plans | At the next quarterly reporting at the beginning of 2017 |
| Irregular expenditure | Investigate the irregular expenditure and implement consequence management, as well as to report to the Committee about the outcomes of the investigation | At the next quarterly reporting at the beginning of 2017 |

**9. CONCLUDING REMARKS**

The Department reported on its sixth Annual Report since its inception in 2009. The Department received a sixth consecutive unqualified audit opinion with findings from the Auditor-General South Africa, and the majority of the findings were repeat findings from the previous year, which showed that the action plans to address prior year findings were not implemented adequately. The Department’s performance had improved during the year under review. Significant achievements were recorded in the scarce skills that had been identified to address the skills shortages, and development of regulations / policies to ensure quality provision of the post-school education and training. There were also programmes that underperformed with regard to system performance.

The Committee also commended the performance of National Student Financial Aid Scheme in ensuring improvements in the disbursement of funds and allowances to students, and the increase in funding from the current funders. Of great concern, was the non-achievement of a target of collection of outstanding debts from former beneficiaries in the midst of high demand for financial aid for poor students. The Committee also noted the repeat findings from the prior year, which was an indication that the action plans put in place to address the prior year findings were also inadequately implemented and monitored.

The performance of the QCTO was commended and its commitments to addressing the historical qualifications and reconstructing the Report 191 programmes, and ensuring their relevance. The QCTO’s inadequate budget to cater for its expanded mandate was noted with great concern.

The Committee thanks the Department of Higher Education and Training (DHET), the National Student Financial Aid Scheme (NSFAS) and the Quality Council for Trades and Occupations for their 2015/16 Annual Reports which were submitted on time. The Portfolio Committee thanks the Office of the Auditor-General South Africa (AGSA) for its 2015/16 audit outcomes of the Department and its entities report.

Report to be considered.