**10. REPORT OF THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING ON THE 2017/18 THIRD QUARTER REPORT OF THE DEPARTMENT OF HIGHER EDUCATION AND TRAINING, DATED 09 MAY 2018**

The Portfolio Committee on Higher Education and Training having considered the third quarter performance report 2017/18 of the Department of Higher Education and Training (DHET) on 21 February 2018 reports as follows:

**1. INTRODUCTION**

The Department presented the third quarter report of the 2017/18 financial year to the Committee as required by Section 32 of the Public Finance Management Act, 1999 (Act No. 1 of 1999). The report covers the financial and non-financial performance of the Department’s programmes and activities during the period 1 October 2017 until 31 December 2017.

This report accounts for the work undertaken by the Committee during the assessment of the third quarter report of the Department, and further makes recommendations for consideration by the Minister of Higher Education and Training.

**2. OVERVIEW AND ASSESSMENT OF THE DEPARTMENT’S 2017/18 THIRD QUARTER SERVICE DELIVERY PERFORMANCE**

For the quarter under review, the Department’s six budget programmes had a combined total of 36 planned targets, of which 32 (89 percent) were achieved and four (19 percent) were not achieved. The performance in the 2017/18 third quarter improved by 29 percent compared to performance recorded during the same quarter in 2016/17.

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

**2.2.1. Programme 1: Administration**

The purpose of this programme is to provide strategic leadership, management and support services to the Department. The programme had 12 targets for the 2017/18 financial year. For the quarter under review, the programme had three targets and all of them were achieved as planned.

The achieved targets include: development of a plan to reduce the number of days to resolve disciplinary cases; establishment of a data centre infrastructure and implementation of an information and communication technology (ICT) governance framework.

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

The purpose of the programme is to provide strategic direction in the development, implementation and monitoring of Departmental policies and the human resource development strategy for South Africa. The programme had 12 targets planned for the 2017/18 financial year. For the quarter under review, the Department had eight (8) targets and all were achieved as planned.

The achieved targets include: development of a first draft list of occupations in high demand; completion of a final policy document on disability; compilation of quarterly oversight reports on the implementation of social inclusion, open learning, career development services and investment trends in PSET; development of MIS for CET colleges was at an advanced stage and completion of a draft statistics report.

**2.2.3. Programme 3: University Education**

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

For the 2017/18 financial year, the programme had 20 departmental and 10 system planned targets. For the quarter under review, there were seven (7) targets and six (6) were achieved as planned.

The achieved targets include: development of a draft framework on collaboration between professional bodies, government departments and quality councils; development of final draft on the amendments to the NSFAS Act and completion of consultations; approval of the report on the financial health of universities in the 2015 academic year; approval of the report on the implementation of the teaching and learning development programme; approval of the report on the effective use of the 2016/17 foundation provision grant and verification of data on the cohort study report.

The target on the development of the final draft National Plan for PSET was not achieved as planned. The Department did not complete the consultations as expected by December 2017.

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

The purpose of this programme is to plan, develop, implement, monitor, maintain and evaluate national policy, programmes, assessment practices and systems for TVET. This programme had 28 departmental and 10 system targets planned for the 2017/18 financial year. For the quarter under review, the programme had 12 targets and nine (9) were achieved as planned.

The achieved targets include: development and approval of a reporting policy on the performance of TVET colleges; consultation with TVET colleges about the draft policy for TVET College finance management; development of a final draft policy for the South African Institute for Vocational and Continuing Education and Training (SAIVCET); development of a final policy for administration/management of student admission for TVET colleges; consultation on the final draft reviewed departmental policy framework on TVET qualifications; development of a draft roll-out plan for the construction of nine (9) TVET college campuses; development of a draft framework of infrastructure maintenance funding model for the TVET college sector and development of a draft document on national infrastructure asset management system for TVET colleges.

**2.2.5. Programme 5: Skills Development**

The purpose of the programme is to promote and monitor the National Skills Development Strategy (NSDS III) and to develop a skills development policy and regulatory framework for an effective skills development system.

This programme had eight departmental and six system targets planned for the 2017/18 financial year. For the quarter under review, there were five (5) targets planned and all were achieved as planned.

The achieved targets include: development of a second draft national skills development plan (NSDP) following consultation with the National Economic Development and Labour Council (NEDLAC) and the National Skills Authority (NSA); approval of the report on the implementation of the national skills development strategy (NSDS) by SETAs; approval of the report on the governance of SETAs; conducting of trade tests for qualifying applications received until trade test is conducted within 100 days and the implementation of the security infrastructure development plan at INDLELA.

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

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

For the 2017/18 financial year, the programme had six departmental and two system planned targets. For the quarter under review, there was one target planed and it was achieved as planned. The target achieved was the incorporation of the public comments on the draft reporting policy for CET colleges.

**2.2.7 Overview and assessments of the Department’s 2017/18 Third Quarter overall budget and expenditure**

**Table 2: 2017/18 Third Quarter budget and expenditure**

|  |  |  |
| --- | --- | --- |
| **Programme** | **2016/17****3rdQuarter** | **2017/18****3rd Quarter** |
| Adjusted appropriation | Actual Expenditure | Expenditure as a percentage of the total budget  | Adjusted appropriation | Actual Expenditure | Expenditure as a percentage of the total budget |
| R’000 | R’000 | % | R’000 | R”000 | % |
| Administration | 372 738 | 282 852 | 75.9% | 400 356 | 302 285 | 75.5% |
| Planning, Policy and Strategy | 71 584 | 42 325 | 59.13% | 68 298 | 51 792 | 75.8% |
| University Education | 39 532 493  | 36 087 968 | 91.29% | 41 931 721 | 38 742 570 | 92.4 |
| Technical and Vocational Education and Training | 6 960 244 | 4 928 498 | 70.81% | 7 460 198 | 5 264 310 | 70.6% |
| Skills Development | 181 443 | 136 676 | 75.33% | 249 357 | 181 981 | 73.0% |
| Community Education and Training | 2 069 777 | 1 512 399 | 73.07 | 2 197 709 | 1 641 894 | 74.7% |
| **Total**  | **49 188.3** | **42 990.7** | **87.4%** | **52 307 639** | **46 184 833** | **88.3%** |
| **Statutory Appropriation**National Skills FundSector Education and Training Authorities | 15 462 170 | 11 068 744 | 71.59% | 15 770 554 | 11 899 914 | 75.5% |
| **Total** | **64 650 449** | **54 059 462** | **83.62%** | **68 078 193** | **58 084 746** | **85.3%** |

The Department’s adjusted appropriation for the 2017/18 financial year amounted to R68.078 billion, including direct charges against the National Revenue Fund. The Department’s projected expenditure for the third quarter 2017/18 amounted to R47.859 billion excluding the direct charge against the National Revenue Fund. The expenditure at the end of the quarter under review amounted to R46.184 billion, which constituted 88.3 percent of the Department’s total budget for the 2017/18 financial year. The expenditure increased marginally by 0.9 percent compared to the same period in 2016/17. An underspending of R1.674 billion was recorded during the quarter under review. Programme 3: University Education recorded the highest underspending of R1.7 billion during the quarter under review, which was due to delays in the transfer payments of the infrastructure earmarked grants to higher education institutions.

The second highest underspending of R11.7 million was recorded in Programme 6: Community Education and Training, mainly driven by vacant positions that were not filled as anticipated due to difficulties in processing the high number of applications received, as well as challenges in securing suitably qualified candidates for critical posts. Programme 2: Planning, Policy and Strategy experienced an increase of 16.67 percent from 59.13 percent during the same period 2016/17. Programme 5: Skills Development’ spending decreased by 2.33 percent compared to the same period in the 2016/17 financial year.

In terms of expenditure per economic classification, compensation of employees’ expenditure at the end of the third quarter amounted to R5.969 billion, which constituted 72.1 percent of the Department’s total budget for compensation of employees of R8.282 billion allocated for 2017/18. The spending rate on personnel expenditure at the end of the third quarter decreased by 1.1 percent compared to the spending rate during the same period in the 2016/17 financial year. The spending rate on examiners and moderators during the quarter under review decreased by 47.6 percent from 47.2 percent recorded during the same period in 2016/17.

The Department’s projected expenditure at the end of the quarter under review for goods and services was R279.428 million and the actual expenditure amounted to R330.235 million. This represented an over expenditure of R50.807 million. Expenditure for transfers and subsidies amounted to R39.879 billion, which constituted 91.4 percent of the total allocated budget for transfers and subsidies and capital expenditure amounted to R5.610 million at the end of the quarter.

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

There was no irregular expenditure incurred in the quarter under review. All matters within the delegation of the Director-General had been condoned. The cases involving the five (5) officials implicated in irregular expenditure were handed to the labour relations unit of the Department. The Department also submitted two (2) cases to National Treasury for condonation.

**4. CONCLUSION**

The Department recorded a slight decline of 89 per cent for the overall performance in the third quarter 2017/18 in comparison to 93 per cent in the second quarter 2017/18. There was no incident of irregular expenditure recorded in the third quarter 2017/18 similar to the previous quarter.

In so far as administration is concerned, the Department experienced the persistent challenge of underspending on compensation of employees due to its inability to fill the vacant posts within the regulated time. Moreover, the Department did not have sufficient funding for the payment of claims from examiners and moderators. The Department indicated that it was difficult to plan for this function as it is influenced by the increase in enrolment numbers and students who qualify to write examinations. The Department reported that National Treasury has agreed to increase the allocation for this function over the MTEF period.

With regard to the TVET sector, the eradication of the NC(V) certification backlog was welcomed by the Committee and the Department undertook to deliver on its target of issuing certificates within three months after examination. The Committee requested the Department to focus more on addressing the historic backlog of the NATED certificates and diplomas. The Committee was also concerned that the TVET sector did not have a functional management information system as compared to the higher education sector.

In relation to higher education, the Committee was concerned that close to 20 000 students could not be admitted to institutions of higher learning in 2017 as planned by the Department. The poor ICT registration systems at UNISA compounded the situation. Moreover, universities recorded lower than targeted graduation outputs in Engineering Sciences, Natural and Physical Science and Human Health and Animal Health, which are the critical skills priorities as set in the Medium-Term Strategic Framework.

**5. COMMITTEE OBSERVATIONS**

The Committee having assessed the third quarter performance report 2017/18 of the DHET made the following observations:

5.1. The Committee welcomed the significant improvement by the Department in eradicating the NC(V) certification backlog. However, concerns were expressed about the outstanding NATED certificates and diplomas.

5.2. The Committee expressed a concern about the decline in the enrolment target and graduate output for higher education in the 2017 academic year. Moreover, the inadequate information and communication technology (ICT) registration system at the University South Africa (Unisa) compounded the situation and may also contributed to the decline in the number of students registered for the 2018 first semester.

5.3 The Committee expressed a concern about the absence of a functional management information system (MIS) for the TVET sector and the 2017 headcount enrolment figures which were yet to be finalised.

5.4 The Committee expressed a concern about the persistent examination paper leakages in the TVET sector. The Department experienced two paper leaks for the November 2017 examination. Moreover, the Department did not provide feedback to the Committee about the amount spent on reprinting and redistribution of examination papers.

5.5 The delays by the Department in transferring the R3.9 billion subsidies due to universities for the historically disadvantaged institutions (HDIs) earmarked grants and infrastructure efficiency earmarked grants was noted as a concern, given the need to expand teaching and learning infrastructure.

5.6 The Committee noted that the TVET colleges were meant to alleviate the shortage of technical skills which are essential to grow the economy. However, the high number of theory intensive programmes as compared to practical training was a concern.

5.7 The Committee expressed a dissatisfaction pertaining to the continuous underspending on compensation of employees.

5.8 The Department’s target of 30 percent certification rate for the NC(V) Level 4 was noted as a concern. The Committee noted that the throughput rate of the TVET sector was already very low and this target was too modest.

5.9 The Committee welcomed the envisaged tabling of the revised National Student Financial Aid Scheme Amendment Bill to Parliament on 31 March 2018.

5.10 The absence of infrastructure maintenance grants for the TVET sector was noted as a concern. The Committee indicated that the majority of student residences at TVET colleges were in a bad state and others were shut down as observed during its oversight visit to the Eastern Cape on 22 – 26 January 2018.

**6. RECOMMENDATIONS**

The Committee having assessed the third quarter 2017/18 of the Department recommends that the Minister consider the following:

* The Department should increase its human resource capacity to avoid the persistent challenge of underspending on compensation of employees.
* The Department should investigate the employment of the South African Institute of Chartered Accountants (SAICA) support CFOs and the simultaneous appointment of permanent CFOs at TVET colleges.
* The Department should explore a more efficient process of administering the university infrastructure grants to avoid underspending on this critical area.
* The Department in collaboration with the State Information Technology Agency (SITA) should fast track the eradication of outstanding NATED certificates.
* The Department should develop a reliable and functional management information system for the TVET sector.