

**NARRATIVE REPORT TO THE STANDING COMMITTEE ON APPROPRIATIONS   
7 SEPTEMBER 2018**

1. **GOVERNANCE AND ACCOUNTABILITY**
   1. **Report on the Management Performance Assessment Tool (MPAT) for the 2017 Cycle**

The Management Performance Assessment Tool (MPAT) process annually assesses departmental management practices in Strategic Management, Governance and Accountability, Human Resources and Financial Management. The MPAT process is managed and coordinated by the Department of Planning, Monitoring and Evaluation (DPME) working together with national and provincial departments. MPAT recognises that there were and are existing challenges, and therefore the continued spotlight on management practices has entrenched a culture of progressive improvement, and this is evident in the assessment results. The Department of Higher Education and Training was a participating department in the MPAT 2017 cycle.

**Moderation Process**

Following the moderation process that took place in November 2017, moderated results were sent to all departments in January 2018. The challenge period was subsequently opened during February 2018, where departments were given the opportunity to request for a re-moderation on standards that they felt were unfairly scored. A re-moderation process has since been completed to ensure that the results reflect, as close as possible, the status of management practices in departments. The MPAT results for the 2017 cycle was sent to the Director-General on 29 March 2018.

**Four Levels of Assessment**

The MPAT process has four levels of assessment of the quality of management practices. These four levels guide the nature and scope of response required from the departments:

Table 1: MPAT Levels of Assessment

| **Level** | **Description** |
| --- | --- |
| **Level 1** | A department that has insufficient capability is largely non-compliant and performing poorly in terms of its management practices. It is not well placed to address these weaknesses in the short to medium term and needs additional action and support to improve performance for effective delivery. |
| **Level 2** | A department that has improving capability is partially compliant or improving its compliance, but is performing below expectations in terms of its management practices. There are no clear plans to improve its performance and support action is required. |
| **Level 3** | A department that has sufficient capability is fully compliant, and its performance is adequate in terms of management practices. It has identified its capability gaps and is well placed to address them. |
| **Level 4** | A department that has excellent capability is fully compliant and performing above expectations. There is evidence of learning and benchmarking against good global practices, which confirms progress towards world class. |

The MPAT Final Results for the 2017 Cycle **(Annexure A)** shows that the Department is doing well in the following areas**:**

1. Corporate Governance of ICT;
2. Demand Management; and
3. Acquisition Management.

The Department scored four in the above areas.

The Department was also found to be fully compliant at Level 3 in terms of management practices in the following areas:

1. Annual Performance Plans,
2. Monitoring, HR Planning, and
3. Delegations in terms of the Public Service Act.

However, the Department is at Level 2 (partially compliant and is performing below expectations) regarding its management practices in the following areas:

1. Professional ethics;
2. Risk Management;
3. Organisational Design,
4. Levels 1-12 PMDS; and
5. Payment of suppliers among others as the Department scored two in these areas.

The MPAT final results for the 2017 cycle also shows that the Department is not doing well in the following areas as it scored at Level 1:

1. Financial Disclosures; and
2. Planning for Implementation Programmes.

**Comparative Analysis**

The Department is doing well in terms of the overall findings in KPA 1: Strategic Management when compared with other departments. The Department has also done well in terms of the overall findings in KPA 2: Governance and Accountability, especially on the standard of submitting the Corporate Governance of ICT Charter and Policy. Most departments have regressed and are still at a compliance level in this area.

In terms of the overall findings in KPA 3: Human Resource Management, the Department is at the same level as other departments. The challenge in this area is in fully complying with capturing of performance agreements by a specific date and not all SMS members submit their performance agreements on time.

With regard to the overall findings in KPA 4: Financial Management, the Department is at the same level as other departments. Payment of suppliers is still a challenge.

* 1. **Audit Committee**

Since the establishment of the Department, the Audit Committee is functioning effectively in line with the PFMA and Treasury Regulations. The objective of the Audit Committee is to assist the Accounting Officer in fulfilling oversight responsibilities regarding:

* financial reporting processes;
* system of internal controls;
* management of risks;
* audit processes; and
* monitoring of compliance with laws and regulations.

To perform its duties, the Audit Committee maintains effective working relationships with management, the internal auditors and external auditors. During the 2017/18 financial year, the Audit Committee held five meetings. On 31 July 2018, the Audit Committee submitted its report to the Department highlighting the following:

* Audit Committee Responsibility regarding the PFMA and Treasury Regulations;
* Effectiveness of Internal Control;
* The quality of in-year management and monthly/quarterly reports submitted in terms of the PFMA;
* Evaluation of Financial Statements;
* Evaluation of the work of Internal Audit; and
* Review of the function of Risk Management.
  1. **Risk Management**

There is a fully functional Risk Management Committee consisting of all branches. The quarterly risk management reports are submitted to the Audited Committee. The Risk Management Unit is within the office of the DDG: Corporate Services. The Department is in the process of appointing an external Chairperson for the Risk Committee. The functions of the Committee include the following:

* To facilitate implementation of the Risk Management processes for the Department and its regional offices with the aim to promote sound decision-making and effective utilization of resources;
* To coordinate implementation of the Fraud Prevention Strategy and Whistle Blowing Policy aimed at preventing and combating fraud/corruption within the Department. The effective implementation of the strategy above and policy promotes the culture of openness and transparency; and
* To coordinate the development of a Business Continuity Plan that will enable the Department to continue operating even after a disruption has occurred.
  1. **Human Resource Processes**

The 2017/18 financial year was the third year since the staff migration that culminated in an increase in employees from 1 200 to 29 000. Human resource capacity has remained a challenge after the conclusion of the migration process in 2015.

The allocation of the budget for compensation of employees to TVET colleges is based on the funding norms, which set a threshold of 63% for compensation of employees. Some colleges are not reaching the 63% threshold resulting in under-expenditure, although these colleges still utilize budgets from own funds due to occupational programmes that are not part of the Ministerial approved offered list. The development of post provisioning norms and model for both TVET and CET colleges, which is at an advanced stage, will assist in ensuring that colleges are fully funded as per their needs. This will ensure that an adequate number of staff is provided to colleges to ensure that the required number of staff efficiently manage enrolled learners. The Department is currently experiencing a challenge with standardising conditions of service for CET lecturers. An analysis of the current status quo and a draft proposal on standardisation has been developed. This will require additional financial resources that the Department cannot afford within the current funding.

**Organisational Structure**

The structure that was signed-off by the Minister in 2014 could not be implemented, as the concurrence of the Minister for DPSA was not secured due to budget constraints. There has been significant progress towards the finalization of the organizational structure, which has been under review for alignment with the approved budget for compensation of employees over the Medium Term Expenditure Framework. This will assist in obtaining final approval of the structure and concurrence by the Minister for the Public Service and Administration.

**Vacancy Rate**

Considering the approved post establishment, the Department’s vacancy rate stands at 5.2% as 94.8% of funded positions in the Department have been filled. This exceeds the 90% target set in Outcome 12 of the government’s Programme of Action. The low vacancy rate does not suggest that the Department is operating at its full capacity as the structure that is aligned with the Strategic Plan cannot be implemented. The Department has collated data on vacancies from (50) TVET colleges, (9) CET colleges and Regional Office vacancies to be prioritised as the structure is not yet approved.

The inputs include vacant posts, which are earmarked for advertisement; posts already advertised and envisaged posts to be vacated until 31 March 2019. This is to ensure that the Department is proactive in filling critical vacant positions and to ensure a well-coordinated approach in the filling of posts across the system. The plan does not cover posts that will be vacated due to natural attrition, as those will be managed on an ongoing basis. It must be noted that some of the posts that are included in the plan are already advertised and filled, the reason for including them in the plan is to ensure that the Department has a fully consolidated plan for 2018/19 financial year, as it is an MPAT and DPSA HR assessment report requirement.

Due to the current delays by panel members in availing themselves for the selection process, it is proposed that all vacant advertised posts be given to each Branch Head to ensure that they manage the process by ensuring that all panel members appointed are available to finalise the process. A list of posts per Branch will be given to each Deputy Director-General to assist the process of filling the posts within their Branches.

Regional Offices are operating but not at maximum levels due to capacity constraints. So far, the focus of Regional Offices has been on providing support and monitoring TVET and CET colleges because there has been no apparent transfer of posts or budget allocations for administrative support to these structures, as these functions were previously centralised at a Provincial Head Office level.

1. **SUPPLY CHAIN MANAGEMENT FUNCTIONALITY**

The functionality of SCM in the Department is illustrated in the tables below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Element** | **Services / Goods** | **Amount** | **Comment / Remarks** |
| **Procurement Plan** | Procurement plan for the Department was approved by the Accounting Officer and submitted to National Treasury before 31 March 2018 for the 2018/19 financial year. | N/A | Procurement plans are quarterly reviewed and updated upon the approval of the Accounting Officer. |
| **Major Deviations** | Deviation: Lease parking - Advance on Point | R800 000.00 | The deviation is due to delay in the procurement process by DPW. Treasury approval is awaited. |
| Appointment of subject matter experts for the development of learning material for national senior certificates. | R156 417.60 | Limited response to the advertised bid. Approved by the Accounting Officer. |
| Request to appoint attorneys as a single source provider. | R95 616.00 | Single source appointment of attorneys. Not approved by the Accounting Officer. Under investigation. |
| Contract variation of more than 20% - Construction of TVET college. | R3 175 093.32 | Time delay on Nkandla A campus site. |
| **5 Main Cost Drivers**  *(excl. remuneration)* | Services | R40 507 196.19 | Incl. consultancy, training, printing, etc. |
| Travel | R20 748 498.80 | Incl. air, accommodation, car rental |
| Stationery | R3 661 991.72 | Incl. toner, binders, books, etc. |
| Prefab houses and shelter | R1 350 999.00 | Infrastructure construction for regions |
| Hiring services | R1 166 424.44 | Incl. copiers, forklift, etc. |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Element** | **Services / Goods** | | **Comment / Remarks** | |
| **Empowerment Goals** | Exempted Micro Enterprises (EME) or Qualifying Small business Enterprises (QSE) that is at least 51% owned by black people. | | Especially for goods/services mainstream procurement but as determined by the Bid Adjudication Committee (BAC). | |
| EME or QSE that is at least 51% owned by black people living in rural or underdeveloped areas or townships. | | Especially in respect of construction procurement but as determined by the Bid Adjudication Committee (BAC). | |
| **Contract management risks and opportunities**  **(Top 3)** | **Risks** | **Mitigation** | **Opportunities** | **Action** |
| Ensuring all terms and conditions are contained in contracts to develop a watertight contract to avoid litigation. | A legal expert in contracts appointed in SCM. | Supplier development, encouraging sub-contracting and joint ventures. | Conduct market analysis on scarce commodities. |
| Effective contract management to ensure compliance to Terms and Conditions and prevent irregularities. | Progress reports, monitor contract performance, etc. | Contract and project management planning. | The working relationship between SCM, Legal and Project Leads. |
| Ensure value for money - managing contractors. | Supplier conduct performance measurement | Achieving cost-savings and value for money. | Negotiating market related prices. |

1. **ENSURING COST CONTAINMENT**

The Department ensures cost containment for all areas of responsibility. The following measures are in place:

**Legislative Adherence**

Section 40 reports to Minister and in-year-monitoring reports to National Treasury – monthly.

Compliance with National Treasury cost containment measures.

**Other Arrangements**

* Regular communication of measures throughout the Department.
* Updating of measures to ensure that the Department remains within its available resources.
* Monthly cash flow reports submitted to all Branches in the Department.
* Application of virement and shifting of funds to ensure all Branches remain within available budgets.
* Thorough analysis of spending trends and future estimates for the Adjusted Estimates process.
* Monitoring of adherence to cost containment measures through the Compliance Unit within the Office of the CFO.

1. **DEPARTMENTAL PUBLIC ENTITIES**

The Department is responsible for 26 public entities listed in Schedule 3A of the PFMA as follows:

* 21 Sector Education and Training Authorities (SETAs)
* National Skills Fund (NSF)
* South African Qualifications Authority (SAQA)
* Council on Higher Education (CHE)
* National Student Financial Aid Scheme (NSFAS)
* Quality Council on Trades and Occupations (QCTO)

Key matters linked to entities are listed below:

**Sector Education and Training Authorities (SETAs)**

* The lifespan of the Sector Education and Training Authorities (SETAs) came to an end on 31 March 2016, the Minister of Higher Education and Training on 15 December 2016 established, alternatively re-established the existing 21 SETAs with jurisdiction from 1 April 2018 to 31 March 2020;
* The Minister of Higher Education and Training, for the same period as referred to above extended the National Skills Development Strategy III (NSDS III). Subsequently, the Minister has appointed SETA Accounting Authorities for the corresponding period as referred to above;
* Currently, the Department is in the process of finalising both the National Skills Development Plan (NSDP) and the SETA Landscape, which will be implemented on 1 April 2020;
* SETAs are directed by the Skills Development Act, Act 97 of 1998 (as amended) and the NSDS III to facilitate the delivery of sector-specific skills interventions that help to achieve the goals of the NSDS III;
* This includes among other things, the development of learning programmes and monitoring education and skills provision in their various sectors;
* SETAs are required to develop a Sector Skills Plans (SSPs) as mandated by the Skills Development Act of 1998 as amended and NSDS III; and
* SETAs must submit specific plans and reports annually to the Minister and Department, and these are Sector Skills Plans, Strategic Plans, Annual Performance Plans, and Service Level Agreements.
* NSDS III directs SETAs to develop SSPs in every economic sector;
* The Department has developed the SSP Framework that guides SETAs on the content and structure of the SSPs;
* In the SSPs, SETAs are required to present the profile of the sector, indicate skills demand and supply signals, outline mechanisms to respond to the demand signals by setting out key skills priorities for the specific financial year;
* SETAs are also prioritising the 13 priority trades, to be implemented in 2019 across all nine provinces (“*Centres of Specialisation*”);
* SETAs present priorities in the Professional Vocational Training and Academic Learning programs list which is submitted to the Department as an annexure to the SSPs annually; and
* The next figure illustrates the areas of the NSDS III goals, for the period up to   
  31 March 2020.





**Risks in the SETA System**

* Lack of uniformity in the SETA operations, different SETAs uses different systems, processes, and procedures making it difficult for external stakeholders to comprehend with the system;
* Managing 21 different systems, coordination, monitoring, and evaluation remains a challenge. There is a need to streamline the system. Hence the new SETA landscape makes various propositions in this regard, including but not limited to shared service systems; and
* Improving linkages with the PSET system, there is a need to improve and solidify the working relations of PSET key stakeholders such as Higher Education Institutions, TVET colleges, CET colleges, SETAs, and employers.

**Opportunities**

* Golden opportunity to be embraced - White Paper propagates integration and the proposed NSDP;
* Labour market actors + Quality Councils + education and training providers need to speak with one voice = SETAs to facilitate as an intermediary;
* Bridge the divide between the responsiveness and access/quality of the provision of education and training;
* Complementarity between the levy grant system and voted funds;
* Focused and restructured role of the National Skills Authority – monitoring and evaluation of SETAs;
* Grant Regulations introduced in April 2013;
* Support the National Development Plan, New Growth Path, Industrial Policy Action Plan, Operation Phakisa, Centres of Specialisation, etc.;
* Better serve the national priorities of government by prioritising Occupations in High Demand, e.g. *the country needs more artisans.*

**Challenges**

* Uneven capacity and resources among SETAs with varying performance levels. Some SETAs are doing well, hence continuous work to strengthen SETA capacity;
* Poor SETA governance/maladministration and corruption in some SETAs;
* Poor planning (resulting in surpluses and deficits);
* Lack of research capability (hindering sector skills planning);
* Negative public perceptions about SETAs;
* Difficulties in addressing cross-sectorial skills development needs;
* Slow economic growth, impacting on workplaces; and
* Some employers are not opening up workplaces to the level of expectation.

**National Skills Fund (NSF)**

As the NSDS III is phased out and preparation is made to usher in a new skills development era, the NSF has begun a review of its partnerships in the Post-School Education and Training (PSET) system and government in general. Two key considerations necessitate the review:

* A decline in its surpluses which compels a careful consideration of what strategic areas in the PSET in general and in the country, in particular, it should target; and
* Increasing numbers of the so-called not in employment education and/or training “NEET”, most of whom are without a matric or any form of skills, almost two decades since the new skills development revolution began.

To this end, the NSF has had a number of discussions with Branches within the Department, as well as the Executive Authority to begin to sensitize the PSET system on the need to alter the strategic focus of the fund in favour of the most disadvantaged members of our population.

**Key Emerging Risks for the NSF**

* Funding fiscus shortfalls/grants allocated to the Department creating an unsustainable dependency on the NSF for key government mandates such as PSET infrastructure, curriculum and lecturer development.
* Slow and even stagnant economic growth will lead to a reduction in the Skills Development Levy putting additional pressure on the resources of the NSF.
* The NSF’s current expansion to increase its monitoring and oversight capacity on projects might be hampered by the slow rollout of its ICT system. This will affect both planning and reporting capacity;
* Availability and/or accuracy of skills planning information; and
* Lack of a proper system to track learners’ information.

**Other ICT Risks**

* The NSF functional and technical support resource, i.e. the Department, might not be able to cope with the “start-up” support requirement, regarding required capacity for the new system;
* Skills transfer from the service provider of the ICT system to NSF staff is insufficient to enable NSF staff to deliver the required training and end-user support; and
* Environmental issues and connectivity between the service provider hosting cloud services and NSF infrastructure.

Unavailability of training capacity in areas where it is needed most in rural areas (including poor communities) as well as those who cannot be enrolled in TVET colleges and universities, namely the NEET.

The changing policy environment (White Paper / National Skills Development Plan / SETA landscape) may bring additional requirements that may bear pressure on the systems and resources of the NSF.

There continues to be a misalignment between priority skills information and the actual skills needs of the economy. The Department has not finalised its Skills Planning Unit implying the NSF will need to find alternative measures to skills planning.

**Opportunities for Assisting Youth with Training and Employment**

The past implementation period, lasting almost two decades has allowed the NSF to develop and implement partnership projects within the public and private sector. The NSF further recognizes that these partners have also developed some models of their own to tackle the challenges of poverty and unemployment. For example, the Department of Public Works has been charged with the responsibility for the Extended Public Works Programme which seeks to provide 5 million work opportunities by 2019, the Department of Rural Development and Land Reform implements the National Rural Youth Service Corps programme, while the Community Works Programme is implemented by the Department of Cooperative Governance and Traditional Affairs. All of these programmes deal with issues of poverty and unemployment making it possible to forge strong collaborative links.

The NSF has also formed partnerships with state entities on artisan training that includes the refurbishment of some of their training facilities.

**Opportunities to Jointly Target Unemployed Youth**

The opportunity offered by the Department of Labour’s Employment Service South Africa (ESSA) system is that State departments and entities could work from a common database of individuals seeking training and employment opportunities.

Advantages include:

* Tracking beneficiaries regarding opportunities provided;
* Tracking training opportunities against available work opportunities;
* Pooling of resources / joint funding of youth regardless of where they are obtaining opportunities, e.g. Unemployment Insurance Fund (UIF) / SETA / NSF; and
* Preparing young people for work and inviting the private sector to recruit from the ESSA database in programmes such as the Youth Employment Services.

**Ramping Up Training Opportunities using State-Owned Companies (SoC) Facilities**

The NSF can continue partnerships with SoC to increase the training of artisans. Jointly, the parties should begin to research the effects/impact of the 4th Industrial Revolution on the current methods of artisan training.

SoC facilities can also be used to support and complement the current Centres of Specialisation by facilitating TVET lecturer placement.

**Partnerships with Community Education and Training (CET) to Increase the Scale of Training for Unemployed Youth**

The PSET system has reached its capacity regarding learner enrollment rates unless massive infrastructure projects are implemented. Millions of unemployed youth are still looking for skills opportunities. The NSF sees opportunities for building the CET sector via partnerships with:

* Non-Governmental Organisations and private providers to provide ongoing training, while issues of lecturer development and curriculum are being addressed; and
* SETAs and the private sector to model similar to Centers of Specialisation targeting skills that the private sector readily requires. This partnership can also be used to enhance the skills of CET lecturers, especially for occupational programmes.

**UIF and NSF could form a strong partnership that sees the two set aside an annual target for youth training**

UIF and NSF could use their pooled resources to invite “crowd funding” from SETA and the Corporate Social Investment community.

**South African Qualifications Authority (SAQA)**

The following issues taken from the Quarter 1 report of the 2018/19 financial year are worth noting:

* SAQA received an unqualified audit opinion.
* SAQA has a process in place to deal with the matter of registration of qualifications on the National Qualifications Framework (NQF). SAQA was requested to provide a progress report and the timeframes for clearing any challenges that may exist. The process of alignment of the Council on Higher Education’s (CHE) accreditation and SAQA’s criteria for the registration of qualifications and part-qualification on the NQF must be addressed.
* SAQA has begun the process to review its Recognition of Prior Learning Policy.
* Progress has been made with the implementation of the SAQA learning and development plan.
* The review of the succession plan for Senior Management and critical posts.
* The review of the strategy of the ICT Enterprise Architecture.
* The NQF Advisory Services received 25 698 enquiries through various platforms.

## **SAQA’s Four Strategic Objectives**

SAQA has four strategic objectives namely (1) Leadership, which aims to provide decisive and coherent leadership, coordination and effective monitoring and evaluation towards an articulated NQF; (2) NQF Policy Implementation, in which SAQA strives to facilitate and support the implementation of NQF policies in a simple, coherent and integrated manner across education, training, development and work; (3) Valuing Staff in which SAQA strives to optimize capacity, encourage and value the contributions of staff towards organisational effectiveness and excellence in service delivery; and (4) Public Positioning, in which SAQA strives to publicly position the NQF to policymakers, policy implementers, and policy beneficiaries.

### ***Strategic Objective 1: Leadership***

SAQA continues to promote the coherence among qualification Sub-Frameworks and to ensure that all qualifications that are registered on the NQF have clear articulation pathways. The SAQA Board has approved the re-registration of qualifications and on the Higher Education Qualifications Sub-framework (HEQSF) and the Quality Council for Trades and Occupations (QCTO) from 1 July 2018 to 30 June 2021.

SAQA continues to mediate at a high systematic level as well as on behalf of learners to address articulation matters where necessary.

SAQA’s evaluation of foreign qualifications and verification of national qualifications further enhances the mobility of national and international lifelong learners and ensures authentic qualifications are presented.

There are efforts to pursue sustainable funding for the further development and implementation of an effective NQF, for example, the funding model, which allows SAQA to levy a fee for services, offered to Professional Bodies, the tariffs for the evaluation of foreign qualifications.

The Verifications Project and Foreign Qualifications Directorate received less revenue than expected.

SAQA is working on proposals for funding the digitisation of learner records and an end-to-end IT platform that allows tracking of qualifications from submission to the Quality Council through to registration.

### ***Strategic Objective 2: NQF Policy Implementation***

The National workshop towards the 3rd NQF Conference and the 5th Ben Parker Memorial Lecture will be held on 4 and 5 September 2018.

### ***Strategic Objective 3: Public Positioning***

SAQA continued to make the NQF visible and understood through positive impact, and structured advocacy and communication. This is done through relevant communication channels such as the SAQA website, Twitter, Linked In, and Facebook.

The evaluation of the NQF Advisory Service is completed.

### ***Strategic Objective 4: Valuing Staff***

SAQA has implemented a coaching and mentoring system to build and strengthen national capacity to effectively champion and implement the NQF.

SAQA’s programmes and strategic objectives are spread across the six programmes namely: Administration (Sub-programmes: Executive Office, Finance and Administration, Human Resource, Information Technology, Advocacy, Communication and Support); Registration and Recognition; National Learners’ Records Database; Foreign Qualifications Evaluation and Advisory Services; Research; and International Liaison.

SAQA has 45 Performance Indicators across the six programmes, only 30 of these performance indicators have targets for this quarter under review.

29 Performance indicators have been achieved. Only 1 performance indicator is behind schedule, i.e. under Executive Office – the performance indicator to establish and implement an Articulation Ombud function has not been achieved. The Auditor-General raised this matter during SAQA’s audit. The recommendation made was that SAQA should amend its APP to write the performance indicators clearly to avoid misunderstanding and misinterpretation.

**Major Risks**

* Significant funding/budget shortfall to implement the registers for fraudulent qualifications and professional designations;
* Legal challenges related to registration of foreign qualifications offered in South Africa on the NQF; and
* Uncoordinated policy development by the Quality Councils, which leads to misalignment in the NQF Policy environment and SAQA’s ability to lead in this area.

**Opportunities**

* The NQF Amendment Bill provides opportunities to strengthen SAQA’s role as the apex NQF body, and to minimise the current risks associated with the uncoordinated policy environment;
* The NQF Amendment Bill establishes clear definitions for fraud and misrepresentation of qualifications, and for offences and penalties associated therewith to be legislated;
* The NQF Amendment Bill provides a legal framework for SAQA to verify qualifications and for cases of fraud and misrepresentation of qualifications to be reported to SAQA; and
* The NQF Research Improvement Plan envisages an improved role for SAQA’s in its oversight role for Articulation and Recognition of Prior Learning implementation.

**Council on Higher Education (CHE)**

The table below reflects funding from government over the MTEF as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Funding Source** | **2017/18**  **R’000** | **2018/19**  **R’000** | **2019/20**  **R’000** | **2020/21**  **R’000** | **Average Growth Rate** |
| Government grant | 47 946 | 50 726 | 53 566 | 56 514 | 5.6% |

The CHE’s approved budget amounts to R65.794 million and includes the government subsidy of R50.726 million and roll over funds of R10 027 million from the NSF for the Institutional Quality Assurance and Qualifications Management and Programme Review. The CHE requested approval to utilise the R10.027 million additional earmarked funds from the NSF in the 2018/19 financial year to continue providing for the shortfall on operational costs associated with the implementation of the core functions.

**Performance Information as at 30 June 2018**

Below is an overview of the CHE’s performance over the first quarter of 2018/19. The CHE achieved 7 performance targets out of the 11 quarterly targets set, representing an achievement of 67% for the quarter under review.

| **Performance Indicator** | **Annual Target** | **Quarterly Target** | **Quarterly Performance** | **Reasons for Variation or Low Performance** |
| --- | --- | --- | --- | --- |
| **Programme 1: Institutional Quality Assurance** | | | | | |
| **1.3**  **To accredit new programmes submitted** | 75% of submitted applications with a HEQC outcome within 12 months after the appointment of the evaluator. | 75% of submitted applications with a HEQC outcome within 12 months after the appointment of the evaluator. | 53% | Large volumes of applications due to HEQC alignment process |
| **1.5**  **To verify institutional capacity to offer accredited programmes by means of site visits to institutions** | 75% of reports tabled at an HEQC meeting 12 months after a site visit | 75% of reports tabled at an HEQC meeting 12 months after a site visit | 78% | Quarterly target achieved. |
| **Programme 2: Qualifications Management and Programme Review** | | | | | |
| **2.3.2**  **Number of HEQCIS uploads to NLRD by the end of March 2019** | 2 Uploads of data from HEQCIS to the NLRD from 2 cycles of data collection | 1 Report on HEQCIS uploads to NLRD | 0 | The first cycle of data collection ended on 15 June 2018. The first upload of data to NLRD will take place in July / August 2018. |
| **Programme 3: Research, Monitoring and Advice** | | | | | |
| **3.3.3**  **Number of responsive reports to the Minister of Higher Education** | 80% of requests received and responded to | 80% of requests received and responded to | 100% | Quarterly target achieved. |
| **Programme 4: Administration and Support** | | | | | |
| **4.3.2**  **Number of reviewed and developed ICT policies, framework, guidelines, procedures and processes each quarter** | 2 Policies developed and approved, 1 Framework reviewed and approved and 4 policies reviewed and approved. | 2 Policies developed and approved | 0 | Capacity challenges, new incumbent to commence in July 2018. |
| **4.3.3 Percentage of staff trained and developed within each quarter.** | 31 Staff training interventions offered | 4 Training interventions offered | 2 Training interventions offered | The other two training interventions could not be offered, as employees were unavailable due to audit processes. |
| **4.3.4 Percentage of approved posts on the organisational structure filled throughout the quarter.** | 85% of approved posts on the organisational structure filled (44 employees) | 85% of approved posts on the organisational structure filled (44 employees) | 85% | Quarterly target achieved. |
| **4.3.7**  **Average percentage of eligible suppliers paid within 30 days each month within the quarter.** | 100% average percentage of eligible suppliers paid within 30 days | 100% average percentage of eligible suppliers paid within 30 days | 100% average | Quarterly target achieved. |
| **4.3.8.**  **Number of expenditure reports submitted to DHET by the compliance date** | 4 Approved expenditure reports submitted to DHET | 1 Approved expenditure reports submitted to DHET | 1 Approved expenditure reports submitted to DHET | Quarterly target achieved. |
| **4.3.9**  **Number of scheduled governance meetings to be held by the end of March 2019** | 22 Meetings held | 6 Meetings held | 6 Meetings held | Quarterly target achieved. |
| **4.11**  **Number of media releases, communique, newsletters and other information resources released** | 5 Media releases, communique, newsletters and other information resources released | 1 Media releases, communique, newsletters and other information resources released | 2 | Quarterly target achieved. |

**Major Risks and Opportunities**

The CHE through its permanent committee, the Higher Education Quality Committee is the quality assurer for the higher education system, including all public universities and private higher education institutions. The accreditation, standard setting, national review and audit functions are extremely important for steering quality across the system. The Department believes that the quality assurance function is fundamental for the development of the system and that the CHE has a critical role to play in ensuring that the higher education system produces high-level skills and research capability that can lead to innovation and economic development in the country.

The accreditation of programmes and qualifications is a major part of the work undertaken by the CHE / HEQC. The CHE works on a peer review system of evaluators. Currently, the volumes of programmes to be accredited, as the HEQSF is phased into the system, are very large. The CHE is finding it hard to manage, both financially, due to cuts in its budget, and the sheer volumes coming in as all institutions work towards complying to the last date of offerings of old programmes and the introduction of new programmes aligned to the Higher Education Qualifications Framework. The shortfall in funding, explained below, has resulted in real blockages in the system with continual complaints received from various universities and private higher education institutions on the slow pace in the accreditation process, leading to long delays in institutions being able to offer their programmes.

The standard setting and national review functions are of critical importance in ensuring that institutions uphold the quality of programmes. Thus far, a number of national reviews have been undertaken, including the MBA, teacher education, social work, and the LLB. Currently, the CHE is undertaking a review of PhD programmes. While in the past the CHE was hesitant to actually withdraw the accreditation of programmes, especially at public universities, over the last few years, with the blessing of the Ministry of Higher Education and Training, it has withdrawn the accreditation of a number of programmes, including Social Work at UNISA and the University of Zululand. Currently, there are a number of LLB programmes on notice of withdrawal; universities are working towards improvements and retaining their accreditation. This function is also costly. The National Research Foundation is currently funding the PhD review.

After the first set of institutional audits, the CHE decided not to continue with audits and to focus on quality promotion. In 2013/14, it introduced the Quality Enhancement Project (QEP), focused on improving teaching and learning in the higher education system. The QEP has been supported over the last three years by the teaching development grant funding provided to universities, as well as funding from the Department to enable the CHE to close out the project. While the need to invest in quality promotion and quality enhancement, the CHE must also reconsider its mandate and reintroduce institutional audits. The CHE has therefore decided to introduce a new cycle of institutional audits. One major challenge it has is in funding this aspect of its work, due to financial constraints, as indicated in the next section.

Over a period, the accreditation mandate of the CHE has grown exponentially, partly as a result of changes brought about through the introduction of the Higher Education Quality Sub-Framework, but also due to the growth of the system (both public and private). However, this has not been accompanied by a requisite increase in baseline funding. In fact, since 2015/16 it has been accompanied by a cut in the budgets. This had severely affected the entity’s ability to deliver accreditation decisions within a reasonable period.

The Department has already informed the National Treasury of these challenges and entered into engagements around how some of the additional funds in subsidies to the higher education system may be earmarked for the CHE in the future, from 2020/21 onwards. The critical function of the CHE to ensure the quality of the system is seen as essential and given the challenges in the system even more of an imperative than ever before.

**National Student Financial Aid Scheme (NSFAS)**

Additional funding was allocated for increasing bursaries for new first-time entry students (FTEN) into undergraduate studies at universities over the MTEF period, i.e. R4.581 billion in 2018/19, R13.124 billion in 2019/20 and R15.315 billion in 2020/21, giving an additional R33 billion to universities over the MTEF period. The TVET college allocation has increased from R2.437 billion in 2017 to R5.164 billion in 2018, which represents a 112% increase in the allocation.

**Table 1: NSFAS MTEF Budget for Bursaries**

| **2018/19 MTEF Allocation** | **2018/19 (R’000)** | **2019/20 (R’000)** | **2020/21 (R’000)** | **MTEF Increase (R'000)** |
| --- | --- | --- | --- | --- |
| University allocation: Baseline | 10 319 945 | 10 899 922 | 12 920 909 |  |
| Additional allocation | 4 581 324 | 13 124 030 | 15 315 380 | 33 020 734 |
| **Universities subtotal** | **14 901 269** | **24 023 952** | **28 236 289** |  |
| TVET College Bursaries: Baseline | 2 579 002 | 2 782 709 | 2 782 709 |  |
| TVET additional allocation | 2 585 000 | 3 735 217 | 3 995 919 | 10 316 136 |
| **TVET subtotal** | **5 164 002** | **6 517 926** | **6 778 628** |  |
| **Total allocation** | **20 065 271** | **30 541 878** | **35 014 917** |  |

Table 2 below provides an overview of the allocation and utilisation of funds from all donors including NSFAS for the quarter as at 30 June 2018.

**Table 2: 2018 Allocation and Payment of Funds (all donors)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Funder** | **Budget** | **Expenditure** | **Variance** | **% paid** |
| **R'000** | **R'000** | **R'000** |
| \*DHET - Universities | 17 055.1 | 8 862.9 | 8 192 | 51.97% |
| National Skills Fund | 576.2 | 23.9 | 552 | 4.15% |
| DBE - Funza Lushaka | 1 159.3 | 294.1 | 865 | 25.37% |
| SETAs | 185.2 | 0.1 | 185 | 0.05% |
| Loan administration - universities | 10.0 | - | 10 | 0.00% |
| Non-government departments | 23.1 | - | 23 | 0.00% |
| Other government departments | 297.1 | 78.4 | 219 | 26.39% |
| Private funders | 3.7 | 1.1 | 3 | 29.73% |
| **Sub total** | **19 309.7** | **9 260.5** | **10 049.2** | **47.9%** |
| DHET - TVET colleges | 5 164.0 | 2 568.4 | 2 596 | 49.74% |
| **Total** | **24 473.7** | **11 828.9** | **12 645** | **48.33%** |

\* **Include recoveries (R1.3 billion) and prior year unutilised funding (R845 million) amounting to R2.092 billion**

The total allocation for university and TVET college funding is R19.3 billion and R5.2 billion for the 2018 academic year respectively. Upfront payments have been made to universities and TVET colleges from NSFAS including a fourth tranche paid early in June 2018 amounting to approximately 50% of the allocation for each institution for 2018. This has allowed institutions to pay allowances to students, ensuring that the majority of university students have received allowances.

**Administration Budget**

The administration budget allocation increased by R43.6 million (14.9%) from R249.5 million in the prior year to R293.1 million, after the R30.0 million additional increase in the administration grant from government. The total administrative budget is split into the following categories/classifications:

* Operating expenditure R282.7 million (96.4%); and
* Capex R10.4 million (3.6%).

**Table 3: Expenditure Summary for Quarter 1 as at 30 June 2018**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Line Items** | **Approved Annual Budget**  **R’** | **Quarter 1**  **R’** | **Quarter 1 Expenditure**  **R’** | **% Spent against Quarter 1** |
| **Administration** |  |  |  |  |
| Compensation of employees | 184 990 352 | 45 072 318 | 41 376832 | 91.8% |
| Goods and services | 97 669 600 | 30 886 270 | 38 576 141 | 119.3% |
| **Capital Expenditure** | **10 404 048** | **6 750 000** | **6 597 567** | **97.7** |
| **Grand Total** | **293 064 000** | **82 708 588** | **86 541 540** | **1.05%** |

The major reasons for the over expenditure on goods and services are due to the following:

* Debt collection commission (R3.3 million) due to increased NSFAS recoveries from R143.0 million budgeted against an actual collection of R158.0 million;
* External and internal audit, ICT and HR expenditure amounting to R1.2 million; and
* Travel and subsistence claims of R1.9 million as a result of NSFAS failure to close off funding to students for the 2016 and 2017 academic year.

**Performance Information**

NSFAS achieved 6 out of 10 (60%) of the performance targets applicable to the quarter under review (2017/18: Q1 –14%). It must be noted that of the 16 KPIs in the APP, 6 are annual targets that are not applicable in Quarter 1.

| **No.** | **Performance Indicator** | **2018/19**  **First Quarter Target** | **2018/19 Actual** | |
| --- | --- | --- | --- | --- |
| 1 | |  | | --- | | Amount of funds (Rand value) raised from new funders. | | R2.5 million | R4.5 million |  |
| 2 | |  | | --- | | Amount of money recovered (Rand value) from NSFAS debtors | | R143 million | R158 million |  |
| 3 | |  | | --- | | Design and implement processes to record the date on which registration data is received from institutions | | |  | | --- | | Process implementation plan produced | | The Master Data including the field to record the date of registration data receipt has been completed. |  |
| 4 | |  | | --- | | Percentage of students for which the first installment of amounts due to the institution is paid to the institution within 30 days from LAFSOP acceptance date | | 80% | 41.5% |  |
| 5 | |  | | --- | | Percentage of students for which the first installment of allowances due to students (where NSFAS disburses directly to students) is paid to the student within 10 days of LAFSOP acceptance date. | | 90% | 73% |  |
| 6 | A framework for the measurement of customer (student) and stakeholder satisfaction. | Draft framework prepared for the measurement of customer satisfaction. | Draft external Stakeholder Management Framework produced.  Draft framework to measure student and funders’ satisfaction produced. |  |
| 7 | |  | | --- | | Benchmarks/baseline for Contact Centre performance. | | |  | | --- | | Benchmark/baseline for Contact Centre performance drafted | | Benchmarks and baseline metrics put in place for the Contact Centre. |  |
| 8 | |  | | --- | | Number of research reports produced each financial year. | | |  | | --- | | 1 Research report produced. | | None |  |
| 9 | |  | | --- | | Leadership behavior 360 degrees survey. | | |  | | --- | | Approved Leadership Behaviours Charter (LBC) 360-degree assessment tool. | | Developed but not approved |  |
| 10 | |  | | --- | | Percentage of employee engagement index. | | |  | | --- | | Implement  Leadership  Behaviours  Charter. | | The Leadership Behaviours Charter implementation plan has been developed. |  |

**Implementation of the New Bursary Scheme**

In January 2018, the Department worked together with NSFAS, universities and TVET colleges to manage the situation related to the introduction of fully subsidised funding to support students from families earning up to R350 00 per annum. Institutions registered first-time entry students who identified themselves as fitting within the new threshold, even though they had not applied to NSFAS, on the basis that they signed acknowledgment of debt forms, which indicated that they would be liable to pay the fees if it turned out that they were not eligible for NSFAS funding.

Unacceptable implementation delays have been experienced in confirming funding decisions to students and ensuring that funding reached students. The challenges at NSFAS relates to systems, processes and capacity, in particular, a lack of integration between institutional and NSFAS systems, as the result of the rollout of the “student-centred model” between 2013 and 2017.

The major risk is that students will not receive their allowances on time if these issues are not addressed. Upfront payments have been made to universities from NSFAS including a fourth tranche paid early in June 2018 amounting to approximately 50% of the allocation for each institution for 2018. This has allowed institutions to pay allowances to students, ensuring that the majority of university students have received allowances. However, the risk was placed on institutions to pay out to students that they assessed would be funded. The critical element of ensuring that institutions received remittances for specific students to enable reconciliations was not done. Finalisation of funding decisions for large numbers of students had not been done.

The 2018 cycle is still subject to unacceptable delays, mostly linked to data integration issues. A major area of concern has been the reliability of the statistics on confirmed registration data, the generation of NSFAS Bursary Agreements (NBAs), disbursement and payments to sBux and non-sBux institutions.

After the close engagement throughout 2017 and 2018, including with institutions, and providing support teams to NSFAS, the Minister dissolved the Board and appointed an Administrator on 21 August 2018. The immediate task of the Administrator is to ensure the effective close out of the 2017 and 2018 funding decisions and disbursements, as well as to put in place plans for the 2019 funding cycle.

A support team with the relevant skills in student financial aid, human resources management, information technology, business systems analytics and any other required skills identified will be appointed by the Administrator to assist him in his tasks.

Applications for the 2019 academic year opened on 3 September 2018. An effective plan for delivering student financial aid, which will involve the support and collaboration of universities and TVET colleges will be developed within the next month.

An intensive communications campaign to inform all 2019 prospective students of the process for applications will be implemented.

Work has started on the development of a new student funding policy for students at universities and TVET colleges. Processes are underway to develop the first draft of the policy. The draft national policy on student funding will be further consulted through a reference group, consisting of NSFAS, Universities South Africa, South African Union of Students, South African Further Education and Training Student Association, Financial Aid Practitioners of South Africa, South African College Principals Organisation and officials from the Department. The first meeting with the reference group was held on 7 August 2018. This policy will include the academic, service and ethical requirements of students linked to receiving the funding. The final draft will be released for public comment and stakeholder engagement by 30 October 2018.

**Quality Council for Trades and Occupations (QCTO)**

* The Quality Council for Trades and Occupations (QCTO) is a quality council established in 2010 in terms of the Skills Development Act, 97 of 1998 (as amended);
* Its role is to oversee the design, implementation, assessment and certification of occupational qualifications on the Occupational Qualifications Sub-Framework (OQSF); and
* The QCTO is one of three quality councils responsible for a part (the OQSF) of the National Qualifications Framework (NQF).

**Mandate of the QCTO**

Arises, amongst others, out of the Skills Development Act and National Qualifications Framework Act as follows:

* To manage the OQSF;
* Design and develop and review occupational standards and occupational qualifications;
* Quality assurance of occupational qualifications and part qualifications;
* Assessment and moderation of occupational qualification and part qualifications; and
* Certification.

**Risks**

Funding model not appropriate to fulfill the full quality assurance function arising out of NQF at:

* Ensuring quality assurance for the OQSF;
* White Paper for Post School Education and Training - Simplification of the NQF; and
* Reducing the quality assurance functions of SETAs.
* QCTO vision 2020 - Revoking of quality assurance functions delegated to SETAs by 2020.

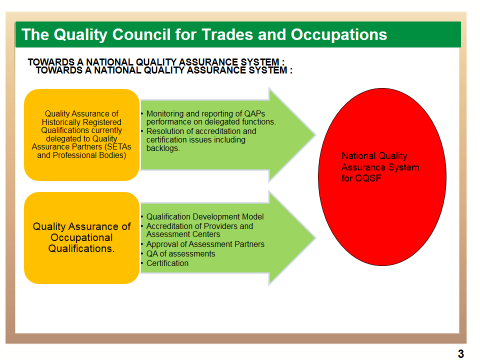
**Funding Model**

One of the most significant risks of the QCTO is an inappropriate funding model, and this causes strategic and operational risks. The two main causes for this risk are:

* Inadequate baseline allocation of funds from the fiscus; and
* Inadequate funding from the SETA Levy Grants restricted to 0.5% annual allocation.

This results in the following:

* Unsustainability of the organisation due to the high reliance on SETA funding;
* Inability to plan to give full effect to the mandate of the QCTO;
* Inability to achieve the mandate and Council expectations;
* Use of contract appointments due to a lack of sustainability; and
* Reliance on third parties to fund the execution of the mandate resulting in the non- compliance with the NQF Act with respect to the delegation of functions.



**Simplification of the NQF**

* Review of the OQSF to give effect to national policy imperatives;
* Development of prioritised qualifications and part qualifications;
* Reduce the number of historically registered qualifications:
* Deactivation of dormant unit standard based qualifications.
* Replacement of unit standard based qualifications with occupational qualifications.
* Realignment of unit standard based qualification to occupational qualifications.
* Realignment of skills development programmes; and
* All skills development providers to be accredited by a single quality assurance body.

**QCTO Opportunities**

* Establishment of a single national quality assurance system for all qualifications and part qualifications on the OQSF;
* Collapse the different SETA quality assurance systems into a single system;
* Provide relevant and industry supported qualifications;
* Improve the quality of provisioning;
* Reduce accreditation complexities; and
* Credible assessments and certification.

1. **RESPONSES TO COMMITTEE REPORTS**

Report attached.