



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



National Skills Fund (NSF)

2020/21 Annual Report

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1.NSF Legislative, Policy and Strategy Framework & Mandate

1.1 NSF Legislative, Policy & Strategy Framework

POLICIES

WP-STI

WP-PSET

SDA

SDLA

SETA Grant Regulations

PFMA

HRDSA II
2010-2030

MTSF

MTEF

NSDP 2030

ERRP

IPAP

NGP

National Infrastructure Plan (SIPs)

STI Decadal Plan

NP-PSET

Jobs Summit Agreement Framework

ERRSS

DDM

NDP Vision for 2030
Easy access to education to participate meaningfully in our country's social & economic life

KEY GOVERNMENT STRATEGIES & PROGRAMMES

LEGISLATIVE MANDATE

1.2 NSF Mandate

The money that the NSF receives through the SDL Act is to be used for the primary objectives as defined by the prescripts of the Skills Development Act (SDA) namely:

1. To fund projects identified in the National Skills Developed Strategy III (National Skills Development Plan 2030) as national priorities (section 28(1) of the SDA);
2. To fund projects related to the achievement of the purposes of the SDA as the Director-General of Higher Education and Training determines (section 28(1) of the SDA);
3. To fund any activity undertaken by the Minister of Higher Education, Science and Innovation to achieve a national standard of good practice in skills development (section 30B of the SDA); and
4. To administer the NSF within the prescribed limit (section 28(3) of the SDA). Regulations to prescribe the limit for the administration of the NSF at 10% of revenue has been approved and published in Notice No. R.1030, Government Gazette No. 33740 dated 8 November 2010.

2. 2020/21 Annual Performance Information Report

2.1 Summary of achievements

2.2 2020/21 Annual Performance Report
Programme 1: Skills Development Funding
Programme 2: Organisational sustainability

2.1 Summary of achievements

	OUTCOME PERFORMANCE INDICATORS					OUTPUT PERFORMANCE INDICATORS				
	TOTAL TARGETS	ACHIEVED		NOT ACHIEVED		TOTAL TARGETS	ACHIEVED		NOT ACHIEVED	
PROGRAMME 1	8	1	13%	7	87%	9	1	11%	8	89%
PROGRAMME 2	4	0	0%	4	100%	4	2	50%	2	50%
ALL PROGRAMMES	12	1	8%	11	92%	13	3	23%	10	77%

2.2 2021/21 Annual Performance Report

Programme 1: Skills Development Funded				
Sub-Programme 1.1: Education and Training				
Outcome: 75 000 NSF-funded learners who completed their education and training are employed/self-employed after completion of their education and training over the five-year strategic planning period				
Outcome Indicator	Five- year Planned Target	Year-to-date Actual Achievement	Difference for the Year-to-Date	Comment on deviations
14 500 NSF-funded learners to complete their education and training towards occupations in high demand (OIHD) over the five-year strategic period	14 500	3 880	-10 620	The actual performance is a contribution towards the achievement of the outcome target at the end of five-year strategic period
14 500 NSF-funded learners from rural areas who completed their education and training over the five-year strategic period	14 500	7 377	-7 123	
1 000 SMMEs and co-operatives who benefited from NSF-funded skills development initiatives where NSF-funded learners completed their education and training over the five-year strategic period	1 000	51	-949	



2.2 2021/21 Annual Performance Report (continued)

Programme 1: Skills Development Funded				
Sub-Programme 1.1: Education and Training				
Outcome: 75 000 NSF-funded learners who completed their education and training are employed/self-employed after completion of their education and training over the five-year strategic planning period				
Outcome Indicator	Five- year Planned Target	Year-to-date Actual Achievement	Difference for the Year-to-Date	Comment on deviations
600 NSF-funded learners who completed their education and training through SMME and cooperative skills development initiatives over the five-year strategic period	600	659	59	The actual performance is a contribution towards the achievement of the outcome target at the end of five-year strategic period
8 400 NSF-funded learners who acquired skills through NSF-funded community-based skills development initiatives over the five-year strategic period	8 400	6 008	-2 392	
360 workers who completed their education and training through worker education initiatives over the five-year strategic period	360	0	-360	



2.2 2021/21 Annual Performance Report (continued)

Programme 1: Skills Development Funded				
Sub-Programme 1.1: Education and Training				
Outcome: 75 000 NSF-funded learners who completed their education and training are employed/self-employed after completion of their education and training over the five-year strategic planning period				
Output Indicator	Annual target	Annual Actual Achievement	Difference for the Year-to-Date	Comment on deviations
Total number of learners funded by the NSF for education and training during the specified financial year	60 000	34 994	-25 006	Covid-19 restrictions delayed the issuing of RFPs and ultimately affected commencement of some projects
The number of learners funded by the NSF for education and training towards OIHD during the specified financial year	36 000	12 489	-23 511	
Number of learners from rural areas funded by the NSF for education and training during the specified financial year	35 200	21 904	-13 296	
Number of SMMEs and cooperatives funded by the NSF for skills development during the specified financial year	800	491	-309	



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2.2 2021/21 Annual Performance Report (continued)

Programme 1: Skills Development Funded				
Sub-Programme 1.1: Education and Training				
Outcome: 75 000 NSF-funded learners who completed their education and training are employed/self-employed after completion of their education and training over the five-year strategic planning period				
Output Indicator	Annual target	Annual Actual Achievement	Difference for the Year-to-Date	Comment on deviations
The number of learners funded by the NSF for skills development through SMME and co-operative skills development initiatives during the specified financial year	4 750	1 199	-3 551	This performance was because of some learners dropping out in the early stages of the mentoring programme
Number of learners funded by the NSF for skills development through community-based skills development initiatives during the specified financial year	10 000	10 346	346	More learners were funded than anticipated
Number of learners funded by the NSF for worker education during the specified financial year	640	0	-640	No worker education project recorded any progress since the beginning of the financial year. The recruitment of learners not yet finalised

2.2 2021/21 Annual Performance Report (continued)

Programme 1: Skills Development Funded				
Sub-Programme 1.2: Improved PSET System				
Outcome: 90% of projects aimed at increasing access, improving effectiveness and integrating the PSET system have successfully achieved more than 60% of the envisaged outcomes per project for the five year strategic planning period.				
Outcome Indicator	Five- year Planned Target	Year-to-date Actual Achievement	Difference for the Year-to-Date	Comment on deviations
90% of completed NSF-funded projects aimed at PSET system improvement that have achieved more than 60% of the envisaged outcomes over the five-year strategic period	90%	44%	-46%	The actual performance is a contribution towards the achievement of the outcome target at the end of five-year strategic period
90% of completed NSF-funded projects aimed at increasing access to the PSET system that have achieved more than 60% of the envisaged outputs over the five-year strategic period	90%	27%	-63%	

2.2 2021/21 Annual Performance Report (continued)

Programme 1: Skills Development Funded

Sub-Programme 1.2: Improved PSET System

Outcome: 90% of projects aimed at increasing access, improving effectiveness and integrating the PSET system have successfully achieved more than 60% of the envisaged outcomes per project for the five year strategic planning period.

Output Indicator	Annual Planned Target	Annual Actual Achievement	Difference for the Year-to-Date	Comment on deviations
Percentage of NSF funded Projects aimed at PSET system improvement that have achieved a percentage of the envisaged outputs at the end of each financial year	80%	44%	-38%	Non-compliance by two projects and Covid-19 lockdown restriction affected performance and non-compliance letters were issued
Percentage of NSF funded projects aimed at increasing access to the PSET system that have achieved a percentage of the envisaged outputs at the end of each financial year	80%	27%	-53%	

2.2 2021/21 Annual Performance Report (continued)

Programme 2: Organisational Sustainability

Outcome 3: Improving effectiveness and efficiency of the NSF organisational service delivery and performance by implementing organisational systems and structures and obtaining clean audit outcomes over the five-year strategic planning period

Outcome Indicator	Five- year Planned Target	Year-to-date Actual Achievement	Difference for the Year-to-Date	Comment on deviations
Obtain a clean audit opinion outcome by the end of the strategic period	Clean audit	Disclaimer	-100%	The actual performance is a contribution towards the achievement of the outcome target at the end of five year strategic period
90% of funded positions filled by the end of the strategic period	90%	76%	-14%	
Improve the percentage of client satisfaction rating to 70% by the end of the strategic period	70%	0%	-70%	
90% of the key ICT needs addressed or in the process of being addressed by the end of the strategic period	90%	60%	-30%	

2.2 2021/21 Annual Performance Report (continued)

Programme 2: Organisational Sustainability

Outcome 3: Improving effectiveness and efficiency of the NSF organisational service delivery and performance by implementing organisational systems and structures and obtaining clean audit outcomes over the five-year strategic planning period

Output Indicator	Annual Planned Target	Annual Actual Achievement	Difference for the Year-to-Date	Comment on deviations
Audit outcome at the end of each financial year	Unqualified	Disclaimer	-100%	The NSF could not provide sufficient supporting evidence for both financials and non-financials and accounting recognition issues and errors noted.
Percentage of funded positions filled by the end of each financial year	60%	0%	-100%	36% of the posts are vacant. The appointments made during the quarter outweighs the resignations hence the performance remained above the target. No Vacant post were advertised in the financial year until Q3 and Q4. A further submission of 54 vacant posts was made in Q4 to DHET

2.2 2021/21 Annual Performance Report (continued)

Programme 2: Organisational Sustainability

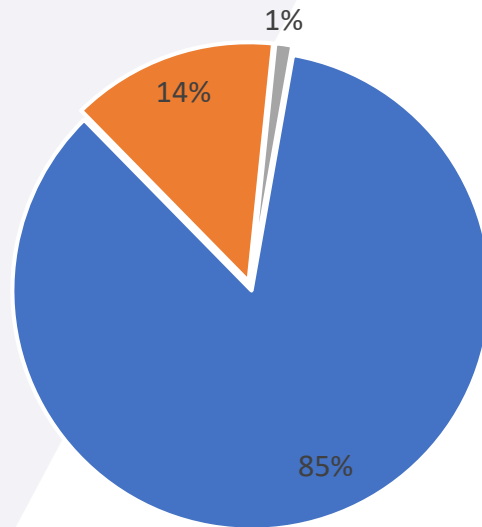
Outcome 3: Improving effectiveness and efficiency of the NSF organisational service delivery and performance by implementing organisational systems and structures and obtaining clean audit outcomes over the five-year strategic planning period

Output Indicator	Annual Planned Target	Annual Actual Achievement	Difference for the Year-to-Date	Comment on deviations
Improve the percentage of client satisfaction rating at the end of the specified reporting period (biennially)	50%	0%	-100%	Procurement process was not finalised. However, underway at year-end with the appointment of the research provider to conduct the satisfaction evaluation study expected during 2021/22
Percentage progress against implementation plan of the ICT strategy during the end of each financial year	30%	60%	30%	The implementation of power BI is currently underway. ICT implemented 12 out of 20 projects

3. 2020/21 Financial Overview

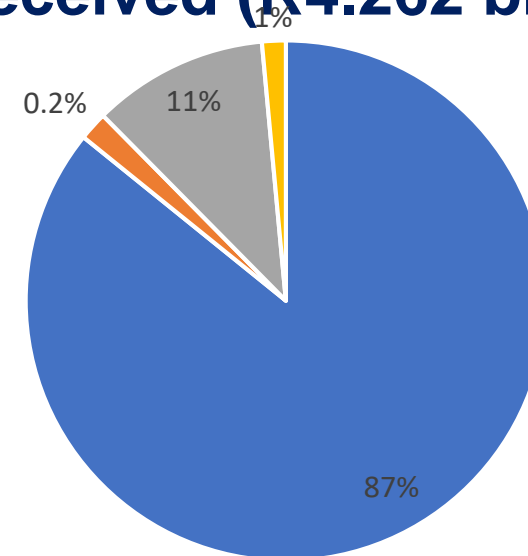
3.1. Financial Overview

2020/21 Total Revenue Received (R2.912 billion)



R2.472 (85%) billion skills development levy
R417 (14%) million income from investment
R23 (1%) million finance income from advance payments to skills programmes and projects

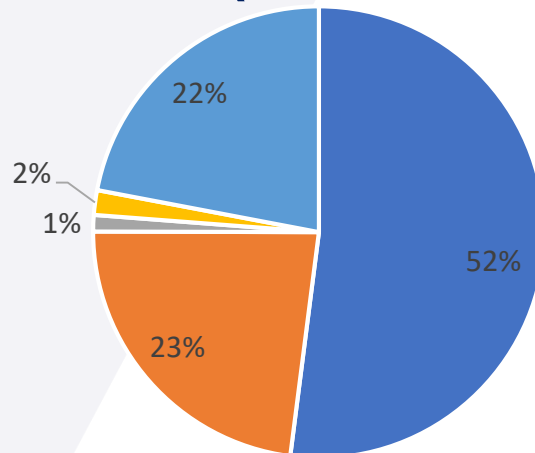
2019/20 Total Revenue Received (R4.262 billion)



R3,656 (86%) billion skills development levy
R552 (13%) million income from investment
R3 (0.1%) million income from Seta's
R50 (1%) million finance income from advance payments to skills programmes and projects

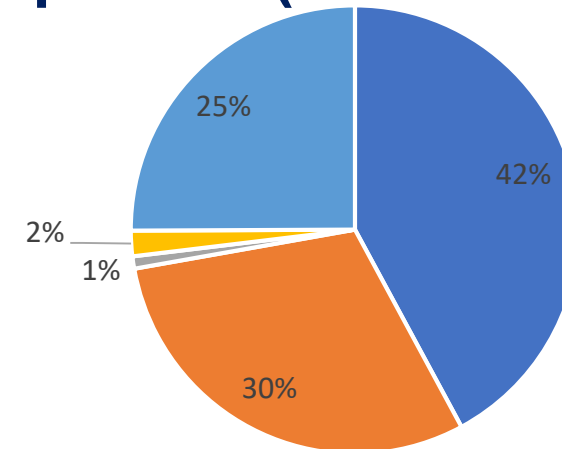
3.2 Financial Overview (cont...)

2020/21 Total Administration Expenses (R176 million)



R91 (52%) million employee costs
R41 (23%) million operating expenses
 R2 (1%) million management fees and bank charges
R3 (2%) million depreciation and amortisation
R39 (22%) million SARS collection costs

2019/20 Total Administration Expenses (R193 million)

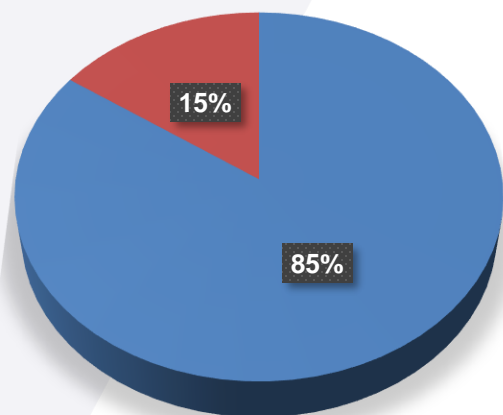


R82 (42%) million employee costs
R58 (30%) million operating expenses
 R2 (1%) million management fees and bank charges
R3 (2%) million depreciation and amortisation
R48 (25%) million SARS collection costs

3.3 Financial Overview (cont...)

2020/21 Disbursements

**R1,713 BILLION INVESTED
TOWARDS SKILLS DEVELOPMENT**

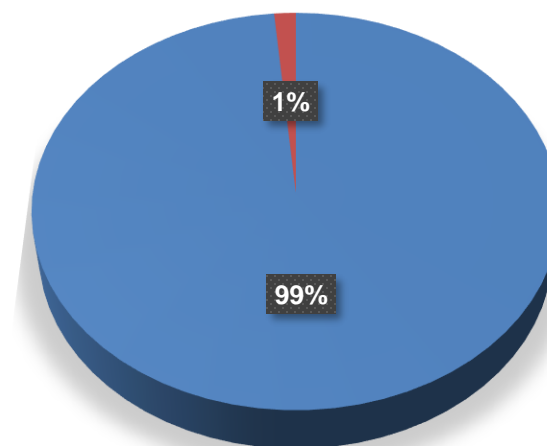


R1,451 (85%) billion towards education and training of learners

R262 (15%) million towards strengthening the PSET system

2019/20 Disbursements

**R2,559 BILLION INVESTED
TOWARDS SKILLS DEVELOPMENT**



R2,522 (99%) billion towards education and training of learners

R37 (1%) million towards strengthening the PSET system

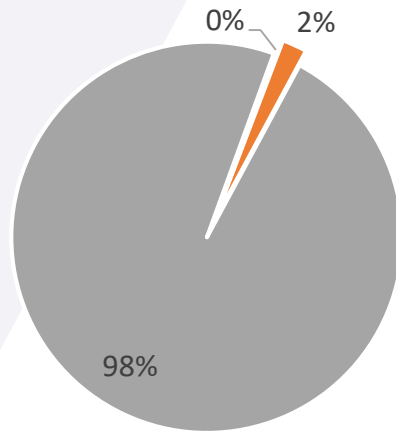
3.3 Skills Development Expenditure Percentage Distribution

List of Entities	Disbursement Percentage	Auditors
DHET projects (Implemented and managed by DHET)	33%	AGSA
NSFAS	13%	AGSA
NRF	5%	AGSA
NIHSS	3%	AGSA
Community Education Training - CETs	1%	AGSA
National Departments	3%	AGSA
NATIONAL SKILLS AUTHORITY	0,2%	AGSA
SOCs (e.g Transnet, Denel,NECSA)	1,5%	AGSA
TVETS	26%	AGSA
Universities	2%	AGSA
Private Skills Development Providers	13%	Private Audit Firms



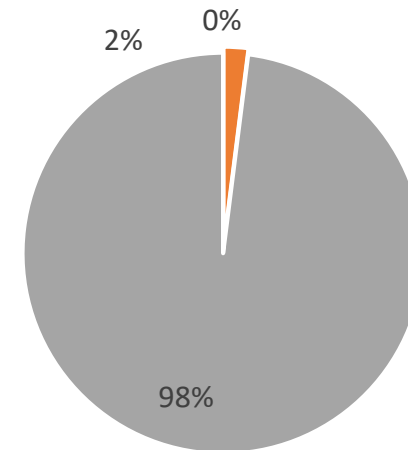
3.4 Financial Overview (cont...)

2020/21 Total Non-Current Assets (R1.375 billion)



R2 (0%) million property, plant and equipment
R 20 (2%) million intangible assets
R1.352 (98%) billion TVET college infrastructure assets

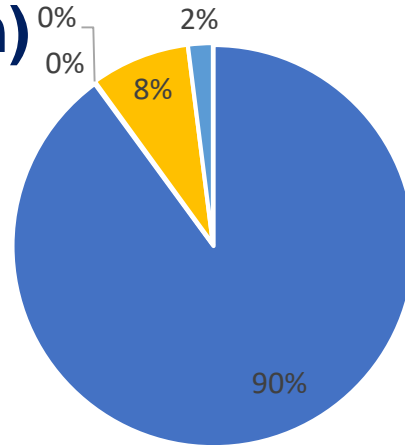
2019/20 Total Non-Current Assets (R1.077 billion)



R3 (0%) million property, plant and equipment
R 22 (2%) million intangible assets
R1.052 (98%) billion TVET college infrastructure assets

3.5 Financial Overview (cont...)

2020/21 Total Current Assets (R10.238 billion)



R9.224 (90%) billion investment

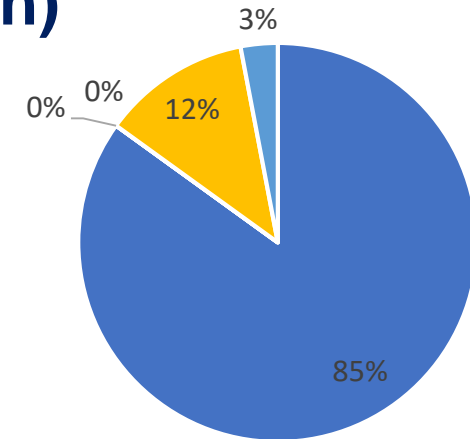
R249 (0.002%) thousands trade and other receivable from exchange transactions

R29 (0.2%) million trade and other receivable from non-exchange transactions

R845 (8%) million deferred expenditure related to skills development funding

R140 (2%) million Cash and cash equivalent

2019/20 Total Current Assets (R9.466 billion)



R8.064 (85%) billion investment

R2 (0.021%) million trade and other receivable from exchange transactions

R18 (0.2%) million trade and other receivable from non-exchange transactions

R1.085(12%) billion deferred expenditure related to skills development funding

R295 (3%) million Cash and cash equivalent



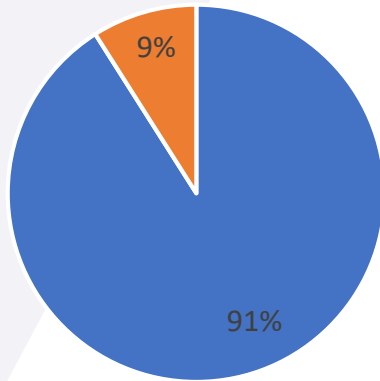
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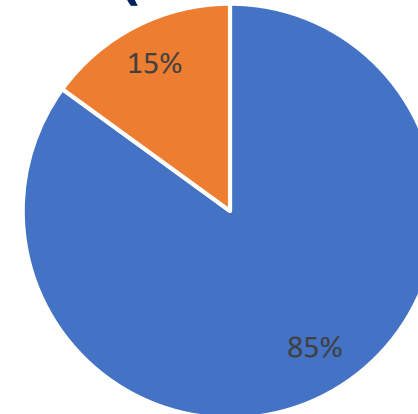
3.6 Financial Overview (cont...)

2020/21 Total Accumulated Surplus (R10.9 billion)



R9.9 (91%) billion accumulated surplus and reserves
R981 million (9%) surplus

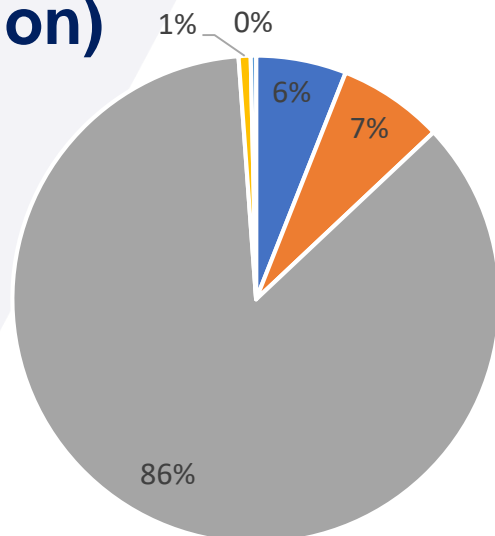
2019/20 Total Accumulated Surplus (R9.9 billion)



R8.5 (85%) billion accumulated surplus and reserves
R1.4 billion (15%) surplus

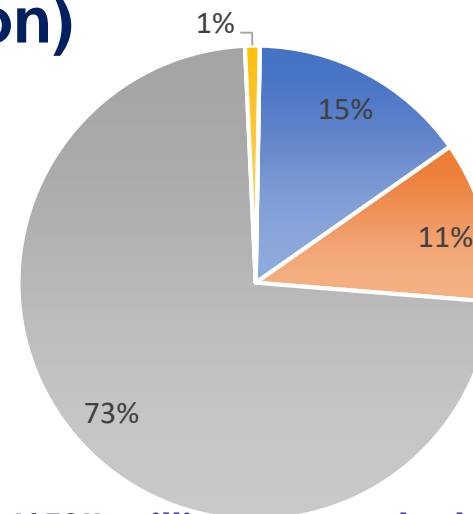
3.7 Financial Overview (cont...)

2020/21 Total Current Liabilities (R 634 million)



R40 (6%) million trade and other payables from non-exchange transactions
R45 (7%) million trade and other payable from exchange transactions
R539 (86%) million accruals from non-exchange transactions
R8 (1%) million accruals from exchange transactions
R894 (0.14%) thousands provisions

2019/20 Total Current Liabilities (R 550 million)



R82 (15%) million trade and other payables from non-exchange transactions
R58 (11%) million trade and other payable from exchange transactions
R401 (73%) million accruals from non-exchange transactions
R6 (1%) million accruals from exchange transactions
R3 (0%) million provisions



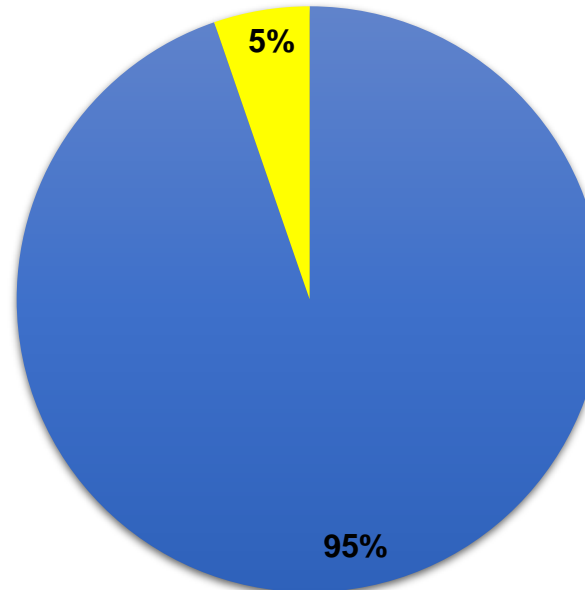
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3.8 Financial Overview (cont...)

NSF REVENUE vs NSF ADMINISTRATIVE EXPENSE (2020/21) R'000



NSF remains cost-efficient spending only 5% on admin costs in relation to the skills development skills levy received in 2020/21

■ REVENUE ■ ADMINISTRATIVE EXPENSES

4. CONTRACTUAL COMMITMENTS 2020/21

4. Contractual Commitments 2020/21

Contractual commitments for the acquisition of property, plant and equipment.

- TVET Infrastructure R 964 million
- Intangible assets R 21 million

Operational Commitments

- Approved and contracted R 6.2 billion
- Approved and not yet contracted R 5.2 billion

5. Budget vs Expenditure

5.1 Budget vs Actual Expenditure in 2020/21

Skills Development Disbursements	Budget vs Actual Expenditure	Reason for Variances
<p>Education and training:</p> <ul style="list-style-type: none"> • Bursaries and Scholarships • Occupational programmes. • Skills programmes through NON-profit organization. • Workplace-based learning. • Worker education 	<p>R1,452 billion expensed towards education and training, which is 62% (R2,370 billion) below the budgeted amount of R3,822 billion.</p>	<p>The impact of COVID-19 resulted into delays in rolling out approved Skilled Development interventions.</p>

5.1 Budget vs Actual Expenditure in 2020/21 (cont...)

Skills Development Disbursements	Budget vs Actual Expenditure	Reason for Variances
PSET system development and capacity building	R185 million expensed towards PSET system development and capacity building initiatives, which is R812 million (81.2%) below the budget of R997 million.	The main reason for the budget variance is due to slow performance on certain PSET system development and capacity building projects.
Skill infrastructure development	R37 million expensed towards skills infrastructure development initiatives, which is 96.7% (R1,106 billion) below the budget of R1,144 billion.	The variance can mainly be ascribed to delays in procurement processes related to construction, refurbishment and completion of the remaining TVET college campuses. The procurement processes have, however, been completed and construction is in process. The construction was delayed due to the lockdown regulations but has subsequently resumed.
Skill development research, innovation and advocacy	R38 million expensed towards skills development research, innovation and advocacy initiatives, which is 41.6% (R27 million) below the budget of R65 million.	The main reason for the underspending relates to slow implementation of the NSA Constituency Capacity Building Programme, as well as underspending by the HRDC with regards to skills development research, innovation and advocacy.



5.2 Budget vs Actual Expenditure in 2020/21 (cont...)

Administrative Expenditure	Budget vs Actual Expenditure	Reason for Variances
Employee cost	Actual employee cost is 31% below the budgeted employee costs.	The reason for the underspending is mainly due to the slow pace at which the DHET Human Resources Management function is operating to fill vacant positions for the NSF, taking longer than usual to fill a position from the date of advertisement and taking long to advertise vacant positions. This has negatively impacted all NSF functions. Operationally, the NSF is already experiencing the dire consequences as a result thereof.
Operating expenses	Actual operating expenses is 67% below the budgeted operating expenses.	The key driver of the NSF's operating expenses relates to the NSF's staff establishment which attracts the following operating expenditure: computer services and consumables provided to NSF staff, DHET shared services charge based on the NSF's staff establishment, operating leases of facilities and office equipment, printing and publications, resettlement costs, security, software expenses, stationery, telephone and fax, travel and subsistence. The NSF's high vacancy rate and Covid-19 restrictions are the main attributor towards the underspending on operating expenses.

5.2 Budget vs Actual Expenditure in 2020/21 (cont...)

Administrative Expenditure	Budget vs Actual Expenditure	Reason for Variances
Management fees and bank charges	Management fees and bank charges are 25% over the budget.	The increase in the PIC's management fees and bank charges can be ascribed to the increase in NSF investments, since the PIC bases its fees on the remaining balance at the end of each month.
Collection cost to SARS	There was a saving of 31% (R17 million) on the actual levy collection costs incurred by SARS for the period in comparison to the costs budgeted	The savings can be attributed to efficiencies in the SARS collection processes

6. Irregular, Fruitless and Wasteful Expenditure

6.1 Irregular Expenditure

Irregular expenditure in 2020/21 amounted to R433 million compared to R432 million in 2019/20 representing 0.023% increase.

IRREGULAR EXPENDITURE	CURRENT YEAR 2020/21 R' 000	PRIOR YEARS R' 000	PROGRESS
Appointment of TVET College construction contractors	-	411 414	A final determination report is still outstanding
Rendering of travel and accommodation	-	9 215	Determination tests performed by DHET, the disciplinary hearing has been finalised and the sanction of dismissal was meted out by the chairperson on 24 October 2020 and the same effected by the DG on 26 October 2020. DHET has sought guidance from the NT on how to treat the removal of this irregular expenditure since the disciplinary process has been finalised.
Events and Conference organiser	-	786	The AGSA did not accept the DHET determination tests. NSF is currently performing its own tests
Production of the National skills fund 2018/19 annual report	-	65	Condoned
Various	-	9 911	No progress
Provision of Hosted Exchange and archiving environment of the electronic mail network for DHET and NSF	1 252	1 152	Still under investigation

6.2 Fruitless and Wasteful Expenditure

Fruitless expenditure in 2020/21 amounted to R7.7 million compared to R5.6 million in 2019/20 representing a 37% increase.

FRUITLESS AND WASTEFUL EXPENDITURE	PRIOR YEARS		PROGRESS
	CURRENT YEAR 2020/21		
	R' 000	R' 000	
Centre for Education Policy Development Project		5 619	Internal Audit is still in the process of finalising the Determination Tests.
Aliwal North TVET Infrastructure Project	464		No progress yet
Sterkspruit Infrastructure Project	1 667		No progress yet

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7. Issues Raised by the Auditor-General in the 2020/21 Audit

7.1 2020/21 Audit Outcome

FINANCIAL STATEMENTS = **DISCLAIMER AUDIT OPINION**

Basis for **disclaimer opinion** for the 2020/21 financial statements

Refer to page 87 to 92 in the annual report

7.2 Salient Issues in the 2020/21 Audit on the NSF

Skills development funding

- National Skills Fund did not have adequate systems in place to account for skills development funding, as expenses were not recorded in the correct period.
- The Auditor-General was unable to obtain sufficient appropriate audit evidence that skills development funding for the current and previous years had been properly accounted for, as evidence that the services had been received could not be provided. There were also differences noted between the amounts reported and the supporting schedules. This was due to inadequate project monitoring and expenditure approval processes.
- The Auditor-General was unable to confirm the skills development funding by alternative means, as the NSF's systems did not permit this.

7.3 Salient Issues in the 2020/21 audit on the NSF

TVET college infrastructure assets

- The national Skills fund did not record all additions to TVET college infrastructure assets where substantially all the risks and rewards incidental to ownership were transferred to the public entity, in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) 17, Property, plant and equipment.
- The Auditor-General was unable to determine the full extent of the understatement of the TVET college infrastructure assets balance reported on the statement of financial position and note 4 to the financial statement and unable to determine the resultant impact on accruals from non-exchange transactions reported on the statement of financial position and note 12 to the financial statements. This also has an impact on the contractual commitments balance disclosed in note 25 to the financial statements.

7.4 Salient Issues in the 2020/21 audit on the NSF

Accruals from non-exchange transactions

- The Auditor-General was unable to obtain sufficient appropriate audit evidence that the accruals from non-exchange transactions had been properly accounted for, as evidence that the services had been received could not be provided. This was due to inadequate project monitoring and expenditure approval processes of the NSF.

7.5 Salient Issues in the 2020/21 Audit on the NSF

Trade and other receivables from non-exchange transactions

- The Auditor-General was unable to obtain sufficient appropriate evidence for trade and other receivables from non-exchange transactions as the public entity did not provide evidence to support that services had been received. This was due to inadequate project monitoring and expenditure approval processes at the public entity and unable to confirm trade and other receivables from non-exchange transactions by alternative means, as the NSF's systems did not permit this.

Deferred expenditure related to skills development funding

- The National Skills Fund did not correctly account for the deferred expenditure related to skills development funding and the related trade and other receivables from non-exchange transactions and skills development funding.

7.6 Salient Issues in the 2020/21 Audit on the NSF

Provisions

- The public entity did not recognise all provisions meeting the definition of a provision in accordance with GRAP 19, Provisions, contingent liabilities and contingent assets. As the public entity did not maintain adequate records of amounts received from employers that are entitled to refunds over a five-year period.
- The Auditor-General was unable to determine the full extent of the understatement of provisions, stated on the statement of financial position and disclosed in note 14 to the financial statements, as it was impracticable to do so.

Prior period errors corrected

- The public entity did not disclose all prior period errors in note 24 to the financial statements, as required by GRAP 3, Accounting policies, estimates and errors. The amounts of the correction for each financial statement item affected were not entirely disclosed in all instances

7.6 Salient Issues in the 2020/21 Audit on the NSF

Material Irregularities

A material irregularity was identified during the audit.

This material irregularity will be included in the next year's auditor's report.

Emphasis of matters

A fair value adjustment of R27 720 000 was disclosed in the AFS, as a result of the Land and Agricultural Development Bank of South Africa being unable to pay its maturities and defaulting on its obligations.

8. NSF Audit Action Plan for 2020/21

8. AUDIT ACTION PLAN

NSF Acting Executive Officer has established an independent process (internal audit) to independently monitor and report implementation of the 2020/21 Audit Action Plan

DESCRIPTION OF FINDING	PROGRESS
<p>1 Skills Development Funding</p> <p>The NSF does not adequate systems in place to account for skills development funding</p> <p>Sufficient appropriate audit evidence was not provided for skills development funding for the current and previous years. Inadequate project monitoring and expenditure approval processes are in place.</p>	<p>Document control, project management and monitoring is currently a manual process.</p> <p>The NSF is currently implementing the MS Dynamic system that will assist the document control, project monitoring and management.</p> <p>In terms of the limitation of scope, the NSF SDI is in the process of collating all the outstanding documentation that was not submitted to the AGSA during the current and prior financial years. The dossiers for each outstanding project will be ready for audit before the end of the current financial year March 2022.</p> <p>The SDP which are largely SMME will be assisted to align their document control with the NSF requirements.</p>

8. AUDIT ACTION PLAN (Cont....)

DESCRIPTION OF FINDING	PROGRESS
<p>2. TVET college infrastructure assets Completed Infrastructure was not transferred</p> <p>All invoices not captured at the NSF COMAF 12, 34</p>	<p>On the 11 October 2021 a meeting was held with the NSF Project monitoring team, QS and DHET infrastructure. The Infrastructure projects are funded by the NSF and managed by the DHET. The transfers will be processed once final completion certificates and backup documentation are received from the DHET. The agreed completion date is January 2022</p> <p>DHET did not submit all the outstanding invoices to the NSF to capture. It was agreed a monthly meeting between the NSF and DHET take place to resolve issues. NSF to perform a monthly reconciliation.</p>
<p>Infrastructure not accounted for according to GRAP21</p> <p>No COMAF issued by the AGSA</p>	<p>The accounting and fixed assets policy to be updated and submitted to the to DG for approval. Planned completion date; February 2022.</p>

8. AUDIT ACTION PLAN (Cont....)

DESCRIPTION OF FINDING	PROGRESS
<p>3 Accruals from non-exchange transactions COMAF 51, 24, 32, 34</p>	<p>The entries to be processed by January 2022 for the Q3 period for the entries and documentation on hand.</p> <p>Further processing of entries, once finance receives the outstanding documentation from SDI by end of February 2022</p>
<p>4 Trade and other receivables from non-exchange transactions COMAF 23</p>	<p>The entries to be processed by January 2022 for the Q3 period for the entries and documentation on hand.</p> <p>Further processing of entries, once finance receives the outstanding documentation from SDI by end of February 2022</p>

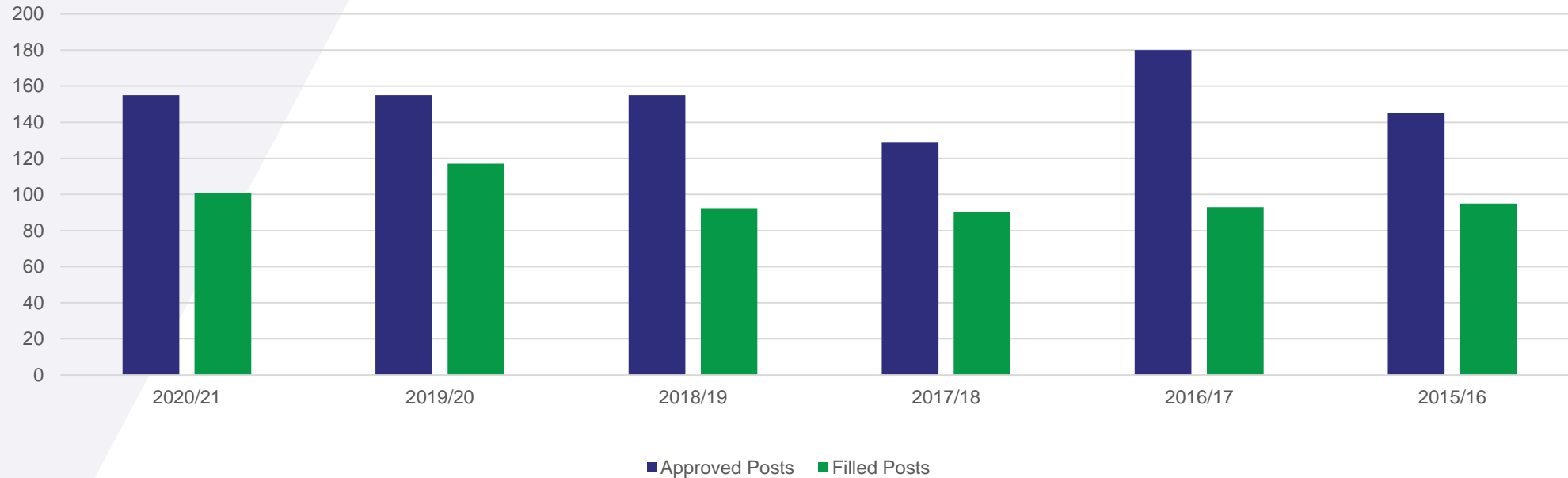
8. AUDIT ACTION PLAN (Cont....)

DESCRIPTION OF FINDING	PROGRESS
<p>5 Deferred expenditure related to skills development funding</p> <p>COMAF 46,33</p>	<p>The entries to be processed by January 2022 for the Q3 period for the entries and documentation on hand.</p> <p>Further processing of entries, once finance receives the outstanding documentation from SDI by end of February 2022</p>
<p>6 Provisions</p> <p>GRAP 19 requirements not met</p> <p>COMAF 30</p>	<p>Management disagrees with the finding. In August 2021, a submission was made to National Treasury for a technical opinion.</p> <p>Completion date: 30 November 2021.</p> <p>NSF awaits a response from NT.</p>
<p>7 Prior period errors corrected</p> <p>COMAF 23 and all above</p>	<p>The entries to be processed by January 2022 for the Q3 period for the entries and documentation on hand.</p> <p>Further processing of entries, once finance receives the outstanding documentation from SDI by end of February 2022</p>

9. Human Resource Management

9.1 Developing Adequate Human Capacity

Approved vs Filled Posts: 2015/16-2020/21



Staffing is crucial to ensure the strengthening of internal reviews and controls including the segregation of duties.

9.2 Developing Adequate Human Capacity (cont...)

54 posts submitted to the DHET HRM to be advertised during March 2021, following Ministerial approval for all funded vacant posts.

Three senior management positions were advertised on 29 and 31 January 2021 , namely; the Chief Financial Officer (CFO), Director: Fund Management and Director: ICT and Analytics.

Acting Chief Director: Skills Development Implementation was appointed following the resignation of the previous incumbent in January 2021.

Acting CFO was appointed in March 2021 through SAICA following the resignation of the CFO in December 2020.

Acting Director: Fund Management, a qualified internal resource, continues to fulfil the management of this function while the recruitment process is underway.

Interns have been appointed to offer some capacity while giving the young people workplace experience

10. OTHER INTERVENTIONS:

1. Improving Systems and Business Processes

- The Skills Development Funding Standard Operating Procedure (SOP) has been approved by the accounting authority.

SOP maps out the skills development funding process from strategic planning to initiation, implementation and evaluation.

- The piloting of the Microsoft Dynamics Skills Development Provider Application (MS Dynamics SDP App) commenced in the 2020/21 financial year.
- Implementation of the SDP App to centralise records and store project performance information and support documentation

Once fully operational, the system is intended to integrate all NSF functions from initiation to the funding of skills development projects into the financial and performance reporting functions to enable improvement in effective and efficient monitoring and reporting on funded skills initiatives.



10. OTHER INTERVENTIONS:

2. Loss Control Function

- NSF Director: Legal, Governance, Risk and Compliance nominated to head the loss control function and appointed in 2020/21.
- NSF Directorate: Internal Audit is assisting with conducting independent determination tests and investigations on irregular and fruitless expenditure and to provide reports to the loss control function for further processing based on the recommendations provided.

ADDITIONAL CONTROLS INSTITUTED

Issued NSF Finance Internal Circular 2 of 2020/21 outlining additional controls:

- Additional prescripts related to thresholds to be included in RFQs and ToRs.
- Declarations to be signed by NSF officials and service providers prior to issuing the order for them to acknowledge the thresholds.
- Increased monitoring of open orders vs actual expenditure by NSF SCM to ensure business continuity, without resulting in over expenditure on orders.

10. OTHER INTERVENTIONS:

3. Managing Risks and Ensuring Compliance

- The accounting authority approved key policies in 2020/21 to address the lack of reporting by some funded initiatives, namely:
 - Compliance Policy
 - Restricting of Defaulting SDPs Policy
 - SOP to Non-compliance with the Provision of the Memorandum of Agreement
- A combined QUALITY assurance framework to be developed.

These policy efforts are earmarked to assist the NSF to arrest or recoup funds from non-compliant SDPs in a systematic manner, including legal action and blacklisting.



11. UPDATE ON THE MINISTERIAL TASK TEAM (MTT)

- The Minister appointed a task team to perform a strategic review of the NSF
- The MTT was extensively briefed and will complete its task in the next 6 month, approximately.
- To date it has interacted with all Business Units of the NSF, the Acting Executive Office and related DHET Branches (TVET, Office of the CFO, Corporate Services).
- The MTT will also engage the Director General of the DHET.
- Externally it has interacted with the National Skills Fund (NSF), The Department of Science and Innovation (DSI), and The Presidency,
- Further external stakeholder and interested parties consultation is ongoing.
- In loco inspections have been carried out at selected TVET college sites in Eastern Cape and KwaZulu-Natal provinces to determine the substance of the funded project work carried out.
- Other TVET colleges are still to be visited in the remaining provinces.

12. UPDATE ON THE FORENSIC INVESTIGATION ON SKILLS DEVELOPMENT EXPENDITURE INCURRED IN 2019/20 FINANCIAL YEAR

The approach of the forensic investigation took an approach of interviewing certain NSF personnel (Finance, Skills Development Implementation, Fund Management), collecting documents related to projects, visiting project site, interviewing certain SDPs and at some stage consultations with the AGSA office for information.

The following 10 projects are currently under investigation

- 1 The Centre for Education Policy Development “CEPD” -
- 2 Rubicon Communication CC
- 3 Emanzini Staffing Solutions
- 4 ADA Holdings
 - (Ingewe TVET College) – NSF/16/3/2/2
 - Lusikisiki / Bizana – NSF/16/1/2/3
- 5 Dithibe Trading Enterprise
- 6 Dzunde Farming – Rural Development
- 7 Yikhonolakho Woman and Youth Primary Co-operative Limited
- 8 Ekurhuleni West TVET College
- 9 DSPP – Port Elizabeth TVET College
- 10 Passionate about People – NSF/16/1/3/12 & 16

11. UPDATE ON THE FORENSIC INVESTIGATION ON SKILLS DEVELOPMENT EXPENDITURE INCURRED IN 2019/20 FINANCIAL YEAR (Cont...)

There is outstanding information for the following projects:

- 1 Emanzini Staffing Solutions -some invoices are still outstanding
- 2 ADA Holdings Outstanding documentation from the SDP
 - (Ingewe TVET College) – NSF/16/3/2/2
 - Lusikisiki / Bizana – NSF/16/1/2/3
- 3 Dithibe Trading Enterprise – Some invoices are still outstanding
- 4 Dzunde Farming – Rural Development – Outstanding documentation from the SDP
- 5 Passionate about People – NSF/16/1/3/12 & 16 – some information is still outstanding

11. UPDATE ON THE FORENSIC INVESTIGATION ON SKILLS DEVELOPMENT EXPENDITURE INCURRED IN 2019/20 FINANCIAL YEAR (CONT...)

The investigators are currently working on the following 5 projects.

- 1 The Centre for Education Policy Development “CEPD” -
- 2 Rubicon Communication CC
- 3 Yikhonolakho Woman and Youth Primary Co-operative Limited
- 8 Ekurhuleni West TVET College
- 9 DSPP – Port Elizabeth TVET College

It is envisaged that a preliminary report will be issued on the 15 November 2021 and a final report by 30 January 2022.



higher education & training

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REPUBLIC OF SOUTH AFRICA

