Budgetary Review and Recommendation Report of the Portfolio Committee on Higher Education, Science and Innovation on the 2020/21 Annual Report Of The Department of Higher Education and Training and Entities, Dated 26 November 2021

The Portfolio Committee on Higher Education, Science and Innovation (hereinafter the Committee), having considered the 2020/21 financial and non-financial performance of the Department of Higher Education and Training (hereinafter the Department), National Student Financial Aid Scheme (NSFAS), Council on Higher Education (CHE), South African Qualifications Authority (SAQA), Quality Council for Trades and Occupations (QCTO), National Skills Fund (NSF) and Services Sector Education and Training Authority (SETA) reports as follows:

1. INTRODUCTION AND MANDATE OF THE COMMITTEE

1.1. Introduction and mandate of the Committee

The National Assembly (NA) Committees are required in terms of Section 5 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009) to annually assess the performance of each national department, and to thereafter submit a Budgetary Review and Recommendation Report (BRRR), which will provide an assessment on the department's service delivery performance given available resources; an assessment on the effectiveness and efficiency of the department's use and allocation of available resources; and may include recommendations on the forward use of resources.

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

1.2. Purpose of the BRR Report

The purpose of this report is to account in accordance with Rule 339 of the Rules of the National Assembly for the work done by the Committee in considering the 2020/21 Annual Reports of the Department and entities which were tabled in accordance with Section 40 (1) of the PFMA; and as referred in terms of the National Assembly Rule 338 by the Speaker of the National Assembly to the Committee for consideration and reporting in terms of Rules 339 and 340, respectively.

1.3. Method

In considering the Annual Reports, the Committee had briefing sessions with the Auditor-General of South Africa (AGSA) on the 2020/21 audit outcomes of the Higher Education and Training Portfolio, including the Department, NSFAS, CHE, SAQA and QCTO on 10 November 2021 and the NSF and the Services SETA on 17 November 2021 on their 2020/21 Annual Reports.

2. RELEVANT POLICY FOCUS AREAS

2.1. National Development Plan (NDP)

The government has categorised education as one of the Apex priorities. The National Development Plan (NDP) recognises that the education system will play a greater role in building an inclusive society, providing equal opportunities and helping all South Africans to realise their full potential, in particular those previously disadvantaged by apartheid policies, namely, black people, women and people with disabilities. The NDP identifies the decent work, education and capacity of the state as particularly important priorities. For post-school education and training (PSET) sector, the NDP envisages that by 2030, South Africans should have access to education and training of the highest quality. The education, training and innovation system should cater for different needs and produce highly skilled individuals; and graduates of the post-school system should have adequate skills and knowledge to meet the current and future needs of the economy and society.

2.2. White Paper for Post-School Education and Training

The White Paper articulates a vision for an integrated system of post-school education and training, with all institutions playing their role as parts of a coherent but differentiated system. The White Paper sets out strategies to expand the current provision of education and training in South Africa, to improve its quality, to integrate the various strands of the post-school system. Interventions are set in the White Paper for implementation by different sectors of the Post-School Education and Training. Flowing from the White Paper, the Department has developed a Draft National Plan for Post School Education and Training, which will be an implementation plan with measurable targets for each sub-system of the sector. The main policy objectives are:

- A post-school system that can assist in building a fair, equitable, non-racial, non-sexist and democratic South Africa;
- A single, coordinated post-school education and training system, expanded access, improved quality and increased diversity of provision; and
- A post-school education and training that is responsive to the needs of individual citizens, employers in both public sectors, as well as broader societal and development objectives.

The WP-PSET commits the Quality Assurance Councils, including the South African Qualifications Authority (SAQA), to ensure that there are no dead ends within the post-school education and training system. It further states that articulation should be both vertical in terms of moving to higher levels of the National Qualifications Framework (NQF) and horizontal, catering for movement from, a vocational stream to an academic one or vice versa.

2.3. 2019 – 2024 Medium Term Strategic Framework (MTSF)

In 2019, the new Administration identified seven priorities derived from its electoral mandate and the 2019 State of the Nation Address (SONA) to focus its interventions for the 2019 – 2024 MTSF period. The 2019 – 2024 MTSF is a five-year strategic plan of government and forms the second five-year implementation phase of the NDP. The post-school education and training (PSET) sector contributes to Priority 3: Education, Skills and Health. This priority contributes to pillar 2 of the NDP pillars, which is Capabilities of South Africans.

2020/21 was the first year of implementation of the new 5-year MTSF. The work of the Department of Higher Education and Training during the 2020/21 financial year was informed by the five Outcomes mentioned below. These are:

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

2.4. National Skills Development Plan (NSDP)

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

- Outcome 1: Identify and increase production of occupations in high demand;
- Outcome 2: Link education and the workplace;
- Outcome 3: Improve the level of skills in the South African workforce;
- Outcome 4: Increase access to occupationally directed programmes;
- Outcome 5: Support the growth of the public college system;
- Outcome 6: Skills development support for entrepreneurship and cooperative development;
- Outcome 7: Encourage and support worker-initiated training; and
- Outcome 8: Support career development services.

2.5. 2020 State of the Nation Address (SONA)

The President's February 2020 SONA's key focus was on inclusive growth and addressed critical priorities for Post-School Education and Training (PSET) sector. These included, youth employment through appropriate skills development and capabilities, curriculum development, student accommodation and the establishment of two universities and nine Technical and Vocational Education and Training (TVET) colleges.

- Education and skills remain key priorities;
- Youth employment through appropriate skills development and capabilities;
- Curriculum development to address the need of critical skills for future work;
- Expanding student accommodation initiatives, especially in the TVET sector;
- Investing in skills and infrastructure, by establishing a new University of Science and Innovation in Ekurhuleni that will be focussed on high-impact and cutting-edge technological innovation for current and future industries;
- The establishment of two universities; and
- The establishment of nine TVET college campuses.

3. RESPONSE TO THE PREVIOUS FINANCIAL YEAR RECOMMENDATIONS OF THE PORTFOLIO COMMITTEE AND THE SELECTED 2021/22 BUDGET VOTE 17 REPORT RECOMMENDATIONS

3.1. 2020 Budgetary Review and Recommendations Report

The Minister of Finance responded, in the National Treasury's 2020 Budget Review to the recommendations of the Committee's 2020 Budgetary Review and Recommendation Report as follows:

In accordance with section 7(4) of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), which provides the following:

"The Minister must submit a report to the House at the same time as tabling the Bills referred to in subsections (1) and (3), explaining how the Division of Revenue Bill and the national budget give effect to, or the reasons for not considering, the recommendations contained in the reports referred to in section 5(2), 6(7) and 6(12). Accordingly, the Report of the Minister of Finance was tabled to Parliament. The Minister has responded to some of the recommendations of the Committee as contained in the 2020 BRR Report as follows:

3.1.1. The Committee recommended that the Department of Higher Education and Training should engage the National Treasury with respect to the need for additional baseline funding to support the Community Education and Training (CET) programme to fulfil its mandate and to address infrastructure-related challenges.

- **Minister of Finance's response**: The National Treasury agrees that the programme may be supported in this regard, the Department has been working to identify the funds that can be reprioritised within its budget.
    - The committee noted the response of the National Treasury on the reprioritisation of funds within the Department's current baseline funding. The Committee was concerned that the Department's budget had been reprioritised to support related spending as well as the reprioritisation towards catering for the shortfall in the NSFAS funding. The current budget of the Department cannot be reprioritised further. Any further reprioritisation would exacerbate the underfunding pressures currently experienced. The Committee was of the view that considering the growing youth unemployment, the National Treasury should reconsider its stance and provide additional funding for the CET sector, to introduce new programmes as proposed by the MTSF to draw in a lot of unemployed youth to the training programmes in the CET sector. The Department has not achieved the headcount enrolment target at the CET colleges since the establishment of the programme in 2016. The Department ascribed the under achievement during the year under review to inappropriate infrastructure to enable colleges to offer programmes that are attractive to adults and the youth.

3.1.2. The Committee recommended that consideration for additional funding to the Council on Higher Education should be made, given that the conformed R25 million has been withdrawn and the planned activities would have to be scaled down due to funding constraints.

- **Minister of Finance's response:** The National Treasury agrees that the council needs additional funding to fulfil its expanded mandate. Over the 2021 medium-term expenditure framework (MTEF) period, the Department of Higher Education and Training will increase its transfer to the council by R60 million, made up of R16 million in 2021/22, R19 million in 2022/23 and R25 million in 2023/24. These funds will be used for goods and services to implement the mandate of the council. The Treasury's positive response and commitment for additional funding towards the CHE in the 2021/22 MTEF period was welcomed. Whether the Department can assure the Department that the projected additional allocation for the CHE amounting to R19 million and R25 million in 2022/23 and 2023/24 will be allocated.

3.1.3. The Committee recommended that the Minister of Higher Education, Science and Innovation should further engage with the South African Qualifications Authority (SAQA) so that a solution can be found to avoid the looming retrenchments of 71 employees. Furthermore, funding should be provided to the SAQA to enable it to buy time to implement its planned strategies that will sustain the entity going forward.

- **Minister of Finance's response:** The Department of Higher Education and Training will reprioritise funds within its baseline to increase the transfer to SAQA by R5 million in 2021/22. This will offset the decline in SAQA revenue collections due to reduced activities because of COVID-19 restrictions. The Committee noted the positive response to make additional funding available to the SAQA to ensure that the entity remained operational is welcomed. However, the reprioritisation of the Department's current baseline budget was unsustainable and would adversely affected some of its functions.

3.2. 2021/22 Committee Budget Vote 17 Report

Summary of the selected 2021/22 Committee Budget Vote 17 Report Recommendations

The Committee considered the Revised 2020/21 – 2024/25 Strategic Plan, and 2021/22 Annual Performance Plan (APP) and budget of the Department of Higher Education and Training and recommended, amongst others, the following:

3.2.1. The Department should proceed with caution in the amending of the NQF considering that the pending proclamation of the NQF Act Amendment Act of 2019. This would ensure that there is no instability in the sector.

3.2.2. The Department considers reviewing the NSFAS Act, 1999 (Act No. 56 of 1999), considering that the introduction of fee-free higher education and the shift from loans to grants, including strengthening governing structures.

3.2.3. The Department should engage with National Treasury regarding the declining subsidies to universities. Universities need financial support to maintain and support their core business in achieving the system MTSF targets.

3.2.4. The capacity of TVET colleges to roll-out infrastructure projects should be improved to avert the underspending on infrastructure grants in this sector.

3.2.5. The Minister should expedite the appointment of the four members of the QCTO Council.

3.2.6. The new NSFAS leadership should focus on rectifying the inefficiencies that had been hindering the Entity's ability to deliver on its mandate. The NSFAS should be in a position to fund the correct eligible student at the right time.

3.2.7. The SAQA considers leasing parts of its building to tenants with the objective of generating more revenue to meet its expenses.

3.3. Overview and assessment of the Department's 2020/21 financial performance

3.3.1. Overview and assessment of the 2020/21 budget and expenditure

Table 1: 2020/21 budget allocation and expenditure

APPROPRIATION PER PROGRAMME	FINAL APPROPRIATION R'000	ACTUAL EXPENDITURE R'000	VARIANCE R'000	% SPENT
Administration	412 182	399 408	12 774	96.9%
Planning, Policy and Strategy	195 127	191 324	3 803	98.1%
University Education	78 363 458	78 357 339	6 119	100.0%
Technical and Vocational Education and Training	12 597 150	12 472 671	124 479	99.0%
Skills Development	275 104	273 745	1 359	99.5%
Community Education and Training	2 251 923	2 002 992	248 931	88.9%
Total: Departmental Voted Funds	**94 094 944**	**93 697 479**	**397 465**	**99.6%**

Statistical Appropriation (National Skills Fund and SETAs	**12 412 974** 12 412 974	**12 412 974** 12 412 974	**-** -	**100.0%** 100.0%
Total	**106 507 918**	**106 110 453**	**397 465**	**99.6%**

Source: DHET (2020) Annual Report

For the 2020/21 financial year, the Department's original appropriation tabled in February 2020, including direct charges amounted to R116.85 billion, made up of R97.4 billion from voted funds and R19,44 billion from direct charges against the National Revenue Fund. The budget of the Department was adjusted downwards to R107,0 billion during the Special Adjusted Estimates, tabled in June 2020 to reprioritise funds towards responding to the COVID-19 pandemic. Consequently, the original allocation decreased by R9,85 billion, made up of R1,73 billion from voted funds and R8,12 billion from direct charges. Voted funds decreased from R97.44 billion to R95.70 billion and Direct charges decreased from R19.41 billion to R11.29 billion. The Department's allocation, excluding direct charges further decreased to R94,09 billion in the Adjusted Estimates during the Medium Term Budget Policy Statement (MTBPS), tabled in November 2020, due to significant and unforeseen economic and financial challenges. Similarly, allocation from direct charges further decreased by R1,11 billion in the Adjusted Estimates for 2020/21.

The Department's 2020/21 final appropriation amounted to R106,50 billion, (R94,09 billion from voted funds and R12,41 billion direct charges). The Department had spent R106,11 billion or 99.6% of the allocated funds at the end of the financial year. Underspending, excluding direct charges amounted to R397,46 million or 0.4% (R227,25 million in 2019/20) from the voted funds. The under-expenditure, however, has not negatively impacted the Department's programmes and service delivery processes. Programmes 4: TVET and 6: CET had a combined underspending amounting to R374,41 million, representing 93,9% of the total underspending on voted funds.

The bulk of the underspending amounting to R350,24 million or 88% (R101,85 million in 2019/20) of the total underspending was on compensation of employees. Underspending on the Departmental Operations amounting to R45,11 million (R108,70 million), which constituted the second largest underspending, followed by R1,98 million other transfers.

3.3.2. Expenditure estimates per economic classification

Table 2: 2020/21 allocation and expenditure per economic classification

APPROPRIATION PER ECONOMIC CLASSIFICATION	FINAL APPROPRIATION R'000	ACTUAL EXPENDITURE R'000	VARIANCE R'000	% SPENT
Current payments	**10 008 990**	**9 619 766**	**389 224**	**96.1%**
Compensation of employees	9 573	9 223 233	350 240	96.3%
Goods and services	435 517	396 533	38 984	91.0%
Transfers and subsidies	**96 480 472**	**96 478 361**	**2 111**	**100.0%**

Payments for capital assets	**12 275**	**6 145**	**6 130**	**50.1%**
Payment for financial assets	**6 181**	**6 181**	**-**	**100.0%**
Total	**106 507 918**	**106 110 453**	**397 465**	**99.6%**

Source: DHET (2020/21) Annual Report

During the 2020/21 financial year, the Department had spent R9,22 billion or 96.3% on compensation of employees against the available budget of R9,57 billion, recording an underspending amounting to R350,24 million or 3.7%. Underspending on compensation of employees, increased exponentially from R108,85 million in 2019/20 to R350,24 million in 2020/21. The increase in the underspending was ascribed to unspent funds related to vacant posts in the Department posts on the staff establishment of the Department were not filled timeously, as projected.

In terms of goods and services, the Department had spent 91.0% (R396,53 million) against the budget of R435,51 million. The Department recorded an underspending amounting to R38,98 million, which was attributed to lower spending on administrative items. TVET College Examinations for April and June 2020 were not undertaken due to COVID-19 regulations and the Department received no claims for Community Education and Training (CET) remuneration, as well as examiners or moderators in relation to the February and March 2020 examinations, as projected. The high cost drivers in goods and services were computer services (R114,26 million), operating leases (R91,66 million), travel and subsistence (R65,58 million), operating payments (R32,58 million) and training and development (R21,52 million).

The Department spent R96,478 billion or 100.0% in transfers and subsidies against a budget of R96,480 billion, recording an underspending of R2,11 million (R4,10 million in 2019/20). For the year under review, expenditure on payment for capital assets amounted to R6,14 million or 50.1% against the budget of R12,27 million, recording an under the expenditure of R6,13 million.

Virements were applied within the Department's budget amounting to R62,53 million, which increased significantly by R38,05 million from R24,48 million in 2019/20. Virements were applied from two programmes as follows: TVET: R9.99 million to Administration, R6,09 million to Planning, Policy and Strategy, R38,97 million to University Education and from Skills Development: R2,94 million to University Education and R4,52 million to CET. The Department reported that the need for the virement to Programme 1: Administration was mainly required to finance excess expenditure on Office Accommodation. Virement to Programme 2: Planning, Policy and Strategy was mainly to fund an increase in the transfer to Universities South Africa (for use by Higher Health), virement to Programme 3: University Education was to fund the budget shortfall of the NSFAS, while virement to Programme 6: Community Education and Training mainly due to fund a budget shortfall for the write off fruitless and wasteful expenditure. Funds that were shifted from goods and services, as well as machinery and equipment were mainly realised on slower than expected operational expenditure in relation to various functions of the Department, due to COVID-19 regulations. Savings on compensation of employees were mainly due to posts on the staff establishment of the Department that could not be filled as projected and concomitant savings resulting there-from.

- **Programme 1: Administration**

The purpose of this Programme is to provide strategic leadership, management and support services to the Department.

The programme's 2020/21 final appropriation amounted to R412,18 million (R447,24 million in 2019/20). Expenditure at the end of the year amounted to R399,40 million or 96.9% against the available budget, with lower than projected spending amounting to R12,77 million. Underspending on compensation of employees and goods and services amounted to R9,84 million and R1,72 million, respectively. The bulk of the underspending was incurred in three sub-programmes as follows: Office of the Chief Financial Officer: R5,19 million followed by Corporate Management Services: R3,63 million and Departmental Management: R3,35 million.

- **Programme 2: Planning, Policy and Strategy**

The purpose of the Programme is to provide strategic direction in the development, implementation and monitoring of Departmental policies and the Human Resource Development Strategy for South Africa.

The programme's 2020/21 final appropriation amounted to R195,12 million (R181,65 million in 2019/20). Expenditure at the end of the year amounted to R191,32 million or 98.1% against the available budget, with lower than projected spending of R3,80 million. Underspending on compensation of employees and goods and services amounted to R1,36 million and R1,74 million, respectively. The lower than projected spending on transfers and subsidies was ascribed to a favourable Rand/Euro exchange rate was evident when payments were made to the Commonwealth of Learning.

- **Programme 3: University Education**

The Programme develops and coordinate the policy- and regulatory framework for an effective and efficient university education system.

The programme received a final appropriation amounting to R78,36 billion for the 2020/21 financial year. Expenditure at the end of the year amounted to R78,35 billion or 100.0% of the available budget, with lower than projected spending of R6,11 million. The bulk of the underspending amounting to R3,50 million and R1,86 million was recorded on compensation of employees and goods and services, respectively.

- **Programme 4: Technical and Vocational Education and Training**

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

The programme's 2020/21 final appropriation amounted to R12,59 billion (R12,63 billion in 2019/20). Expenditure at the end of the year amounted to R12,47 billion or 99.0% against the available budget, with lower than projected spending amounting to R124,47 million. The bulk of the underspending at R65,64 million was incurred in sub-programme 4: National Examinations and Assessment. TVET College Examinations for April and June 2020 were not undertaken due to COVID-19 regulations. The second-largest underspending amounting to R54,61 million was recorded in sub-programme 6: Regional Offices. Underspending on compensation of employees and goods and services amounted to R88,39 million and R32,43 million, respectively.

- **Programme 5: Skills Development**

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

The programme's total appropriation for the 2020/21 financial year amounted to R275,10 million (R295,41 million). Expenditure at the of the year amounted to R273,74 million or 99.5% of the available budget, recording lower than projected spending of R1,35 million. The bulk of the underspending amounting to R791 000 was recorded on current payments (R376 000 on compensation of employees and R415 000 on goods and services), followed by R489 000 in payments for capital assets.

- **Programme 6: Community Education and Training**

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

The programme's 2020/21 final appropriation amounted to R2,25 billion (R2,12 billion in 2019/20). Expenditure at the end of the year amounted to R2,00 billion or 88.0% against the available budget, with lower than projected spending amounting to R248,93 million. The bulk of the underspending amounting to R247,05 million was incurred in sub-programme 2: Community Education and Training Colleges System Planning, Institutional Development and Support, followed by sub-programme 4: Education, Training and Development Assessment at R1,05 million. Underspending on compensation of employees amounted to R246,75 million.

3.3.3. Irregular, wasteful, fruitless and unauthorised expenditure incurred in the 2020/21 financial year

During the 2020/21 financial year, the Department incurred irregular expenditure amounting to R10,674 million. Of this irregular expenditure, R1,065 million (three incidents: R723 000, R150 000 and R192 000) were incurred due to correct procurement procedures were not followed; R6,545 million was due to appointments not in line with Public Services Regulations and R3,064 million due to appointments not in line with State Attorneys Act.

It was reported in the Annual Report that the disciplinary steps taken/criminal proceedings were under determination. During the consideration of the 2020/21 fourth-quarter performance of the Department on 25 August 2021, it was stated that no cases were referred to the Department's Internal Audit Unit for investigating irregular, fruitless and wasteful expenditure during the reporting period.

3.3.4. Overview and assessment of the Department's programme performance for the 2020/21 financial year

3.3.4.1. Overview of overall programme performance

The Department's Programmes, with their related achievement against the performance targets for the 2020/21 financial year, are shown in Table 3.

Table 3: The Department's programme performance for the 2020/21 financial year

PROGRAMMES	APP Targets 2020/21	Achieved	Not Achieved	% Achieved	% Budget Spent
1. Administration	7	4	3	57%	99.9%
2. Planning, Policy and Strategy	12	8	4	67%	98.1%
3. University Education	23	21	2	91%	100.0%
4. Technical and Vocational Education and Training	19	13	9	68%	99.0%
5. Skills Development	11	6	4	56%	99.5%
6. Community Education and Training	14	8	6	57%	88.9%
Total	**86**	**60**	**26**	**70%**	**99.6%**
2019/20				**78%**	**99.8%**

For the 2020/21 financial year, the Department's total consolidated predetermined targets were 118. Of this, 86 were the Departmental direct outputs and 29 system targets under four delivery budget programme, namely, University Education, TVET, and Skills Development and CET. The Department achieved 60 of 86 direct outputs, translating into 70% achievement (78% in 2019/20). Noticeably, the Department's performance on direct output decreased by 8%. The Department achieved 11 out of the 32 system targets, translating into 34% achievement (59% in 2019/20). Performance on the system targets has regressed significantly compared to 2019/20. Of concern to note is that programme 5: Skills

Development has not achieved all the MTSF related targets. Programmes 3 and 4, University Education and TVET have also recorded a significant decline in their system targets performance compared to 2019/20.

Programme 1: Administration

The purpose of this programme is to provide strategic leadership, management and support services to the Department. The programme had seven (7) targets for 2020/21, of which four (57%) were achieved.

Selected key achievements on direct outputs

- The Demand and Procurement plan for 2021/22 was approved.
- It took the Department an average of 136 days to fill advertised posts, against the target of 150.
- The Department received an unqualified audit opinion from the Auditor-General of South Africa. It is should be noted that the Department had been receiving unqualified audit opinions with findings from the AGSA, since its establishment.

Selected direct output targets that were not achieved

- Percentage of disciplinary cases resolved within 90 days (100%). The achievement was 79%. The underperformance was attributed to delays due to the COVID-19 lockdown restrictions. During the consideration of the Department's 2020/21 Fourth-Quarter performance on 25 August 2021, the Department reported that Presiding Officers withdrew themselves from the proceedings and new appointments were effected. The Presiding Officers were delayed in issuing findings and outcome reports.
- Percentage of valid invoices received from creditors paid within 30 days (100%). The Department ascribed the reasons for the deviation to faulty email migrations causing backlogs, a lack of resources to facilitate remote performance by staff members from their homes (as a result of the COVID-19 pandemic), staff members contracting the COVID-19 virus resulting in protracted periods of staff isolation, invoice discrepancies and faulty information management systems.
- 100% investigations on irregular, fruitless and wasteful expenditure concluded within 90 days. The Department reported that no investigations were concluded. On 25 August 2021, during the consideration of the 2020/21 Fourth-Quarter performance report, it was reported that no cases were received by the Department's Internal Audit Unit for the investigations of irregular, fruitless and wasteful expenditure during the reporting period.

The Department reported that it was experiencing various capacity constraints, and that many of these were linked to delays in implementing the currently approved staff establishment and the filling of funded vacant positions across the Department. As a result, the key delivery branches (University Education, TVET, Skills Development and CET) had difficulty ensuring the delivery of all critical services. Additionally, the limited administrative base-line funding of the Department has placed a burden on the effective delivery of some services and the performance of critical tasks. The Department further noted that some functions such as Career Development Services (CDS) and the National Artisan Moderating Body (NAMB) also relied on the National Skills Fund (NSF) support.

The Department also reported vacancy rates of 38.4% and 32.9% for salary bands 13-16 and 3-5, respectively.

Programme 2: Planning, Policy and Strategy

The programme provides strategic direction in the development, implementation and monitoring of departmental policies and the Human Resource Development Strategy for South Africa. For the period under review, the programme had 12 targets. The programme achieved eight or 67% of the 12 targets. The programme regressed by 22% from 89% in 2019/20.

Selected key achievements on direct outputs

- The DG approved a Strategy for expanding online learning in the PSET, a report on the recommendations and proposed amendments to the Recognition of Prior Learning Coordination Policy and a Model for programme articulation of TVET college programmes into University programmes.
- Statistics on PSET and PSET monitoring reports were submitted and approved by the DG.
- A policy on accommodation strategy was developed and approved by the Minister.

Selected direct output targets that were not achieved

- Sign at least two new agreements for international scholarships. The Department reported that one international scholarship agreement was signed between South Africa and France. An MOU with the Hungarian Government will be signed during 2021/22.
- Approve the National Qualifications Framework (NQF) Amendment Bill for public comments. It was noted that the NQF Amendment Bill was not approved by the Minister as planned. The 2019 NQF Amendment Act has not yet come into operation, it would therefore be pointless to publish a second draft Amendment Bill for public comment when the first is not yet in operation.
- Approve a conceptual framework on integrated planning for the PSET system. The Department reported that a conceptual note and desktop assessment of the current state of planning in the sector was undertaken and submitted to the DG. The Integrated Planning Framework (IPF) development was to be based on final approval by the Minister by end of the financial year under review.

Programme 3: University Education

The programme develops and coordinates policy and regulatory frameworks for an effective and efficient university education system and to provide financial and other support to universities, the National Student Financial Aid Scheme, the Council on Higher Education and national institutes for higher education.

The programme’s total consolidated targets for the period under review was 37, comprised 23 direct outputs targets and 14 system targets. The programme achieved 21 or 91% and 6 or 43% of direct outputs and system targets, respectively. The programme performance on the system target regressed significantly from 75% in 2019/20 to 43% in 2020/21, while a marginal increase of one percent was recorded in the performance of direct output targets.

Selected key achievements on direct outputs

- The programme developed a framework for monitoring annual enrolment targets and was approved by the Minister; draft norms and standards for PSET student housing were approved by the Minister for public comments; Historically Disadvantaged Institutions (HDI) Development Framework was approved by the Minister and the updated Imbali Education Precinct Development Plan was submitted to the Minister.
- Hundred (100) new Generation of Academics Programme (nGAP) lecturer posts were allocated to 24 universities; a report on the evaluation of creative and innovation outputs by public universities was approved by the DG; a report on the compliance of the public higher education institutions to the regulations was approved by the DG and a report on the implementation of the international scholarships Programme was developed and approved by the DG.
- In terms of system targets, the Department did not achieve the following:

Targets not achieved

- Updated guidelines of the bursary scheme for poor and working-class students at public universities submitted to the Minister for approval. The Department reported that the reduced 2021 MTEF allocation meant that the guidelines could not be finalised until the funding issues were resolved.
- Six public universities and nine TVET colleges utilising Central Applications System (CAS) by 31 March 2021. Only two universities, Sefako Makgatho University (SMU) and the University of Limpopo (UL) agreed to participate in the pilot project. The Department reported that six pilot universities and 18 colleges requested an extension for sign-off between April and June 2021.

Selected performance against the MSTF targets

- Number (13 400) of graduates in engineering annually, (achieved 13 714);
- Number (9 020) of graduates in natural and physical sciences annually, (achieved 9 121);
- Number (2) of universities offering accredited TVET college lecturer qualifications, (achieved 9).

Targets not achieved:

- Number (1 08 000) of student enrolments at public universities annually, (achieved 1 074 912). The Department stated that universities were permitted to move within a 2% deviation. However, due to the University of South Africa (UNISA) not enabling registrations on qualifications not registered on the NQF they did not meet their targets.
- Number (395 591) of university students receiving funding through NSFAS bursaries annually. The programme achieved 393 767.
- Number (229 000) of students completing a university qualification annually, (achieved 221 942) and number (11 000) of human and animal health sciences graduates annually, (achieved 10 780). The Department noted that the universities are permitted to move within a 2% deviation.

Programme 4: Technical and Vocational Education and Training

The programme aims to plan, develop, implement, monitor, maintain and evaluate national policy, programme assessment practices and systems for TVET colleges. It also provides financial and other support to TVET colleges and regional offices.

The programme had 30 targets, comprised of 19 direct outputs and 11 system targets. The programme achieved 13 or 68% of 19 direct outputs and four or 36% of 11 system targets. The programme recorded an increase of 39% performance on the direct outputs from 29% in 2019/20. However, performance on the system targets decreased by 8% from 44% in 2019/20.

Selected key achievements on direct outputs

- The DG approved the final three-year enrolment plan for the development of a three-year enrolment plan with differentiation in programme enrolment, which will inform the expansion of access within the TVET sector. The DG also approved a report with recommendations on the investigation of services offered to students with disabilities in TVET colleges, a draft Strategy to build the capacity of lecturers; infrastructure maintenance plans for 2021/22 for TVET colleges relating to 50% of all sites of delivery and managers and a plan for the establishment of entrepreneurship hubs in TVET colleges.

Selected direct output targets that were not achieved

- Approve a comprehensive proposal for the expansion of the TVET college system. The Department reported that the revised Terms of Reference (ToR) with the African Development Bank have been developed. However, the Memorandum of Agreement between the Department and the African Development Bank was not signed by both parties.

- Approve draft Governance Standards and Regulations for TVET College Councils. It was reported that the draft governance standards and regulations were developed, but not approved as planned. The Department reported that the State Advisor advised that the draft governance standards and regulations could not be promulgated as a regulation, thereby compelling TVET colleges to develop and adhere to the proposed Governance Standards and Regulations.
- Approve draft regulations to ensure the conduct of credible examinations. No regulations were developed following advice from the State Law Advisors, who advised that the Minister did not have the powers to develop regulations under current Continuing Education and Training Act.
- Five new or revised subject curricula for TVET colleges approved by the DG. The Department reported that at least five subjects were revised and the delay in the submission to the DG was to accommodate more subjects that are close to completion beyond the targeted five.

Selected performance against the MSTF targets

The programme exceeded targets in the following areas:

- Number (240 406) of TVET college students receiving funding through NSFAS bursaries. The target was exceeded by 49 012. It is commendable that the Department has exceeded this target for the 2018/19 and 2020/21 financial years, which is a commendable milestone towards the achievement of the 2024 MTSF.
- Number (65 761) of TVET college students completing N6 qualification annually, (achieved 113 393);
- Throughput rate (36%) of TVET National Certificate Vocational (NCV), (achieved 46.8%); and
- Number (3 500) of students enrolled in Pre-Vocational Learning Programme (PLP) to improve success, (achieved 3 597). The MTSF has committed the Department to increase the number of TVET students attending foundation courses, to improve the success and efficiency of the PSET system. It is commendable that there is an exponential increase in the number of students enrolled in the PLP.

The programme did not achieve all the system targets as follows:

- Number (680 000) of student enrolments at TVET college annually and the achievement was 673 490. The Department attributed the partial achievement to the funding of enrolment as outlined in the norms and standards for funding and colleges were receiving an allocation that was not fully covering all planned enrolment into the Ministerial approved programmes. It should be noted that this target has not been achieved in the previous MTSF period 2014 -2019.
- Number of Centres of Specialisation (COSs) established to support students with disabilities.
- Percentage (20) of TVET college lecturing staff appropriately placed in industry or in exchange programmes; and
- Number (200) of artisan learners trained in COS per annum.

Programme 5: Skills Development

The programme aims to promote and monitor the National Skills Development Strategy. Develop skills development policies and regulatory frameworks for an effective skills development system. for the period under review, the programme had a combined total of 11 targets, comprised of five direct outputs and six system targets. The programme achieved six of 11 (56%) of the targets. The programme recorded a significant regression in performance in terms of system targets.

Selected performance on direct outputs

- The Minister approved the 21 Sector Skills Plans (SSPs) aligned to the updated SSP Framework.

- The Director-General approved the revised Service Level Agreements (SLAs) with the SETAs, Sectoral Occupations in High Demand and Quarterly reports on the implementation of the National Skills Development Strategy (NSDS).

Selected performance against the MSTF targets

The programme did not achieve all the system targets as follows:

- Number (20 000) of learners entering artisan development programmes (achieved 10 302 or 52%);
- Annual number (100 000) of learners or students placed in workplace-based learning (WBL) programmes, (achieved 78 317 or 78%);
- Number (146 000) of learners registered in skills development programmes, (achieved 43 885 or 30%);
- Number of learners who completed learnerships, (achieved 24 136 (80%) against the target of 30 000); and
- Artisans found competent, (achieved 15 107 (80%) against the target of 19 000).

Programme 6: Community Education and Training

The purpose of this programme is to plan, develop, implement, monitor, maintain and evaluate national policy, programme assessment practices and systems for community education and training. It also provides financial and other support to the CET colleges. The programme had a total of 20 targets comprised 14 direct output targets and six system targets. The programme achieved eight of the 14 or 57% of the direct output targets and one of the six or 17% system targets. Programme performance on the direct outputs has regressed significantly by 43%, from 100% in 2019/20, while performance on system targets increased slightly from zero percent in 2019/20 to 17% in 2020/21.

Selected key achievements

- The programme got the Advocacy Strategy for CET Colleges approved by the DG on 11 March 2021. The programme had for many years not achieved its target on the number of students enrolled at the CET colleges. A reason cited as a causal factor in the underperformance was the contributory cause as reported by the Department was poor advocacy to attract students to CET colleges. It is commendable that the Advocacy Strategy was finally approved. The Committee would monitor progress regarding the implementation of the Strategy. The Committee noted that other challenges that the Department has not indicated how they will be resolved. The Department has reported in the 2019/20 Annual Report that the CET target on headcount enrolment in CET colleges was not achieved due to the following: poor planning at college level - colleges did not provide centres with enrolment targets, the usage of varied admission tools compromised enrolment data storage and hampered proper reporting, poor return rate of reporting tools – only 56% of Community Learning Centres (CLCs) submitted their enrolment data for 2019/20 and limited infrastructure.

  Notwithstanding the approval of the Advocacy Strategy to address under enrolment, were other challenges that contributed to low enrolments in the CET sector over the past years that the Department has not indicated how they resolved them. Advocacy Strategy alone would not address the issue of the attractiveness of the CET sector, poor planning by colleges, poor return rate of reporting, and limited infrastructure.

  The programme had Guidelines on the provision of open access to Learning and Teaching Support Materials (LTMS) for students in CET colleges and a report on capacity-building workshops conducted to capacitate centre managers, management and councils approved by the DG. One digital skills programme for the CET was approved.

Targets not achieved:

- An entrepreneurship programme in CET colleges approved. The Department reported that the programme has not yet been introduced in CET colleges. The impact of COVID-19 was cited as the reason for the delayed process in introducing the programme.
- Percentage (100%) of CET colleges compliance with the policy on the conduct and management of examination and assessments. The achievement was 99,5%.
- Number (1 220) CET college lecturers trained. No training tool was in place due to the negative impact of COVID-19 and lack of resources.
- Reports on teaching and learning improvement plans approved by the DG on 30 September 2020. A report was not developed due to monitoring of teaching and learning that could not be conducted due to national lockdown.

Selected performance against the MSTF targets

Targets not achieved as planned:

- Number of students enrolled at CET colleges. The programme achieved 171 409 of the planned 375 035. The underperformance was ascribed to inappropriate infrastructure to enable colleges to offer programmes that were attractive to adults and the youth.
- Number of CET college students completing the General Education and Training Certificate (GETC): Level 4 (221 028) and number of CET college students completing Grade 12 (96 384). Information was not readily available at the time of reporting.

3.4. Auditor-General South Africa (AGSA)'s Report on the performance of the Department of Higher Education and Training

For the 2020/21 financial year, the Department received an unqualified audit opinion from the AGSA with findings. The Auditor-General has for the past three consecutive financial years (2018/19, 2019/20 and 2020/21) made findings regarding the usefulness and reliability of reported performance information of programme 4: Technical and Vocational Education and Training. Findings included the inability to obtain sufficient appropriate audit evidence for the reported achievement of the targets.

For the year under review, the material findings on the usefulness and reliability of the reported performance information where in the following performance indicators: percentage of TVET college lecturers staff appropriately placed in industry or in exchange programmes; number of TVET college students completing NC(V) level 4 annually, number of TVET college students completing N6 qualification annually.

- **Adjustment of material misstatements**

For over three years, the AG identified material misstatements in the annual report submitted for auditing. The material misstatements were in the reported performance information of programme 4: TVET. Management corrected some misstatements. This pointed to inadequate oversight by the leadership of the Department over those who were tasked with the responsibility of reporting the predetermined objectives as well as related controls.

- **Procurement and contract management**

The AG noted that some goods and services with a transaction value above R500 000 were procured without inviting competitive bids contrary to Treasury regulation 16A6.1 and paragraph3.4.1 of Practice Note 8 of 2007/2008.

- **Internal control deficiencies**

The AG noted that the leadership of the Department did not exercise adequate oversight, specifically regarding reporting on the predetermined objectives and the related controls, resulting in material misstatements being identified during the audit. The AG further noted that the annual report was not adequately reviewed, therefore it contained numerous misstatements. There were significant shortcomings in the records management system used to maintain information to support the reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information. The Department did not have adequate systems to monitor compliance with all applicable legislation, resulting in non-compliance with legislation not being prevented and the Department incurring irregular expenditure.

The AG has not identified material irregularities.

4. ENTITIES OF THE DEPARTMENT OF HIGHER EDUCATION AND TRAINING

4.1. NATIONAL STUDENT FINANCIAL AID SCHEME (NSFAS)

The National Student Financial Aid Scheme was established in terms of the National Student Financial Aid Scheme Act, 1999 (Act No. 56 of 1999). Its main mandate is to provide loans and bursaries to eligible students, developing criteria and conditions for granting of loans and bursaries to eligible students in consultation with the Minister of Higher Education and Training. The entity's mandate is also to raise funds, recover loans, maintain and analyse its database, undertake research for better utilisation of financial resources and to advise the Minister on matters relating to financial aid for students.

The NDP commits NSFAS to support an increase in participation rates at Technical and Vocational Education and Training (TVET) Colleges and higher education institutions. It states that all students who qualify for the National Student Financial Aid Scheme should be provided with access to full funding through loans and bursaries to cover the costs of tuition, accommodation and other living expenses.

4.1.1. Overview and assessment of the NSFAS' 2020/21 service delivery performance

During the year under review, the NSFAS's two budget programmes, Administration and Core-Mandate had a combined 15 predetermined targets. The NSFAS achieved six or 40% against the 2020/21 annual performance plan targets, (36% in 2019/20). Summary of programme performance for 2020/21 is illustrated in Table: 4 below.

Table 4: The NSFAS's Programmes, with their related achievement against performance targets for the 2020/21 financial year

Programme	APP Targets 2019/20	Achieved	Not achieved	% Achievement
1. Administration	7	3	4	42.8%
2. Core-Mandate	8	3	5	37.5%
Overall Total	**15**	**6**	**9**	**40%**

Selected key achievements

Programme 1: Administration

- The entity produced and provided to the Minister, four Policy Advisory Briefs related to its mandate.
- The entity conducted 89 communication campaigns to increase its brand awareness.
- The entity achieved 100% of payments to institutions completed within 7 working days of receiving the approved disbursement file from operations.

Targets not achieved

- The entity did not achieve the unqualified opinion for the 2019/20 financial year. It had obtained a qualified opinion from the AG.
- Percentage employee turnover rate per year (less than 5%) was not achieved. Twenty-five (25) employees left the employ of the entity and their vacancies were not filled.
- Level of maturity with respect to cybersecurity maturity across all domains in the organisation per year (Level 1). The entity noted that a cyber-security assessment was conducted, and it revealed that the entity was exposed to a significant risk in cyber security due to the absence of an information security strategy that integrates technology, policies, processes and procedures.

Programme 2: Core-Mandate

Selected key achievements

- The entity funded 496 525 against the target of 427 852, exceeding the target by 68 674.
- The entity did not achieve the target to have 92.2% of funds for universities and 100% for TVET colleges, which were disbursed consistent with the NSFAS value proposition.

Targets not achieved

- The entity funded 270 476 qualifying NSFAS students funded in approved programmes at public TVET colleges against the target of 310 900. Due to an extension of the 2020 academic cycle due to COVID-19, Semester 1 and trimester 2 replaced the new intake of Semester 2 and Trimester 3. Due to the COVID-19 pandemic, there was no new intake for Semester 2 and Trimester 3. This was a sectorial decision.
- The total Rand value recovered and allocated to loan accounts annually amounted to R388,18 million, against the target of R800 million. The underperformance was ascribed to the ongoing pandemic that has negatively impacted the collections due to the impact on the economic environment; the high unemployment, which had a direct impact on collections, the failure to send statements to NSFAS debtors due to internal processes challenges.

4.1.2. Overview and assessment of the NSFAS’ 2020/21 budget and expenditure

The NSFAS’s 2020/21 total revenue amounted to R37,54 billion (R35,58 billion in 2019/20). The revenue increased by 5.4% from the 2019/20 revenue. Government grants for student awards, which increased by 7.3% or R2,65 billion (from R33,52 billion in 2019/20) continue to constitute the bulk of the entity’s revenue at 93.3%. Notably, revenue from exchange transactions decreased significantly by 40% or R670,03 million from R1, 68 billion in 2019/20. The entity had spent R37,61 billion against the available budget of R37,54 billion, resulting in a higher than projected spending amounting to R74,39 million. It was reported that the overspending was mainly due to the funding of the extension of the 2020 academic year to the first quarter of the 2021 academic year.

The Scheme had spent R5,64 billion on bursaries for students in TVET colleges and R31,47 billion on bursaries for students in universities. Spending on employee-related costs amounted to R216,77 million. Expenditure on expenses and consulting and professional fees amounted to R79,49 million and R33,79 million, respectively.

At the end of the financial year, the entity’s surplus amounted to R1,18 billion. The Entity’s total net assets amounted to R18,62 billion.

4.1.3. Irregular expenditure

The Scheme had disclosed a cumulative irregular expenditure amounting to R82,39 billion (Note 33 of the Financial Statements), comprised of a carry-over balance of R50,58 billion from the prior year and R33,77 billion incurred during the 2020/21 financial year. Irregular expenditure was due to:

- Non-compliance with the NSFAS Act, 1999 (Act No. 56 of 1999) as amended, Regulation1 of Regulations on Additional Functions Assigned to the NSFAS. The regulation requires that criteria for eligibility for financial aid must be published in the Gazette and become operative on publication. The Minister did not publish the eligibility criteria as required. The DHET has subsequently repealed the requirement for funding guidelines to be Gazetted.
- Non-compliant with section 17C of the NSFAS Act, 1999, as amended, which provides that "The Minister, with the approval of the Minister of Finance, may determine remuneration and allowances to be paid to the administrator and any other person appointed in terms of section 17B". The Minister did not obtain concurrence from the Minister of Finance in determining the remuneration and allowances of the administrator and his advisors as per section 17C of the Act.
- The shifting of funds earmarked for historic debt to general student funding without approval by the National Treasury.

The Scheme did not incur fruitless and wasteful expenditure.

4.1.4. 2020/21 audit outcomes

Audit opinion

The Scheme obtained an unqualified audit opinion with findings from the AG, which was an improvement from a qualified audit opinion received in the past three audit cycles (2017/18, 2018/19, 20219/20). The AG identified findings with the performance report of NSFAS on usefulness that the indicators were not well defined.

AGSA findings

Significant uncertainty: With reference to note 35 of the financial statement, the public entity has entered into contractual commitments to fund students for the duration of their qualification, as part of the student-centred model. These commitments resulted in a contingent liability of R126,2 billion at 31 March 2021 (2019-20: R111,2 billion) being disclosed in the financial statements as the entity would need to fund the students for the duration of their studies, subject to them meeting the promotion requirements.

Restatement of corresponding figures: As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2020 have been restated as a result of errors in the financial statements of the entity at, and for the year ended, 31 March 2021.

Material findings on usefulness and reliability of the reported information

- **Output indicator 4.2 – Percentage of funds disbursed consistent with the NSFAS value proposition per year:** The AG was unable to obtain sufficient appropriate audit evidence to support the reason for the variance between the planned target of 97% for university and TVET and the achievement of 98,2% for university and 100% for TVET reported in the annual performance report. This was due to limitations placed on the scope of the work and/or inconsistent methods of calculation for measuring the planned indicator. The AG was unable to confirm the reported reason for the variance by alternative means, consequently, was unable to determine whether any adjustments were required to the reported reason for the variance.
- **Output indicator 4.3 – Total rand value in funding administered, in addition to funding from the Department of Higher Education and Training (DHET) for financial aid annually:** The AG was unable to obtain sufficient appropriate audit evidence to support the reason for the variance between the planned target of R1,9 billion and the achievement of R1,7 billion reported in the annual performance report. This was due to the nature, level of performance and period of delivery not being clearly defined. The AG was unable to confirm the reported reason for the variance by alternative means, consequently, was unable to determine whether any adjustments were required to the reported reason for the variance.

- **Output indicator 4.4 – Total rand value recovered and allocated to loan accounts annually:** The achievement of R388 million was reported against a target of R800 million in the annual performance report. However, the supporting evidence provided did not agree with the reported achievement and materially differed from the reported achievement.

Annual financial statements: The AG noted that the financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. The AG identified material misstatements of non-current assets, current assets, non-current liabilities, current liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected and/or the supporting documents were provided subsequently, resulting in the financial statements receiving an unqualified opinion.

Internal control deficiencies: The entity did not develop and implement a credible action plan to address the root causes of the findings identified. This resulted in repeat findings on the financial statements and findings on the performance report, as well as continued material non-compliance with applicable laws and regulations. The entity did not have a reliable system to produce credible source information, and delegated personnel did not adequately review the underlying source information in support of the financial and performance reports to detect and correct errors, which resulted in a number of material misstatements that required correction. The chief financial officer (CFO) position was not permanently filled, which also contributed to the slow response by senior management to timeously detect and correct material misstatements in the financial statements submitted for auditing.

Material irregularities

The AG noted that in accordance with the amended Public Audit Act (PAA) and Material Irregularity Regulations, the AG has a responsibility to report on material irregularities identified during the audit.

- **Disbursement in excess of contract amount**

  The entity disbursed tuition fees and allowances to students above the maximum amounts stipulated in written agreements with the respective students. In some cases, this was due to the written agreements being incorrectly generated with erroneously low amounts, while in other cases this was because the entity disbursed more than the total cost of study for the students.

  The over-disbursements occurred in the 2017-18 financial year and continued until the 2020-21 financial year. Effective internal controls as required by section 51(1)(a)(i) of the PFMA were not in place to prevent the over-disbursements. The non-compliance was likely to result in a material financial loss if the over-disbursements were not recovered from students and tertiary institutions.

  By July 2021, the Entity had quantified the cumulative over-disbursements as at 31 March 2021 and was awaiting board approval to proceed with resolving each scenario. The proposed plan of action included issuing revised contracts and recovering disbursements above student cost of study from institutions.

- **Collection of money owed by tertiary institutions**

  The entity was owed money by tertiary institutions (universities and TVET colleges) for moneys not used by students due to students deregistering or being awarded bursaries from other donors, or due to disbursements exceeding the student's total cost of study. In such circumstances, the funds disbursed by the entity must be repaid. In the past, the institutions have declared the amounts as owing to the NSFAS through a process referred to as 'final reporting'. This process has not materialised for the vast majority of institutions for at least the past four financial reporting periods. The money was not declared by the respective institutions and was thus not recorded in the accounting records and collected by the entity.

The AG noted that the above resulted in non-compliance with section 51(1)(a)(i) of the PFMA. The period for which the final reporting was not completed is from 1 April 2017 to 31 March 2021. The non-compliance is likely to result in a material financial loss for the entity. The cumulative amount of undeclared credits recognised by the entity amounted to R2,42 billion as at 31 March 2021. The undeclared credits could be recovered from the relevant tertiary institutions.

- **Interest not charged on student loan accounts**

  The AG identified that NSFAS did not charge interest on students' loan accounts: The entity did not have up-to-date information for students who have graduated or exited institutions of higher learning. As a result, such students were flagged as students for many years, without interest being charged. Effective and appropriate steps to record and collect interest revenue were not taken as required by section 51(1)(b)(i) of the PFMA. The non-compliance is likely to result in a material financial loss of R1,028 billion if the interest is not recovered from loan recipients.

4.1.5. Future outlook

The introduction of the Fee-Free Higher Education Policy in 2018 has changed the entity from a loan to a full bursary Scheme, and that its operational model has overtime, shifted from one almost entirely dependent on a decentralised and institution-based structure to a more centralised, student-centred model. The changes required a significant financial investment for the systems, controls, and processes to effectively support implementation. However, such changes have not been aligned with the administrative budget of the organisation. The Scheme's administration budget accounted for 0.9% of the student funding budget, and this imposed strict limitations on the improvements that the organisation can put in place.

It was reported that the current shortfall in the administrative budget manifested in continuing inefficiencies in administering student funds as well as weaknesses in the implementation of internal controls, which ultimately culminates into poor audit outcomes. Additionally, the adverse effects of the COVID-19 pandemic on the economy, resulting in increased unemployment rate and job losses have increased the demand for financial aid. The Scheme reported a projected budget shortfall amounting to R10 billion for 2022/23.

4.2. SOUTH AFRICAN QUALIFICATIONS AUTHORITY (SAQA)

SAQA derives its legislative mandate from the National Qualifications Framework Act, 2008 (Act No. 67 of 2008 as amended). In terms of the Act, SAQA is mandated to, amongst others: provide advice, oversee NQF implementation and collaborate with the Quality Councils; develop NQF policies and criteria; maintain a National Learners' Records Database (NLRD), and provide an evaluation and advisory service with respect to foreign qualifications; undertake research, collaborate with international counterparts, and drive the communication and advocacy strategy to promote the understanding of the NQF architecture; and perform any function consistent with the NQF Act that the Minister of Higher Education and Training may determine.

SAQA further derives its policy mandate from the NDP Vision 2030, the White Paper on PSET, including the National Plan for Post-School Education and Training and the Department's five-year Strategic Plan. During the year under review, which is the first year of the implementation of the new 2019 – 2014 MTSF, the SAQA's activities were informed by the five Outcomes, namely, a dynamic NQF that is responsive, adapts to and supports the changing needs of life-long learning; visionary and influential leadership that drives a clear, evidence-based NQF Agenda; well-articulated quality-assured-qualifications and relevant professional designations that instill trust and meet the needs of the people; a competent and capable team, dedicated and resourced to develop and maintain the NQF and stakeholders and role-players who are aligned to deliver on the NQF.

4.2.1. Overview of the SAQA's 2020/21 service delivery performance

For the 2020/21 financial year, the entity's five outcomes, were pursued through the six budget programmes, namely, Administration and Support, Registration and Recognition Certification, National Learners' Records Database, Foreign Qualifications Evaluation and Advisory Service, Research and International Liaison.

The entity had a total of 25 targets planned across the six programmes and had achieved 22 or 88.0% of the planned targets. Summary of programme performance for 2020/21 is illustrated in Table: 5 below.

Table 5: The SAQA's programme performance for the 2020/21 financial year

Programme	APP Targets 2020/21	Achieved	Not achieved	% Achievement
1. Administration & Support	9	8	1	88,9.0%
2. Registration and Recognition	3	3	0	100.0%
3. National Learners' Record Database	5	3	2	60.0%
4. Foreign Qualifications Evaluation and Advisory Services (DFQEAS)	1	1	0	100.0%
5. Research	4	4	0	100.0%
6. International Liaison	3	3	0	100.0%
Overall Total	**25**	**22**	**3**	**88.0%**

Selected key achievements

Administration

- The entity is mandated by the NQF Act as amended to oversee NQF implementation and collaborate with the Quality Councils. During the year under review, SAQA assessed the effectiveness of the System of Collaboration and produced a report and sent the Board-approved report to the Minister of Higher Education, Science and Innovation.
- SAQA advised the Minister on "Determination of the Sub-Frameworks," Ending the transitional arrangements from the SAQA Act to the NQF Act; and "The Matriculation Board function". The Board approved advice to the Minister to publish data regulations for submission of information to the NLRD. It has been reported that the Department advised SAQA not to send the advice until the President had proclaimed the NQF Amendment Act, 2019.
- The organisational structure was reviewed and redesigned during the year under review.
- In implementing comprehensive campaigns aimed at informing the public about the NQF in a simplified manner that is easy to understand, the entity hosted four webinars focusing on the NQF and two social media campaigns and followers made 2 151 015 impressions on SAQA's social media platform and website.

Target not achieved

- The target to develop Registers for professional designation; misrepresented qualifications and fraudulent qualifications was not achieved. It was reported that the tool was developed in-house, but was not fit for purpose.

Registration and Recognition

- The entity registered all the qualifications recommended by the Quality Councils (QCs) that met all SAQA's criteria, within four months of submission;
- The research on the roles of statutory and non-statutory professional bodies had been conducted and a research document outlining these roles was produced.

National Learners' Records Database (NLRD)

- All recognised professional bodies loaded professional designation achievements that meet the requirements on the NLRD.
- A Policy on the Misrepresentation of Qualifications in line with the NQF Amendment Act was developed and approved by the Board.
- The List of Misrepresented Qualifications was updated.

Targets not achieved

- The public information on the NLRD easily accessible and usable by all stakeholders. The entity website was revamped, making it easier to gain access to the NLRD, but the databases themselves did not get revamped.
- Complete all applications received for the verification of national qualifications within 20 working days. It was noted that the entity could not verify some records within 20 working days because the NLRD does not contain the data, and education institutions did not respond within the requested time.

Foreign Qualifications Evaluation and Advisory Services

- The programme achieved a target to develop criteria in line with NQF Act, 2008 as amended and other relevant legal instruments. It considered the implications of the NQF Amendment Act and reviewed the policy and criteria for evaluating foreign qualifications pending the proclamation of the Amendment Act.

Research

- The programme exceeded the planned targets to review one NQF policy. The Credit Accumulation and Transfer (CAT) Policy and a Policy and Criteria for Recognising a Professional Body and Registering Professional Designations were reviewed and amended, and were approved by the Board.
- A progress report on the 2021 NQF Impact Study was produced.
- The entity provided the Minister with a report on progress made by SAQA and the QCs in implementing the Articulation Policy.

International Liaison

- SAQA exceeded its target to identify and implement two initiatives to share national and international best practices with stakeholders. The entity developed a paper "Case Study on Flexible Learning Pathways in South Africa," for inclusion in the United Nations Educational, Scientific Cultural Organization's (UNESCO) book on flexible learning pathways; produced a paper on foreign school-leaving qualifications in Southern African Development Community (SADC) and distributed it to the NQF Family through the Certified Fraud Examiner (CFE) Committee and hosted four webinars to inform stakeholders about the NQF.

- The entity developed a plan to implement the Addis Convention.

4.2.3. Overview of the SAQA's 2020/21 budget and expenditure

For the 2020/21 financial year, SAQA's total revenue amounted to R120,74 million (R134,16 million in 2019/20), comprised R48,22 million from exchange revenue (R45,45 million: rendering of services and R2,68 million from other income (rental income, interest, etc.) and R72,51 million from non-exchange revenue, Government Grants. Notably, the entity's revenue from exchange transactions decreased significantly by R10,31 million from R58,54 million in 2019/20.

The entity has spent R127,88 million, against the available budget of R120,74 million, recording a higher than projected spending amounting to R7,14 million or -5.9%). Expenditure on employee-related costs amounted to R101,58 million, which constituted 79,4% of the total expenditure of the entity for the 2020/21 financial year. An amount of R21,36 million was spent on general expenses.

4.2.4. 2020/21 Audit outcomes

The entity received a clean audit from the AG for the three audit cycle. For the year under review, there was no irregular expenditure.

Fruitless and wasteful expenditure:

For the year under review, SAQA incurred fruitless and wasteful expenditure amounting to R49,820. The expenditure was due to a financial misconduct by one of SAQA's employees. The employee transferred an amount of R49,820 into his personal bank account, by altering the details of a terminated employee. The employee was taken to a disciplinary hearing, wherein he pleaded guilty and was dismissed. SAQA also opened a criminal case at the South African Police Service (SAPS). SAQA was able to recoup all the stolen amount from the employee's final payments, as a result, SAQA incurred no financial loss.

4.2.5. Future outlook

SAQA has completed and reviewed and re-design of the organisational structure and monitoring and evaluation is ongoing. The structure will be finalised by March 2022. During the period under review, SAQA has retrenched 89 staff members and this has resulted in the backlog in meeting the turnaround times for rendered services. It was reported that the demand for evaluation of foreign qualifications and verification of qualifications was increasing steadily and that put pressure on the remaining staff members. SAQA would be implementing its Automation Project, which will require a budget of R20,6 million over a two-year period. The entity reported that it had engagements with the Department on the funding requirement for the Automation Project.

4.3. COUNCIL ON HIGHER EDUCATION (CHE)

The CHE's mandate is to advise the Minister responsible for higher education and training on any aspect of higher education at the request of the Minister or on its own initiative; arrange and co-ordinate conferences; promote quality assurance in higher education, audit the quality assurance mechanisms of higher education institutions and accredit programmes of higher education; publish information regarding developments in higher education, including reports on the state of higher education, on a regular basis; and promote the access of students to higher education.

As the quality assurance for higher education, the CHE also derives its mandate from the National Qualifications Framework Act. The CHE mandated by the NQF, to amongst others: comply with any policy determined by the Minister in terms of section 8(2)(b); develop and manage its Higher Education Qualifications Sub-Framework (HEQSF), and make recommendations thereon to the Minister; advise the Minister on matters relating to its sub-framework; develop and implement policy for quality assurance, and ensure the integrity and credibility of quality assurance; conduct or commission and publish research on issues of importance to the development and implementation of the sub-framework.

4.3.1. Overview of the CHE's 2020/21 service delivery performance

For the 2020/21 financial year, the CHE's activities were informed by the five strategic outcomes, which were pursued through the four budget programmes, namely, Management of the Higher Education Qualifications Sub-Framework (HEQSF), Quality Assurance, Research, Monitoring and Advice and Corporate. The entity had 51 targets planned across the four programmes and achieved 39 or 76.5% of the planned targets.

Summary of programme performance for 2020/21 is illustrated in Table: 6 below.

Table 6: The CHE's programme performance for the 2020/21 financial year

Programme	APP Targets 2020/21	Achieved	Not achieved	% Achievement
1. Management of the HEQSF	15	11	4	73,3%
2. Quality Assurance	11	9	2	81,8%
3. Research, Monitoring and Advice	9	8	1	88,9%
4. Corporate	16	11	5	68,8%
Overall Total	**51**	**39**	**12**	**76,5%**

Management of the HEQSF

Selected key achievements

- The entity had two events or projects for promoting the use of qualification standards undertaking and had two qualifications standards that were fully developed or reviewed during the year under review.
- Two data sets were uploaded onto the NLRD.
- During the year under review, the entity completed Phase 1 in the review and further development of the Review process.
- The entity provided one institution of higher learning with support with respect to the development and implementation of relevant institutional policies.

Targets not achieved

- Number (2) of qualification standards developed, or review processes initiated in a particular financial year, the actual achievement was one. The entity reported that a deviation was due to a further standard relating to the supply chain management that was planned to start but was delayed due to the National Treasury needing to develop a framework first, which will inform this process.
- Percentage (75%) of data sets that are verified and validated to be accurate and reliable, from all data sets submitted by institutions, in a particular financial year. The non-achievement was ascribed to the intention to develop a comprehensive higher education database as part of the broader process of enhancing the IT infrastructure of the CHE, and as part of the implementation of the QAF. The CHE further stated that the were separate databases in place that serve specific purposes and functions of the CHE, and which collect and verify a range of information sets from institutions.

Quality Assurance

Selected key achievements

- The programme achieved 97% of programme accreditation applications that go through the accreditation process and are presented to the HEQC within 8 months from the date of appointment of evaluation.
- Phase 1 in the revision process of the Prototype revised framework was completed.
- The entity initiated 11 Institutional Audits against the target of eight (8).
- Fourteen (14) stakeholder engagement events or forums were held, against the target of 10. The over-achievement was due to a need to organise four additional stakeholder engagement events or forums.

Targets not achieved

- Percentage (85%) of programme reaccreditation applications received that go through the accreditation process and are presented to the HEQC within eight (8) months from the date of appointment of evaluators, in a particular financial year, the actual achievement was 78%. It was reported that in the fourth-quarter, three programmes for reaccreditation served at an Accreditation Committee (AC) meeting held on 24-25 February 2021 for recommendations to the HEQC for a final decision. However, as the HEQC meeting was held on 11 February before the date of the AC meeting, and the three programmes could not be tabled at the HEQC meeting.
- Percentage (95%) of site visits undertaken whose reports are presented to the HEQC within 4 months from the date of receipt of reports from the site visit panels, in a particular financial year. The entity ascribed the achievement of 37% to the HEQC meeting held on 11 February 2021 before the date of the Accreditation Committee meeting. The site visit reports could not be tabled at the HEQC meeting. The reports processed during the fourth-quarter were to be tabled at the HEQC meeting of 08 April 2021.

Research, Monitoring and Advice

Selected key achievements

- The programme exceeded targets in the number of research reports produced (2 against the target of 1); number of conferences, colloquia, seminars, or symposium organised (2 against the target of 1) and number of journals /journal articles or books/book chapters published (3 against the target of 1).
- Five institutional profiles were produced during the period under review.

Targets not achieved

- Number (1) of Higher Education Monitors/Reviews produced, within a particular financial year. The entity ascribed the non-achievement of the target to the delays in finalising the report as a result of working remotely during the pandemic. A complete final draft of the Review of Higher Education 25 Years into Democracy was recommended by the Monitoring, Research and Advice Committee (MRAC) to Council for approval. The report was being prepared for publication, after Council approval.

Corporate

Selected key achievements

- Seven ICT policies, frameworks, guidelines, and procedures were developed or reviewed.
- Seven HR policies, frameworks, guidelines and procedures were developed or reviewed.
- Thirty-eight (38) scheduled governance meetings were organised and held, against the target of 22. The over-achievement was ascribed to the need to schedule additional governance meetings to deal with urgent matters.
- Twenty-one (21) staff training interventions were offered. The over-achievement was due to increased demand for training to continue productively working remotely during the national lockdown.
- Percentage (100) of suppliers were paid within 19 days, against the target of 30 days.
- The entity released 125 internet communiques and announcements to staff.
- There was an increase of 28% in the users of the CHE website.

Targets not achieved

- Number (8) of financial management and supply chain management policies, frameworks, guidelines, and procedures developed or reviewed, within a particular financial year. The actual achievement was two, which was attributed to some financial management and supply chain management policies, frameworks, guidelines and procedures that were reviewed and did not necessitate amendments. For that reason, they were not tabled at the meetings of the Governance Committee for approval.
- Percentage (75%) of CHE staff who visits the Intranet and engage with the content shared thereat, within a particular financial year, with the achievement of 55%. The CHE indicated that the majority of its staff-related information that was normally shared through the Intranet and was also e-mailed to the staff members during the national lockdown period, which reduced the number of the staff members who visited the Intranet and engaged with the shared content.
- Number (8) of local stakeholder events or forums organised or participated in, within a particular financial year, and the actual achievement was seven (7). The entity noted that due to COVID-19 and the government restrictions, a number of planned events were postponed indefinitely, and some were cancelled as many institutions were in a process of transitioning to online modalities.

4.3.2. Overview of the CHE's budget allocation and expenditure in 2020/21

The CHE's total revenue for the 2020/21 financial year amounted to R76,16 million (R74,85 million in 2019/20). The revenue comprised of R7,00 million from exchange revenue (R4,95 million: Accreditation fees and other income and R2,06 million of interest received- investment) and R69,16 million from non-exchange revenue (R54,77 million Government Grants and subsidies, R2,21 million: The University of Johannesburg for Quality Assurance Framework (QAF) and R12,17 million of surplus funds rolled-over).

The entity had spent R71,17 million or 93.4% against the available budget of R76,16 million, recording lower than projected spending amounting to R4,99 million or 6.5%. Expenditure on employee costs amounted to R37,56 million and R30,39 million on goods and services. The bulk of the underspending was on the cost of employees due to the accumulation of unspent funds on eight (8) funded vacant posts not filled timeously due to unforeseen delays to fill the posts during the year under review and budgeted applicable rates increase in cost of living paid as per instruction from National Treasury due to national budget constraints and labour disputes with labour unions in the country were cited as the reasons for the underspending. In terms of the underspending on goods and services, the entity indicated that there were fewer legal fees claims during the year under review, less spending on peer Academics for the Vice-Chancellors and Executives Managers salary inquiry project for public universities, fewer Institutional Audit Committee (IAC) meetings, resulting in fewer payments made for the period under review and less payments made to Peer Academics and usage of the 3G cards or data for all planned IAC virtual meetings for the Fourth Quarter.

The expenditure of R12,47 million on Peer Academics constituted the bulk of the expenditure on goods and services at 41.0%, followed by R3,34 million (11%) on outsourced services, R2,47 million on the remuneration of Council and Committee members (9%) and R2,17 million on IT expenses (8%).

4.3.3. 2020/21 audit outcomes

The CHE obtained an unqualified audit opinion with findings from the AG, which was a regression from a clean audit opinion in 2019/20.

- **Usefulness and reliability of the reported performance**: The AG did not identify any material findings on the usefulness and reliability of the reported performance information for programme 2: Quality Assurance.
- **Material finding on non-compliance with legislation:** The AG noted that the financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of current assets identified by the auditors in the submitted financial statements were corrected subsequently, resulting in the financial statements receiving unqualified audit opinion.
- **Internal control deficiencies:** The AG noted that the entity's management did not implement monthly controls designed for the entity's business processes, as monthly bank reconciliations were not prepared for the Standard Bank fixed deposit account.

The entity did not incur irregular, fruitless and wasteful expenditure during the year under review.

Contingent liability: The CHE reported that it had an unspent cash balance of R22,3 million at the end of the year under review. This unspent cash was ordinarily supposed to be transferred back to the National Treasury according to section 53(3) of the Public Finance Management Act (PFMA). The CHE has requested for the retention of these funds from National Treasury to address budget pressures that the CHE has been facing for the financial year 2021/22.

4.3.4. Future outlook

In its 2020 Budgetary Review and Recommendations Report (BRRR), the Committee recommended that consideration for additional funding to the Council on Higher Education (CHE) should be made, given that the conformed R25 million has been withdrawn and the planned activities would have to be scaled down due to funding constraints. The National Treasury agreed that the council needed additional funding to fulfil its expanded mandate. Over the 2021 medium-term expenditure framework (MTEF) period, the Department of Higher Education and Training will increase its transfer to the council by R60 million, made up of R16 million in 2021/22, R19 million in 2022/23 and R25 million in 2023/24. These funds will be used for goods and services to implement the mandate of the council.

The entity noted that it was satisfied that the outer-years budget was sufficient in realising the set strategic objections and targets as per the APP due to budget baseline injection.

4.4. QUALITY COUNCIL FOR TRADES AND OCCUPATIONS (QCTO)

The QCTO was established as a juristic person in 2010 in terms of the Skills Development Act (SDA), 1998 (Act No. 97 of 1998) as amended in 2008. The QCTO, as a quality assurance body, is responsible for a part of the National Qualifications Framework (NQF), which is the Occupational Qualifications Sub-Framework (OQSF). The QCTO performs its functions in accordance with the Skills Development Act, 1998 as amended and the National Qualifications Framework Act, 2008.

4.4.1. Overview of the QCTO's 2020/21 service delivery performance

The QCTO's Programmes, with their related achievement against the performance targets for the 2020/21 financial year, are illustrated in Table 7 below.

Table: 7 The QCTO's programme performance for the 2020/21 financial year

Programme	APP Targets 2020/21	Achieved	Not achieved	% Achievement
1. Administration	4	1	3	25.0%
2. Occupational Qualifications Management and Certification	6	5	1	83.3%
3. Occupational Qualifications Quality Assurance	9	6	3	66.7%
4. Research Analysis and Quality Assurance	9	6	3	66.7%
Total	**28**	**18**	**10**	**64.3%**

For the 2020/21 financial year, the QCTO had a total of 28 targets. The QCTO achieved 18 (64%) of the planned targets. The entity's performance decreased by 10.7% from 75% achievement in 2019/20

- **Programme 1: Administration**

The purpose of this programme is to enable the QCTO performance through strategic leadership and reliable delivery of management support services that will ensure a responsive and learning organization (includes IT, HR and Marketing and Communication).

The programme achieved one or 25.0% of the four planned targets.

- The Marketing and Communications Strategy was approved by the Council.

Targets not achieved

- Capacity building strategy approved by Management Committee (MAN-COM). The QCTO noted that the strategy was developed but not yet approved by MAN-COM. The delays were ascribed to the internal processes as a result of the national lockdown.
- Master Systems Plan (MSP) and change management strategy approved by Council and MAN-COM, respectively. The MSP and the change management strategy were developed and not yet approved due to the delays in the SCM processes as a result of the national lockdown.

Programme 2: Occupational Qualifications Management and Certification

The purpose of this programme is to ensure that occupational qualifications, part-qualifications and skills programs on the OQSF are available; issue certificates to qualifying learners; verify the authenticity of issued certificates; and maintain stakeholder relationships.

Selected key achievements

- The programme achieved 83.3% of the six planned for the period under review.
- The programme recommended to SAQA 71 prioritised occupational qualifications (54 full and 17 part-qualifications) for registration on the OQSF and recommended to SAQA, 230 Historically Registered Qualifications for deactivation;
- Achieved 100% of certificates applications were approved issued within the 21 working day turnaround time and verified 100% (5 108 out of 5 108) of certificates requests received within a turnaround time of 5 working days.

The programme did not achieve the target to have three Skills Programme approved by the QCTO Council. The entity noted that there was a shortfall of 77 skills programmes from an overall expected total of 80. The underperformance was ascribed to skills programmes applications submitted that were not meeting requirements and the QCTO in-house delays in the processing of skills programme applications and impact of COVID-19 lockdown.

Programme 3: Occupational Qualifications Quality Assurance

The purpose of this programme is to establish and maintain quality standards for Accreditation and Assessment within the OQSF. The programme had nine targets and achieved six (66.7%).

Selected key achievements

- 31 external integrated summative assessments (EISAs) were quality assured against 21 for occupational qualifications; 32 of 32 assessments for historically registered qualifications were quality assured and a quality assurance plan was approved by the Council on 17 March 2021.
- The programme got 152 out of 152 Assurance Quality Partners (AQPs) Reports quality assured and 692 recommendations for Historically Registered Qualifications and National Accredited Technical Education Diploma (NATED) Programme applications for Report 190/191 from 741 were processed within the turnaround time of 90 working days.

Targets not achieved

- Percentage (60%) of assessments for the QCTO developed skills programmes quality assured against the QCTO standards within 21 working days. The entity ascribed the underperformance to no accredited Skills Development Plans.

- Percentage (90%) of Skills Development Providers (SDPs) accreditation applications for Occupational qualifications and part-qualifications processed within the turnaround time (90 working days). Only 69% of 463 applications received were processed within the turnaround time of 90 days. It was reported that the deviations were due to the unpredictability of the number of providers and that the uptake of occupational qualifications is increasing, which will require the QCTO to ensure adequate resourcing to undertake all functions.
- Percentage (25%) of Council approved skills development providers (SDPs) accreditation for skills programmes processed within the turnaround time (90 working days). The programme achieved 0% and this was due to the newness of the programmes and the QCTO processes that were affected by the COVID-19 lockdown restrictions.

Programme 4: Research Analysis and Quality Assurance

The purpose of the programme is to establish and maintain standards for quality assurance through research, monitoring, evaluation and analysis.

For the year under review, the programme had nine targets and achieved six (66.7%).

Selected key achievements

- The programme produced three research reports and published one website publication form.
- Quality assured 438 out of 815 Accredited SDPs with implemented historically registered qualifications and quality assured 89 NATED Report 190/191 N4 – N6 examination sessions conducted at accredited SDPs.

Targets not achieved

- Percentage (80%) of accredited SDPs with implemented occupational qualifications and part-qualifications quality assured according to the QCTO standards. The programme achieved 65%, 131 out of 202 Accredited with implemented occupational qualifications have been quality assured. The deviation was ascribed to the monitoring of accredited SDPs were affected due to COVID-19 lockdown restrictions that prevented physical movement.
- Percentage (25%) of accredited SDPs with implemented NATED Report 190/191 programmes quality assured against the QCTO compliance standards. The actual achievement was 18% and this was attributed unreliable database of SDPs with implemented NATED Report 190/191 programmes

4.4.2. Overview of the QCTO's budget allocation and expenditure in 2020/21

The QCTO's total revenue for the 2020/21 financial year amounted to R132,08 million (R128,48 million in 2019/20). The revenue comprised of R6,12 million: revenue from exchange transactions (R3,78 million from rendering of service, R183 000 from other income and R2,15 million interest received) and R125,96 million (R25,50 million Government Grant and R97,20 million SETA Grant).

The QCTO had spent R115,70 million or 87.5% against the available budget, with lower than projected spending amounting to 16,38 million. Underspending increased exponentially by R6,87 million from R9,50 million in 2019/20. Underspending was ascribed to the reduction in administration expenditure, mainly travel and accommodation due to lockdown restrictions, reduced compensation of employees due to vacant posts that could not be filled, while some posts were put on hold due to budget cuts for the 2021/22 financial year. The entity noted that there was about R9 million additional unbudgeted revenue from interest and rendering services.

The entity had spent R69,96 million on personnel costs, which constituted 52,9% of the total budget for the 2020/21 financial year. Spending on administrative expenses amounted to R39,84 million. The expenditure of R13,08 million on consulting and professional fees accounts for 32.8% of the expenditure on administration expenses, followed by R9,49 million on lease rentals, R5,14 million IT expenses, and R2,84 million on water and electricity.

Expenditure management

There was no irregular expenditure incurred for 2020/21.

Contingent liability

A dispute had been declared between the entity and a service provider who donated the Management Information System (MIS) after the entity terminated the Service-Level Agreement due to non-compliance with some prescripts of the Public Finance Management Act (PFMA), the service provider was seeking damages of R7.05 million. The entity's lawyers and management were still considering the likelihood of a successful action against the entity and the case should be resolved within the next two years.

The QCTO still needed to apply after the audit finalisation to National Treasury in terms of Sections 53(3) of the PFMA for the retention of an accumulated surplus estimated to about R79.1 million for the 2020/21 financial year based on National Treasury's prescribed formula.

4.4.3. 2020/21 audit outcomes

The entity received a clean audit opinion for the fifth consecutive year.

4.4.4. Future outlook

The entity reported that the SETA Levy Grant has been increased from R67,7 million for the 2021/22 financial year to R96,1 million for the 2022/23 financial year. The increase will help the organization to put more resources into its core performance areas. The QCTO included in its budget for the 2022/23 financial year onwards previously unbudgeted for revenue sources from accreditation, verification, certification and interest income, as trends can be determined to estimate accurately. The entity has submitted to National Treasury for approval of retention for a cash surplus before the 30 September deadline and was awaiting a response. The QCTO was concerned that its funding was not stable and relied heavily on the SETA grant, which accounted for 70% of its total budget and was applied for annually.

The entity is still in the process of finalizing the purchase of its premises, which would reduce costs significantly.

4.5. NATIONAL SKILLS FUND (NSF)

The NSF was established in 1999 in terms of section 27(1) of the Skills Development Act, 1998 (Act No. 97 of 1998) (SDA), stating the following: "The National Skills Fund is hereby established." Therefore, the NSF is not established with a legal persona. The NSF is a Schedule 3A public entity, governed by the Public Finance Management Act (PFMA) (No. 1 of 1999, as amended).

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

- To fund projects identified in the national skills development strategy as national priorities (section 28(1) of the SDA);
- To fund projects related to the achievement of the purposes of the SDA as the Director-General (of the Department of Higher Education and Training) determines (section 28(1) of the SDA);
- To fund any activity undertaken by the Minister (Higher Education, Science and Innovation) to achieve a national standard of good practice in skills development (section 30B of the SDA); and

- To administer the NSF within the prescribed limit (section 28(3) of the SDA). Regulations to prescribe the limit for the administration of the NSF at 10% of revenue have been approved and published in Notice No. R.1030, Government Gazette No. 33740 dated 8 November 2010.

4.5.1. Overview and assessment of the NSF's 2020/21 service delivery performance

Table: 8 Summary of the 2020/21 service delivery performance

Programme	APP Targets 2020/21	Achieved	Not achieved	% Achievement
1. Skills Development Funded	9	1	8	11%
2. Organisational Sustainability	4	2	2	50%
Overall Total	**13**	**3**	**10**	**23%**

For the 2020/21 financial year, the entity 13 planned targets spread across the two budget programmes. The NSF achieved three or 23% against the 2020/21 Annual Performance Plan targets, recording an underachievement of 77%. The underperformance, especially in most of the Programme 1 targets was ascribed to the COVID-19 restrictions, which delayed the issuing of the Request for Proposals (RFPs), and consequently affected the commencement of some of projects.

Selected targets that were not achieved

Programme 1: Skills Development Funded

- Number (4 750) of learners funded by the NSF for skills development through SMME and co-operative skills development initiatives during the specified financial year;
- Number (640) of learners funded by the NSF for worker education during the specified financial year;
- Percentage (90%) of completed NSF-funded projects aimed at increasing access to the PSET system that has achieved more than 60% of the envisaged outputs over the five-year strategic period.

Programme 2: Organisational Sustainability

- Audit outcome (unqualified) at the end of each financial year. It was reported that the NSF could not provide sufficient supporting evidence for both financials and non-financials and accounting recognition issues and errors noted.
- Improve the percentage (60%) of client satisfaction rating at the end of the specified reporting period. The non-achievement was ascribed to the procurement process that was not finished. However, underway at the year-end with the appointment of the research provider to conduct the satisfaction evaluation study expected during 2021/22.

4.5.2. Overview and assessment of the 2020/21 financial performance

4.5.2.1. Overview and assessment of the 2020/21 budget and expenditure

The NSF's total revenue for the 2020/21 financial year amounted to R2,91 billion (R4,26 billion in 20219/20, comprised of R2,47 billion from non-exchange transactions and R4,40 million from revenue from non-exchange transactions R417,49 million finance income and R22,86 million of finance income from advanced payments to skills development programmes and projects. Revenue from the non-exchange revenue decreased due to the impact of the four-month skills levy payment holiday.

The entity had spent R1,93 billion or 65% against the available budget for the year under review, recording a lower than projected spending of R981,36 million or 36%. Expenditure on skills development funding expenses amounted to R1,72 billion and R176,8 million for administration expenses. Employee related costs amounted to R91,02 million. The entity reported a total accumulated surplus amounting to R10,9 billion at the end of the 2020/21 financial year.

4.5.2.2. Irregular, fruitless and wasteful expenditure

Irregular expenditure

The entity disclosed a cumulative irregular expenditure amounting to R433,7 million, comprised R432,5 million carry-overs from prior year, still awaiting condonation and R1,2 million incurred in the year under review. Irregular expenditure was incurred due to the following:

Appointment of TVET college construction contractors: expenditure incurred related to bids that were awarded in contravention of the Construction Industry Development Board (CIDB) standards.

Cost overruns related to the production of the NSF's Annual Report

During the 2019/20 financial year, additional costs, amounting to R65 000 were incurred in the production of the NSF's Annual Report, which exceeded the 15% allowable margin as per Paragraph 9.1 of National Treasury Instruction Note 3 of 2016/17, which is irregular. The additional costs were incurred as a result of extensions to the NSF's audit, additional scope to be included in the NSF's Annual Report and due to tight reporting deadlines.

- **Secure hosted exchange and archiving environment of the electronic mail network**

During the 2019/20 financial year, additional costs, amounting to R1,77 million were incurred on the secure hosted exchange and archiving environment services of the electronic mail network, which exceeded the 15% allowable margin as per Paragraph 9.1 of National Treasury Instruction Note 3 of 2016/17, which is irregular. The reasons for the irregular expenditure are still under determination.

- **The appointment of a consultant to render events and conferencing services**

Irregular expenditure amounting to R103 000 in 2018/19 was incurred as a result of the appointment of a consultant to render events and conferencing services to the DHET (including the NSF), which was in contravention with Treasury Regulation 16A6.3. The advertisement of the bid was for a period shorter than 21 days, as stipulated in Treasury Regulation 16A6.3; however, the motivation for the shorter period was not adequately supported nor was the procurement an emergency.

- **The appointment of a travel agency to render travel agency services**

Irregular expenditure was incurred in the 2016/17 financial and previous financial years as a result of the appointment of a consultant to render travel agency services to the DHET (including the NSF), which was in contravention with Treasury Regulation 16A6.3. The advertisement of the bid was for a period shorter than 21 days, as stipulated in Treasury Regulation 16A6.3; however, the motivation for the shorter period was not adequately supported nor was the procurement an emergency.

Fruitless and wasteful expenditure

The entity disclosed an amount of R7,75 million of fruitless and wasteful expenditure, of which R5,61 million was a carry-over from the prior year. the expenditure was incurred as follows: R5,61 million related to Centre for Education Policy Development Project; R464 140 Aliwal North TVET infrastructure project and R1,66 million related to Sterkspruit infrastructure project.

4.5.3. 2020/21 Audit outcomes

The NSF received a disclaimer audit opinion from the AG for the previous two audit cycle, after a qualified audit opinion in 2018/19.

The AG based the disclaimer audit opinion on the following:

Skills development funding: Inadequate systems in place to account for skills development funding, as expenses were not recorded in the correct period. These misstatements, with other minor misstatements resulted in the overstatement of skills development funding stated at R40 million in the statement of financial performance and note 19 to the financial statements, with a corresponding understatement in the accumulated surplus. The AG was unable to obtain sufficient appropriate audit evidence that skills development funding for the current and previous years had been properly accounted for, as evidence that the services had been received could not be provided. The AG was unable to determine whether any adjustment was necessary to the skills development funding, stated at R1,7 billion (2019/20) in the statements of financial performance and note 19 to the financial statement.

TVET college infrastructure assets: The AG noted that the entity 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 AG 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. The AG was also 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.

Additionally, the entity did not account for the impairment for TVET college infrastructure assets in accordance with GRAP 21, impairment of non-cash generating assets. The public entity adjusted TVET college infrastructure assets to the fair value amount. This is contrary to the accounting policy, which requires TVET college infrastructure assets to be stated at cost less accumulated impairment losses. Consequently, TVET college infrastructure assets were overstated by R19 million. This also impacts the accumulated surplus.

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

Trade and other receivables from non-exchange transactions: The AG 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. The AG was unable to confirm trade and other receivables from non-exchange transactions by alternative means, as the entity's systems did not permit this. Consequently, the AG was unable to determine whether any adjustment was necessary to trade and other receivables from non-exchange transactions, stated at R29,9 million (2019-20 R18,8 million) on the statement of financial position and note 7 to the financial statements. This also impacted the financial instrument disclosure in note 26 to the financial statements.

Deferred expenditure related to skills development funding: The AG noted that entity did not correctly account for the deferred expenditure related to skills development funding and related trade and other receivables from non-exchange transactions and skills development funding. This was because the entity incorrectly included trade and other receivables from non-exchange transactions and skills development funding, which constitutes a departure from GRAP 104, financial instruments. Consequently, deferred expenditure related to skills development funding was overstated by R50,6 million, trade and other receivables from non-exchange transactions was understated by R44,2 million and skills development funding was understated by R6,4 million, as stated on the statement of financial position and the statement of financial performance, respectively, and disclosed in notes 8, 7 and 19, respectively. This also impacts the surplus for the period and on the accumulated surplus.

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. Additionally, the AG was unable to obtain sufficient appropriate audit evidence that all the prior period errors were disclosed, as the supporting information was not provided. The AG was unable to confirm these disclosures by alternative means and consequently, was unable to determine whether any adjustments were necessary to the prior period errors corrected disclosed in the financial statements.

Usefulness and reliability of the reported performance information: The AG found identified material findings in the performance reported on Programme 1: the AG noted that some supporting evidence provided materially differed from the reported achievement, while in other instances the AG was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. The AG was unable to confirm the reported achievements by alternative means and consequently, was unable to determine whether any further adjustments were required to these reported achievements.

Material findings on compliance with specific matters in key legislation

Annual financial statements: The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and not supported by full and proper records, as required by sections 55(1)(a) and (b) of the PFMA. The AG noted that material misstatements of trade and other payables from non-exchange transactions, the prior period errors corrected note and the commitments disclosure item identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer of opinion.

Consequence management: The AG was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because proper and complete records were not maintained as evidence to support the investigations into irregular expenditure.

Expenditure management: The public entity's resources were not used economically, as required by section 57(b) of the PFMA. The public entity made payments for TVET college infrastructure assets that should not have been made. As such, there is non-compliance with the requirements of section 57(b) of the PFMA with regard to the economic use of resources by the public entity.

Internal control deficiencies: The public entity did not adequately review the financial statements and the annual performance report against supporting documentation, as material misstatements were identified through the audit process. These misstatements could have been prevented if effective review controls had been implemented. Management did not implement adequate internal controls relating to project monitoring and reporting. This resulted in underlying records not being readily available, and in material misstatements on the values reported in the financial statements and on the annual performance report. Controls implemented were not sufficient to prevent and monitor non-compliance with key legislation.

Material irregularities in progress: The AG identified a material irregularity during the audit and notified the accounting authority of this, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting authority was not yet due. This material irregularity will be included in the 2021/22's auditor's report.

4.6. SERVICES SETA

The Services SETA is established in terms of the Skills Development Act, 1998 (Act No. 97 of 1998 as amended) and listed in terms of the PFMA, as Schedule 4A public entity. The Skills Development Act mandates the SETA to promote skills development for the education and training sector. The Services SETA derives its mandate from the Skills Development Act (No. 97 of 1998) and its subsequent amendments. Its responsibilities include the following:

- Developing a Sector Skills Plan (SSP) within the framework of the NSDS;
- Establishing and promoting learnerships through:
- Collecting and disbursing the skills development levies in its sector; approve workplace skills plans and allocate grants in the prescribed manner to employers, education and training providers and workers;
- Fulfilling the functions of an Education and Training Quality Assurance (ETQA), as delegated by the Quality Council for Trades and Occupations (QCTO); and
- Monitoring education and training in the sector.

4.6.1. Overview and assessment of the Services SETA 2020/21 service delivery performance

Table 9. Summary of the 2020/21 service delivery performance

Programme	APP Targets 2020/21	Achieved	Not achieved	% Achievement
1. Administration	7	2	5	28.6%
2. Skills Planning	18	16	2	88.9%
3. Learning Interventions	33	4	29	12.1%
4. Quality Management	2	2	0	100.0%
Overall Total	**60**	**24**	**36**	**40.0%**

For the period under review, the Services SETA had 60 planned targets. The SETA achieved 24 or 40% against the 2020/21 Annual Performance Plan (APP) targets, recording an underperformance of 60%. Compared to the 2019/20 financial year performance, the SETA performance regressed by 33% from a 73% achievement. Programme 3: Learning Interventions recorded the lowest performance percentage of 12,1% of the thirty-three planned targets. The overall underachievement was ascribed to the delayed implementation of the new skills development interventions due to various COVID-19 restrictions on the PSET sector, which was further exacerbated by the state of readiness of the sector training providers. It was further reported that further extensions for the active projects resulted in the late completion of active projects, resulting in low completion results for the year.

4.6.2. Overview and assessment of the 2020/21 financial performance

4.6.2.1. Overview and assessment of the 2020/21 budget and expenditure

The Services SETA's total revenue for the 2020/21 financial year amounted to R1,08 billion (R1,74 billion in 2019/20). The revenue comprised R14,60 million from exchange transactions (R817 000 other income and R13,78 million of investment) and R1,07 billion from non-exchange transactions (R1,01 billion skills development levy income, R44,49 million skills development levy: interest and penalties and 18,84 million: other income). The entity's revenue decreased significantly by 37.6% or R657,93 million from R1,74 billion in 2019/20. Notably, both revenue from exchange and non-exchange transactions decreased significantly by 32.0% and 37.7%, respectively. The major contributor to the reduction in the revenue during the year under review, was the four-month skills levy payment holiday, which was implemented to respond to the socio-economic impact of the COVID-19 pandemic. Due to the imposed four-month payment holiday of skills levies, the SETA received levies for eight months. Additionally, the declining operations in the sector, including retrenchments and business closures had adverse effects on the revenue of the entity.

The SETA had spent R781,70 million or 72% against the revenue for the year under review, recording a lower than projected spending amounting to R306,88 million or 28% (R51,26 million in 2019/20). The underspending was ascribed to the delayed implementation of skills development initiatives and support programmes due to the COVID-19 related restrictions and the state of readiness of the PSET partners to implement new training interventions.

Expenditure on administration amounted to R173,94 million. Of this, R60,42 million was expenditure for employee-related costs, R33,42 million: depreciation, amortisation and impairment- admin-related costs. Spending on consultants and professional costs amounted to R17,14 million and R11,44 million was transferred to the QCTO (0,5% fee), R8,84 million: Accounting Authority and Audit Committee costs and R7,79 million on IT expenses.

At the end of the year under review, the SETA’s total liabilities amounted to R279,53 million and the total net assets amounted to R609,83 million.

4.6.2.2. Irregular, fruitless and wasteful expenditure

- **Irregular Expenditure**

The entity had disclosed a cumulative irregular expenditure amounting to R1,89 billion (Note 35 of the Financial Statements). Irregular expenditure is made up of R1,66 billion carry-over balance from prior year and R235,9 million for the current year, 2020/21. The current year irregular expenditure was incurred due to non-compliance with SCM (R88 000), non-compliance with SETA Grant Regulation in terms of spending in excess of limited threshold of 7.5% for discretionary grant support costs (R134,24 million), project payments above offers (R99,39 million) and the non-compliance with the Skills Development Act in the appointment of the Accounting Authority members (R2,40 million).

An amount of R1,85 billion of this irregular expenditure is awaiting condonation and R40,82 million is not condoned.

- **Fruitless and wasteful expenditure**

The Services SETA disclosed fruitless and wasteful expenditure amounting to R12,29 million, comprised of a carry-over amount of R10,75 million from prior year and R1,53 million for the current year under review. An adjustment made to the opening balance of fruitless and wasteful expenditure is due to the litigation claim that became highly probable that Services SETA would incur an outflow of cash in order to settle the matters due to the loss at Arbitration South Africa.

Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R1, 53 million, as disclosed in note 34 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by payments for services not rendered and the interest incurred thereon due to inadequate contract management.

4.6.3. 2020/21 Audit outcomes

The Services SETA received a qualified audit opinion from the AG for the third consecutive audit cycles. The entity was qualified on the basis of commitments, due to the AG not able to obtain sufficient appropriate audit evidence for commitments. This was due to a lack of proper record-keeping and reconciliation of commitments of the entity. The AG noted that there were unexplained differences between the amounts in the underlying schedules and the amounts disclosed in note 26 of the financial statements. Furthermore, the entity could not provide evidence to support the restatement to the opening balance disclosed in note 29 of the financial statements. Consequently, the AG was unable to determine whether any further adjustments were necessary to the following items in the financial statements: Commitments stated at R3 398 243 000 (2020: R3 699 293 000) and Prior period error stated at R0 (2020: R923 205 000).

Prior period error: As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2021.

The AG identified material findings in respect of:

Compliance with specific matters in key legislation as follows:

- **Annual Financial Statements:** The entity's financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by sections 55(1)(a) and (b) of the PFMA. Material misstatements of commitments, contingencies, related parties, financial instruments and the prior period error note identified by the auditors in the submitted financial statements were corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.
- **Expenditure management:** Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with the SETA Grant Regulations in terms of spending in excess of the limited threshold of 7.5% for discretionary grant support costs.

  Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 539 000, as disclosed in note 34 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by payments for services not rendered and the interest incurred thereon due to inadequate contract management.
- **Consequence management:** The AG was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1Xe)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.
- **Internal control deficiencies:** The AG noted that the entity did not adequately review the financial statements and the annual performance report against supporting schedules, as material misstatements were identified through the audit process. These misstatements could have been prevented had effective review controls been implemented. The SETA did not implement proper records management systems to ensure that the reported performance information and financial statements were supported by complete, relevant and accurate schedules and/or documents that were readily available. The AG also identified inadequate review and monitoring of compliance with applicable laws and regulations as instances of non-compliance were identified in relation to material misstatements and expenditure management reported on.

5. SUMMARY

During the year under review, the Department's total budget amounted to R106,50 billion, after the downward revisions during the Special Adjusted Estimates in June 2020 to reprioritize funds toward responding to the COVID-19 pandemic, as well as the Adjusted Estimates during the MTBPS in November 2020. The allocation comprises R94,09 billion from voted funds and R12,41 billion direct charges against the National Revenue Fund.

At the end of the year, the Department had spent R106,11 billion or 99,0% of the available budget, recording a lower than projected spending amounting to R397,46 million or 0.4% on the voted funds. The bulk of the underspending of R35,24 million, representing 88% was on the compensation of employees, which was ascribed to unspent funds related to vacant posts in the Department posts on the staff establishment of the Department were not filled timeously, as projected.

The Department has applied virements amounting to R62,53 million from two programmes as follows: TVET: R9.99 million to Administration, R6,09 million to Planning, Policy and Strategy, R38,97 million to University Education and from Skills Development: R2,94 million to University Education and R4,52 million to CET. The virements were applied to finance excess expenditure on Office Accommodation in Administration programme, to fund the increase in the transfer to Universities South Africa (for use by Higher Health) in Planning, Policy and Strategy programme, to fund the NSFAS budget shortfall under University Education and to fund a budget shortfall for the write off of fruitless and wasteful expenditure in CET programme.

The Department incurred irregular expenditure amounting to R10,67 million, due to correct procumbent not followed, appointments not in line with Public Service Regulations and appointment not in line with State Attorneys Act.

The Department had achieved 70% of the 86 direct output targets and 34% of the 32 system targets. Performance on both direct outputs and system targets decreased compared to the 2019/20 financial year. The Department ascribed the under achievements of most of the targets to the impact of COVID-19 pandemic.

In terms of the 2020/21 Audit outcomes, the AG has reported an overall improvement in the audit outcomes in the HET Portfolio, in particular, the increase in the number of entities receiving clean and unqualified audit opinions, as well as steady improvement in the audit outcomes of the TVET colleges. The Department received an unqualified with findings, and the financial statements were unqualified. Of great concern to the Committee was the material finding identified on the usefulness and reliability of the reported performance information in Programme 4: TVET. The findings on the usefulness and reliability on selected targets are repeat findings.

The Committee noted an improvement in the audit outcomes of the NSFAS from a qualified audit opinion in the past three audit cycles to an unqualified with findings. The NSFAS had contributed a R33 billion to the R35,7 billion in irregular expenditure incurred within the Portfolio due to the Department not gazetting the funding rules and guidelines. The Committee was gravely concerned about the projected funding shortfall of R10 billion for the 2022 academic year. The NSFAS had achieved a 40% of the 2020/21 revised annual performance targets.

The Committee commended the South African Qualifications Authority for achieving 88% of its planned targets, despite the funding constraints it had experienced during the year under review. The entity had retrenched 89 staff members due to the impact of COVID-19 on the income generating services. SAQA would require R20,6 million to drive its Automation Project for the next two financial years. The Committee was concerned about the reported backlog in the service delivery due to the increased demand of verifications and evaluation services, after the easing of the lockdown restrictions.

The Committee commended the QCTO for obtaining a clean audit for the fifth consecutive year. The entity’s performance regressed due to the COVID-19 impacting the implementation of some of the planned targets. The Committee welcomed the report that the entity had submitted an offer to purchase a building it is currently leasing and this would decrease the amount of money spent on rental fees. The delays in the approval of the entity’s business case, which impacts on the filling of vacancies and the take-over of delegated quality assurance functions were noted with concern.

The CHE’s audit outcome regressed, from a clean audit in 2019/20 to an unqualified audit opinion with findings, which was due to the bank not including the interest generated on the entity’s investment statements. The entity achieved 76.5% of its 2020/21 revised annual performance targets. The Committee welcome the financial injection to the entity’s baseline over the 2021 Medium-Term Expenditure Framework (MTEF) period.

The poor audit outcomes of the NSF and the Services SETA for the three audit cycles were noted with great concern. The Committee noted that leadership of both entities failed to monitor the implementation of the audit action plans developed to address the audit findings of the previous years, hence there is a recurrence of the findings. The entities have incurred irregular, fruitless and wasteful expenditure during the year under review. Of great concern is the lack of implementation of consequence management against those who caused fruitless and wasteful expenditure. The Committee noted that the entities' revenue for the 2020/21 financial year decreased significantly due to the four-month skills levy payment holiday imposed during the 2020/21 to mitigate the economic impact of the COVID-19. pandemic. The COVID-19 related lockdown restrictions adversely affected implementation of skills interventions, given that workplaces were closed during the hard lockdown.

6. OBSERVATIONS

The Committee, having considered and deliberated on the 2020/21 Annual Reports of the Department, the NSFAS, CHE, SAQA, QCTO made the following key observations and findings:

6.1. General observations on 2020/21 audit outcomes of the HET Portfolio

6.1.1. The appointment of the new Director-General of the Department was welcomed by the Committee.

6.1.2. The Committee welcomed the overall audit improvements in the Higher Education and Training Portfolio. Of importance to note was the increase in the number of entities receiving clean audits to 29% (25% in 2019/20) and 64% of unqualified audits (61% in 2019/20). Furthermore, the improvement in the audit outcomes of the TVET colleges was commendable.

6.1.3. The stagnant audit outcomes of the Services SETA and the National Skills Fund, which received qualified and disclaimer opinions, respectively, were noted with serious concern.

6.1.4. The Portfolio achieved 100% in the submission of financial statements by legislated date by the Department and entities. However, there was a regression in the number of auditees within the Portfolio that submitted financial statements without errors, from 46% in 2019/20 to 36% in 2020/21. Of great concern to note was the over-reliance on the Auditor-General to identify the errors in the financial statements.

6.1.5. The Committee noted a stagnation in the non-compliance with legislation in respect of financial statements, expenditure management, procurement contract management and consequence management in some entities.

6.1.6. The Committee noted the decrease in irregular expenditure to R35,7 billion (R45,5 billion in 2019/20) for the year under review. However, the Committee was concerned that irregular expenditure within the Portfolio was still very high. Notably, the NSFAS was the biggest contributor to this irregular expenditure at R33 billion, due to the Department not gazetting funding rules and guidelines as prescribed by the Higher Education Laws Amendment Act, 2011 (Act No. 21 of 2011).

6.1.7. Observably, fruitless and wasteful expenditure increased to R28 million (R19 million in 2019/20). The biggest contributors to this irregular expenditure are Construction Education and Training Authority (CETA) and Services SETA, incurring R10,36 million and R12,3 million respectively.

6.1.8. The Committee expressed its concern with respect to the Coastal TVET College's non-submission of the financial statements by the legislated date to the AGSA.

6.1.9. The Committee noted the AG's finding that 44 out of 49 auditees submitted financial statements that contained material misstatements. There was still over- reliance by TVET colleges on their auditors to identify errors in the financial statements and that this remained a threat to sustainable financial management processes in the TVET sector.

6.1.10. The Committee noted a regression in the compliance with legislation, wherein 44 out 49 TVET colleges received findings.

6.1.11. The increase in irregular expenditure by TVET colleges to R6,3 million (R0,6 million in 2019/20) was of great concern, especially that one college, Gert Sibande is the biggest contributor, at

R6 million. Irregular expenditure by the College was incurred due to deviation from Supply Chain Management policies and procedures.

6.1.12. The Committee noted with concern a regression in the audit outcomes of the universities, in particular, regression in the clean audits to unqualified audit opinions with findings to 46% (from 57% in 2019/20). Additionally, 46% (12) of universities have received findings on compliance with legislation and they are repeat findings.

6.1.13. The Committee noted with concern that the University of Fort Hare obtained a qualified audit opinion due to a material misstatement in the financial statements.

6.2. Department of Higher Education and Training (DHET)

6.2.1. **Programm1: Administration**

6.2.1.1. The Committee welcomed the appointment of the Director-General of the Department and expressed its support to him as he takes that huge task of steering the PSET sector.

6.2.1.2. The Department received an unqualified audit opinion with findings. The Committee noted that the Department submitted the financial statements that were free from material misstatements.

6.2.1.3. The Committee expressed a serious concern concerning the delays in the filling of vacant posts and the implementation of the approved staff establishment. The reported capacity constraints in the Department’s key delivery branches, University Education, TVET, Skills Development and CET and impacted the effective service delivery and performance.

6.2.1.4. The Committee noted that the delays in the filling of vacancies by the Department have adversely affected the National Skills Fund due to a lack of critical capacity to implement the audit action plans.

6.2.1.5. The repeat findings on the non-compliance with legislation, expenditure management, resulting in irregular expenditure amounting to R10,67 million during the year under review was of great concern. This irregular expenditure was incurred due to not following procurement procedures (R1,065 million), appointments not in line with Public Services Regulations (R6,54 million) and due to appointments made not in line with the State Attorneys Act (R3,06 million).

6.2.2. Programme 2: Planning, Policy and Strategy

6.2.2.1. The regression in the achievement of direct outputs to 60 or 70% out of 86 (78% in 2019/20) was noted with great concern. There was a significant regression in the performance on the system targets. The Department achieved 11 or 34% out of the 32 system targets. The Committee noted that the COVID-19 pandemic had adverse impact on the achievement of most of the targets by the Department.

6.2.2.2. The planning of performance targets without assessing the availability of resources to implement them was noted with concern. The Committee noted that some targets were not achieved due to a lack of resources.

6.2.2.3. The Committee expressed a concern regarding the target setting by the Department, in particular, the setting of the targets to have the National Qualifications Framework Amendment Bill approved, when the President has not issued a proclamation on the NQF Amendment Act, 2019. The Department has abandoned the target, stating that it would be pointless to publish a second draft Amendment Bill for public comment when the first Amendment Act has not even come into operation.

6.2.2.4. The delays in the issuing of the Proclamation to operationalise the NQF Amended Act, 2019 by the President was noted with serious concern.

6.2.2.5. The Committee noted that the NSFAS Act, 1999 has not been reviewed since the introduction of the new Fee-Free Education Policy. Furthermore, the Committee noted that the Minister has published a notice in the Gazette (No 44128) on 01 February 2021 repealing Regulation 1 of the Regulations on Additional Functions Assigned to the NSFAS.

6.2.2.6. The Committee welcomed the report by the Department on the scholarship opportunities extended to it by China, Turkey Hungary, Russia, Iran, United Arab Emirates, etc., to expand opportunities for South Africans to study abroad. However, the Committee was concerned about the challenges, including the non-payment of living allowances and violence meted against some students.

6.2.3. Programme 3: University Education

6.2.3.1. The Committee welcomed the reported progress made towards the establishment of the two new universities, University of Science and Innovation in Ekurhuleni and Crime Prevention University in Hammanskraal, in particular, the approval of the Plan and establishment of the Steering Committee, including the appointment of a Project Manager.

6.2.3.1. The growth in graduations from the public universities, which had been growing at an average annual rate of 4.2% over the past five years, as well as graduations in scarce skills programmes like engineering sciences, and natural and physical sciences were commended.

6.2.3.3. The Committee commended the Department for exceeding the target to have two universities offering accredited TVET college sector qualifications, where the actual achievement was nine. This would, in the medium-term address the challenges around the quality of education in the TVET sector.

6.2.4. Programme 4: Technical and Vocational Education and Training

6.2.4.1. The Committee commended the progress made towards the eradication of the TVET certification backlog and the achievement stood at 98%. The Department is committed to working towards achieving zero percent backlog.

6.2.4.2. The Committee noted with concern the decline in the headcount enrolment at TVET colleges. The current funding of the TVET sector at 62% of 80% of the required ministerial approved programmes, which contributed to the low enrolment. The Committee noted that with the current funding, the Department would not be able to meet the enrolment target as per the NDP.

6.2.4.3. The Committee noted that the AG has for the past three consecutive financial years (2018/19, 201920 and 2020/21 made findings regarding the usefulness and reliability of the reported performance information of Programme 4: TVET. The AG reported that they could not obtain sufficient appropriate audit evidence to verify the reliability of the achievement of some of the reported targets. The Committee ascribed the recurring finding to poor record management system and lack of consequence management against those responsible for the collation and safe keep of the records.

6.2.4.3. The Committee noted the inadequate capacity in the financial departments of the TVET colleges, which contribute to poor audit outcomes. Furthermore, there was inadequate oversight by the Department over the colleges to ensure that they develop and implement the action plans to address audit findings.

6.2.4.4. The lack of consequence management against colleges that fail to submit their financial statements by the legislated was noted as a cause for concern.

6.2.5. Programme 5: Skills Development

6.2.5.1. The impact of COVID-19 on the performance of the system targets under the Skills Programme was noted with concern. The Department reported that due to adjusted lockdown level 5 and 4, employers could not take in the learners because the SETAs could not issue calls due to restrictions imposed by the pandemic. The Committee welcomed the assurance that since the economy is opening and most 18 years and above have inoculated, the numbers of learners placed in the work-based learning are increasing.

6.2.6. Programme 6: Community Education and Training

6.2.6.1. The NDP committed government to increase youth and adult participation in the CET sector to 1 million by 2030. The Committee noted that the programme has not achieved the headcount enrolment targets in the previous MTSF period, 2014 – 2019. Similar trends seemed to reappear in the first year of the implementation of the new 2019 – 2024 MTSF. The programme had achieved 171 409 of students enrolled at CET colleges, against the target of 376 035. The underachievement was ascribed to inappropriate infrastructure to enable colleges to offer programmes that are attractive to adults and youth.

6.2.6.2. The increase in youth unemployment currently at 65% and the growing number of youth who are not in education, employment and training (NEET) was noted as a cause for concern. Without injecting additional funding in the CET sector, these numbers would keep on growing.

6.2.6.3. In its response to the Committee's 2020 BRRR, pertaining to consideration of additional baseline funding to support the CET programme to fulfil its mandate and to address infrastructure-related challenges, National Treasury agreed that the programme may be supported in this regard, the Department has been working to identify the funds that can be reprioritised within its budget. The Committee noted the response of the National Treasury, however, it was concerned that the Department's current budget was insufficient to allow further reprioritisation without additional new funding.

6.2.6.4. The Department reprioritised funds from its budget to fund the CET for cleaning services and screening during COVID-19 to comply with the regulations, for Higher Health to build health and to awareness infrastructure. The Committee noted that some programmes of the Department had to be suspended due to their funding been reprioritised to support the CET programme. The Committee was of the view that further reprioritisation within the Department's current baseline budget would pose risks and exacerbate the financial pressures currently experienced.

6.2.6.5. The Committee commended the Department for developing the Advocacy Strategy for CET colleges to inform the marketing strategies of colleges. It is hoped that the Strategy will partly address underperformance in headcount enrolment in the sector. Notwithstanding the development of the Advocacy Strategy, the Committee noted that the challenges in the CET sector beyond the Strategy.

6.2.6.6. The Committee noted with concern that the Department could not report on two targets, namely, number of CET college students completing GETC: Level 4 and number of CET college students completing Grade 12 due to the unavailability of information. The Committee viewed the non-reporting due to unavailability of information as poor planning.

6.3. National Student Financial Aid Scheme (NSFAS)

6.3.1. The Committee commended the Board and new management for the improvements made at the entity since their appointment in January 2021. The improvement in the audit outcomes of the entity from qualified audit opinions in the past two financial years (2019/20 and 2020/21) to an unqualified audit opinion was commended. However, the Committee noted that most of the audit findings made by the AG were repeat findings.

6.3.2. The underperformance of 40% against the 2020/21 annual performance plan was noted with great concern.

6.3.3. The inadequate communication from the entity to its stakeholders was of great concern. It was noted that many students, out of frustration tend to contact Members of Parliament (MPs) due to the entity's inability to speedily resolve their queries or communicate funding decisions.

6.3.4. The reported shortfall in the funding of the NSFAS for the 2022 academic year estimated at R10 billion was noted with concern. The Committee noted that the ongoing engagements between the entity, the Department and National Treasury on the funding of the Scheme. The sustainability of the entity to implement fee-free higher education policy, considering the increased demand for PSET opportunities, as exacerbated by the impact of COVID-19 and the job losses was noted as a risk.

6.3.5. The Committee noted that the current NSFAS administration budget, which accounted for 0.9% of the total student funding budget was limited, and the strict limitations it imposed on the improvements that the organisation could put in place.

6.3.6. The development of the Digital IT Strategy to improve and/or build key modules towards an efficient strategy of student funding was commendable.

6.3.7. The Committee noted with concern that the current NSFAS organisational structure is not fit for purpose and has not been reviewed since the introduction of the fee-free higher education policy. The entity is filling only critical posts, until the structure is reviewed. The appointment of the Chief Financial Officer (CEO) and the Chief Information Officer to strengthen the capacity at the entity was welcomed.

6.3.8. The low recovery rate of loans/debt from previous beneficiaries was concerning. Furthermore, the Committee noted that the COVID-19 pandemic would further impact the ability of beneficiaries to repay the loans. The NSFAS reported that it was taking a softer approach to encourage the debtors to repay the loans.

6.3.9. The Committee noted with concern the repeat findings on the disbursements of tuition fees and allowances to students above the maximum amount stipulated in the written agreements with the respective students and that the entity is owed moneys by tertiary institutions for money not used by students due to deregistration or being awarded bursaries from other donors.

6.3.10. The delays by the entity in finalising outstanding disbursement of allowances to students were noted as a concern. It was further noted that students, particularly in privately leased off-campus accommodation were evicted by landlords due to the delays in the payment of accommodation allowances.

6.3.11. The Committee expressed a concern regarding the significant risks in the cyber security systems of the entity, which made it vulnerable to fraudulent activities, including the ICT system which was not fit for purpose.

6.4. South African Qualifications Authority (SAQA)

6.4.1. The Committee commended the entity for achieving a clean audit for the third consecutive financial year. Of significance to note is that SAQA achieved 88% against the 2020/21 annual performance targets, despite the funding constraints and retrenchments experienced during the period under review.

6.4.2. The Committee commended the women leadership of the entity, from the Chairperson of the Board and executive management, including the appointment of the CEO on a permanent basis.

6.4.3. The financial sustainability and unbalanced budget of the entity, given that it has to generate 42% of its total income to fund the mandate bestowed on it by government was noted with great concern.

6.4.4. The Committee noted that 89 staff members were retrenched during the period under review and the negative impact of the retrenchments on meeting the delivery timelines in the services rendered as the demand for the services increases post the easing of lockdown restrictions. The entity has reported that it experienced backlogs in the processing of requests for verifications and evaluations and that 20 retrenched staff were contracted on a 3-months basis to assist until the automation process is in place.

6.4.5. The Committee noted that the hard lockdowns had had an adverse impact on the entity as they had affected its ability to generate income from rendering of services, especially through verifications and evaluation of national and foreign qualifications, respectively.

6.4.6. The Committee commended the entity for the turnaround time in identifying fraud and implementing consequence management and the recovery of the money that was irregularly transferred by one of its employees into a personal account.

6.4.7. The Committee noted that SAQA would require R20,6 million to fund its Automation Project expenditure for the next two financial years and that a funding submission had been made to the Department in August 2021.

6.5. Council for Higher Education (CHE)

6.5.1. The Committee noted that the CHE achieved 76.5% against the 2020/21 annual performance targets.

6.5.2. The Committee noted the regression in the audit outcomes to an unqualified audit with findings (clean audit in 2019/20), which was due to the bank not including the interest generated on the entity's investment statements. The Committee noted that the entity has already engaged the relevant bank and assurance was given that the finding will not recur going forward.

6.5.3. The CHE has incurred lower than projected spending amounting to R5,78 million (R4,18 million on the cost of employees and R1,59 million on goods and services). The lower than projected spending was due to the accumulation of unspent funds on the eight funded vacant posts not filled timeously due to unforeseen delays to fill the posts during the period under review; and budgeted applicable rates in costs of living paid as per instruction from National treasury due to national budget constraints and disputes with labour unions in the country.

6.5.4. The Committee welcomed the positive response of the National Treasury in agreeing that the CHE needed additional funds to fulfil its expanded mandate. The commitment to increase the transfer to the CHE by R60 million, made up of R16 million in 2021/22, R19 million in 2022/23 and R25 million in 2023/24. These funds will be used for goods and services to implement the mandate of the council.

6.5.5. The Committee noted with concern the delays in the filling of the vacant funded posts during the year under review.

6.6. Quality Council for Trades and Occupations (QCTO)

6.6.1. The Committee commended the entity for achieving a clean audit for the fifth consecutive financial year.

6.6.2. The Committee noted a progress made by entity towards purchasing a building it is currently leasing and had submitted an offer to purchase.

6.6.3. The Committee noted that the processes to fill a vacancy of the Board Chairperson and the other four vacancies on the Board were underway.

6.6.4. The Committee welcomed the re-gazetting of the Revised Occupational Qualifications Sub-Framework Policy, which is reported to be a game-changer in the PSET Sector.

6.6.5. The Committee noted the entity's concern that its current funding model is unstable. Furthermore, the adverse impact of the response to the COVID-19 pandemic, which resulted in the reduced DHET Grant allocation to the entity was noted.

6.6.6. The Committee noted the underspending amounting to R16,39 million at the end of the year under review, due to a reduction in administration expenditure, mainly travel and accommodation and compensation of employees as some vacant posts could not be filled. It was noted that some posts were put on hold due to budget cuts.

6.6.7. The Committee noted that the entity achieved 64% against the 2020/21 annual performance plan targets, which is a regression from 75% achievement in 2019/20.

6.6.8. The delays in the approval of the entity's business plan were noted as a concern given that the entity was unable to fill vacancies as per its approved organogram of 246 posts. Consequently, the vacancy rate of the entity according to its approved organogram was 60 percent while in reality the entity had about 104 posts of which 98 were filled.

6.6.9. The Committee expressed its concern regarding the entity's performance during the year under review, where it achieved 18 out of the 28 targets which was a 68% success rate

6.7.1. National Skills Fund

6.7.1. The Committee expressed disappointment that the entity received a disclaimer audit opinion for the past two audit cycles, 2019/20 and 2020/21, after a qualified audit opinion in 2018/19. The audit findings identified by the AG during the 2020/21 financial year are repeat findings from as far back as the 2018/19 audit cycle. The Committee was gravely concerned that the entity did not put measures in place to address the weakness identified by the AG.

6.7.2. The overall poor performance of the entity for the year under review was noted as a grave concern. The entity only managed to achieve three (3) or 23% out of its 13 performance targets compared 56% achievement in 2019/20.

6.7.3. The delays in the filling of critical senior management vacancies, such as the CFO, Director Information Communication Technology (ICT) and Analytics, Director Fund Management, Director Financial Planning and Reporting were noted as a concern. It was also concerning that 65 out of 179 funded positions (36%) have being vacant in the financial year under review. Consequently, the entity relied heavily on the Department's Human Resource (HR)) for recruitment processes, despite it being a Schedule 3A Public Entity. The insufficient human resource capacity has had adverse impact on the operations of the entity, and the Committee was concerned about its ability to turn around its fortunes in the 2021/22 financial year.

6.7.4. The lack of implementation of consequence management against employees responsible for the poor state of affairs of the entity was noted as a concern. The AG's audit findings suggested that there was insufficient work done by management to ensure that the root causes of poor performance were addressed.

6.7.5. It was noted that the entity failed to meet its basic mandate, despite the country facing the huge challenge of youth unemployment and shortage of skills. Owing to the underperformance and the current challenges experienced, the Committee was unable to further probe the relevance of the skills development programmes funded by the entity.

6.7.6. The Committee was concerned that the entity did not have proper systems in place account for skills development funding, as expenses were not recorded in the correct period.

6.7.7. The Committee noted that section 29(1) of the Skills Development Act, 1998 (Act NO.97 of 1998) as amended, read together with section 49(2)(b) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) provides for the Director-General of the Department to be the Accounting Authority of the NSF. Notwithstanding this provision, the Committee is of the view that having the DG as the sole member of the Accounting Authority of the entity will not provide an adequate level of oversight required, given that the DG is the Accounting Officer of the biggest Department with over 100 entities.

6.7.8. The Committee expressed a concern regarding fruitless and wasteful expenditures incurred during the 2020/21 financial year, amounting to R7.7 million compared to R5.6 million in 2019/20 representing a 37 percent increase. An example was made of a payment of R464 140 made to a contractor for remedial work, indicating that the work that was performed before the remedial work was unsatisfactory and the defaults were not detected before the approval of the payment.

6.7.9. The Committee welcomed the interventions by the Minister in instituting forensic investigation, which was underway at entity, including the establishment of a Ministerial Task Team to conduct a holistic review of the NSF, and advise on the best and most relevant positioning of the NSF to respond to the current challenges and government priorities.

6.8. Services SETA

6.8.1. The Committee expressed concern regarding the current state of affairs of the SETA, which has seen its overall performance regressing from 73 percent in 2019/20 to 40 % in 2020/21, notwithstanding that 70 percent of the budget (R781 million) was spent in the 2020/21 financial year.

6.8.2. The Committee was concerned that the entity received a qualified audit opinion for the third consecutive year. Additionally, the Committee expressed a concern that the 2020/21 audit findings by the AG were repeat findings from the previous audit cycles. The management of the entity did little to implement its audit action plan to address the root causes of the poor audit outcomes.

6.8.3. The Committee was concerned about the lack of implementation of consequence management implemented against officials responsible for underperformance and poor audit outcomes at the SETA.

6.8.4. The Committee made reference to previous engagements it had with the SETA in 2019/20 where the issue of employment of unqualified senior managers was raised. It was further noted that some of these managers were still in the employ of the SETA despite the Committee's objection to their appointment.

6.8.5. The Committee raised a concern regarding the oversight role of the Board and Executive Management over the skills development interventions of the entity.

6.8.6. The lack of proper record-keeping and reconciliation of commitments of the entity, including the awarding of contracts to non-qualifying service providers was noted with concern.

6.8.7. The reprioritisation of the SETA's budget meant for skills development intervention to address the impact of COVID-19 was noted as a concern.

6.8.8. The lack of skills management information system, which manifested itself in poor data management and poor reporting was noted as a concern.

7. RECOMMENDATIONS

The Committee, having assessed the Annual Report 2020/21 of the Department and entities recommends that the Minister of Higher Education, Science and Innovation and the Minister of Finance should consider the following recommendations:

7.1. Department of Higher Education and Training

7.1. Budget

7.1.1. The current funding of the TVET sector at 62% of 80% of the required ministerial approved programmes, contributes to low enrolment in the colleges. The headcount enrolment targets in the sector have not been achieved in the previous 2014 – 2019 MTSF and the trends seem to continue in the current MTSF. The Committee noted that with the current funding for ministerial approved programmes, the Department will not be able to meet the enrolment target as per the NDP. The Committee recommends that the consideration be made towards progressively injecting additional funds to achieve the 80% funding.

7.1.2. The Committee noted the response of National Treasury regarding the Department's reprioritisation from within the budget towards the CET programme. The CET does not have an infrastructure efficiency grant and it is currently experiencing serious infrastructure challenges. Notwithstanding that the Committee welcomed the reprioritisation to the CET to address maintenance backlogs, the Committee is of the view that this is unsustainable and further reprioritisation within the Department's current baseline budget will pose risks and exacerbate the financial pressures currently experienced. The Committee recommends additional funding towards the CET, especially given the high rate of youth unemployment and the growing number of youth not in education, employment or training, currently estimated at 3,5 million.

7.1.3. The Committee noted the projected shortfall of R10 billion for the National Student Financial Aid Scheme for the 2022 academic year. Additionally, the Committee noted the reported engagements between the NSFAS, the Department and the National Treasury, pertaining to funding of the Scheme. The Committee implore the National Treasury to consider additional funding to avert the instability and unfortunate loss of lives as experienced at the beginning of the 2021 academic year.

7.1.4. The current NSFAS administration budget accounts for 0.9% of the total student funding budget. The administration budget imposes strict limitations on the improvements that the organisation can put in place to address current inefficiencies, including ICT challenges. The Committee noted that other entities like SETAs are allocated 10% of the total budget for administration expenditure. Consideration for additional funding should be made to increase administrative expenditure of the Scheme.

7.1.5. The South African Qualifications Authority would require R20,6 million to drive its automation Project during the 2022/23 and 2023/24 financial years. The Authority has already retrenched 89 staff members and automation will address its funding challenges. The Committee recommends that National Treasury considers the SAQA request for additional funding so that the entity can fulfil its mandate and deliver services within the set turnaround times.

7.2. Audit outcomes

7.2.1. The Department's programmes, TVET and Skills development should strengthen oversight over the TVET colleges and SETAs, respectively, to ensure that they develop, implement and monitor audit action plans to address the audit findings.

7.2.2. TVET and Skills Development programmes should ensure that Accounting Authorities of the colleges and SETAs implement consequence management against those who are responsible for implementing audit action plans for their failures.

7.3. Programme 1: Administration

7.3.1. The Department should expedite the filling of the Deputy Director-General for University Education, including other critical vacancies in the programme, in particular, the Chief Director: University Planning and Institutional Funding, Chief Director: Teaching Learning and Research Development, Director: Academic Planning, Monitoring and Evaluation.

7.3.2. The Department should fill the vacancies for salary bands 13 – 16 to address current capacity challenges.

7.3.3. The Department should develop, implement and monitor the audit action plan to address the audit findings. Furthermore, a progress report on the implementation of the audit action plan should be reported to the Committee on quarterly basis.

7.3.4. The Department should expedite a process of determining the irregular expenditure and institute an investigation and consequence management against officials who contributed to the incurring of the expenditure.

7.3.5. The Department should put mitigating strategies in place to ensure that disciplinary cases are processed and finalised within the set timeframes.

7.4. Programme 3: Planning, Policy and Strategy

7.4.1. The Department should ensure that there is proper planning for the annual performance plan targets. The Department, in its planning process should engage the State Law Advisors on the feasibility of setting certain targets so that legal opinions could be sourced before targets are set.

7.4.2. The Department should ensure that sufficient resources are available to implement the targets.

7.4.3. The Department, working with other stakeholders should monitor that foreign countries that offer international scholarships comply with the scholarship commitments to ensure that students studying abroad are protected and have a conducive environment for learning.

7.4.5. The Department should make a follow-up with the Presidency regarding the delays in the issuing of the proclamation to operationalise the NQF Amendment Act, 2019.

7.4.6. In light of the repealing of the Regualtion1 of the Regulations on Additional Functions Assigned to the NSFAS by the Minister, the Committee recommends that in the next financial year, 2022/23 the Department reviews the National Student Financial Aid Scheme Act as it was not reviewed since the introduction of the Fee-Free Higher Education Policy in 2018.

7.5. University Education

7.5.1. The Department should ensure that the roll-out of the central applications system (CAS) to other universities is expedited.

7.5.2. Technical and Vocational Education and Training

7.5.2. The Department should ensure that vacant posts in the financial departments of TVET colleges are filled to strengthen the capacity. In addition, the Department should support colleges with financial management training to enable them to develop financial statements that are free from material misstatements.

7.5.3. TVET colleges should strengthen their internal control environments to prevent the recurring of the audit findings.

7.5.4. The Department should ensure that there is a proper record management system to enable the AG to access sufficient appropriate audit evidence to support the reported performance. Consequence management should be implemented against those responsible for poor record management.

7.5.4. The TVET programme should put measures in place to improve performance on the system targets.

7.6. Skills Development

7.6.1. The Department working in collaboration with relevant stakeholders should ensure that the work-integrated learning (WIL) programme is expedited to assist many students who were affected by Covid-19 to complete their experiential learning component of their programmes.

7.6.2. The Skills Development Branch of the Department should ensure close monitoring of the SETAs quarterly performance for early detection of financial misconducts and put corrective and preventative measures in place.

7.7. Community Education and Training

7.7.1. The Department should ensure that CET lecturer's training is implemented during the 2021/22 financial year to improve the success rates of the sector.

7.7.2. The Department should monitor the implementation of the CET marketing strategy to increase public awareness regarding the programmes offered by CET colleges.

7.8. National Student Financial Aid Scheme

7.8.1. The Scheme should develop, implement and monitor its audit action plans to address the audit findings, and implement consequence management against those who fail to implement the action plan in their respective areas of work.

7.8.2. The Scheme should set realistic targets in respect to debt recovery from its previous beneficiaries, considering the impact of COVID-19 on the economy. In addition, the Scheme should improve loan recovery strategy.

7.8.3. The entity's developed Digital IT Strategy should be implemented and monitored.

7.8.4. The Scheme should expedite the review of the organisational structure to align it with the new funding policy.

7.9. South African Qualifications Authority

7.9.1. The entity should eradicate the reported backlogs in terms of the services it renders.

7.9.2. Notwithstanding the current financial pressures, the entity should proceed with caution in terms of the plan to sell its own building.

7.9.3. The entity should strengthen its fund raising activities to supplement the funding shortfall and improve its financial sustainability.

7.9.4. The entity should prioritise the eradication of the reported service delivery backlogs.

7.10. Council on Higher Education

7.10.1. The entity should expedite the filling of vacant funded posts during the 2021/22 financial year to increase its human resource capacity and overall performance against predetermined objectives.

7.11. Quality Council for Trades and Occupations

7.11.1. The Minister should expedite the filling of the Chairperson of Council, including the four vacancies in the Council.

7.11.2. The Department should reassess the current funding model of the QCTO as it is reported to be unstable and impact adversely on the operations of the Scheme, in particular the approval of the Business Case.

7.11.3. The entity needs to improve its overall performance and ability to respond to requests for assessments from service providers.

7.12. National Skills Fund

7.12.1. The NSF should improve its record management system to ensure that information pertaining to the skills development interventions is reliable and can be verified for accountability purposes. The NSF should also submit a list of all its active skills development initiatives so that members can conduct site visits to the projects.

7.12.2. The NSF should develop a comprehensive audit action plan with clear timeframes and ensure that there is adequate monitoring of the implementation of the action plan. The action plan should be submitted to the Committee within three months of the adoption of the Committee's BRR Report by the National Assembly.

7.12.3. The report of the Ministerial Task Team on the holistic review of the NSF be submitted to the Committee one month after its completion and submission to the Minister.

7.12.4. The forensic investigation report on skills development expenditure incurred in the 2019/20 financial year be submitted to the Committee one month after its completion and submission to the Minister. Additionally, the NSF submits quarterly progress reports on the implementation of recommendations contained in the forensic report.

7.12.5. The Minister revisits the current governance structure arrangement of the NSF to assess its effectiveness in relation to the mandate of the entity.

7.12.6. The internal determination of the extent of irregular and fruitless and wasteful expenditure incurred by the NSF should be expedited.

7.12.7. Consequence management be implemented to address underperformance in the entity and senior managers should sign performance agreements to hold them accountable in implementing the audit action plans in their respective areas of work.

7.12.8. The filling of funded vacancies be expedited to improve the human resource capacity of the entity and its overall performance. The entity should expedite the development of its human resource (HR) unit to eliminate its reliance on the Department's HR unit to fill vacant positions.

7.12.9. The NSF expedites the process to procure an ICT system for Skills Management Information System (SMIS) that will enable the entity to have credible data management that allows for proper reporting.

7.13. Services SETA

7.13.1. The Accounting Authority should exercise its fiduciary duties to ensure that management is held accountable for the overall poor performance and audits of the entity.

7.13.2. The Department working with the Services SETA should rectify the issue of non-compliance with the Skills Development Act, 1998 regarding the appointment of the Accounting Authority as identified by the AG.

7.13.3. The Accounting Authority should ensure that consequence management is applied against employees who have been found to have committed acts of financial misconduct and where necessary recovery of losses be done. Additionally, consequence management should be implemented to correct underperformance in the entity.

7.13.4. The Committee found evidence of people appointed at the Services SETA senior management level without requisite qualifications or skills. Thus, the Accounting Authority should ensure that all senior managers of the Services SETA possess the required minimum qualifications and skills for the positions they hold. Preventative measures should also be put in place to ensure that the recruitment process is undertaken in accordance with legislation and similar policies of the Services SETA.

7.13.5. The findings from the AG identified the Services SETA as a repeat offender in terms of poor audit outcomes for three successive years. The SETA Accounting Authority should ensure that an audit action plan with timeframes is developed, implemented, monitored and reported on. Consequence management should be implemented against those who fail to implement the audit action plan in their respective areas of work. The SETA submits to the Committee the audit action plan and further appear before the Committee quarterly to report on progress made in the implementation of the action plan in addressing underperformance and poor audit outcomes.

7.13.6. The management should ensure adequate oversight over the skills development contract management to prevent fruitless and wasteful expenditure arising from litigations by the service providers.

Report to be considered