**Report of the Portfolio Committee on Higher Education, Science and Innovation on the 2022/23 Third Quarter Expenditure and Non-Financial Performance Report Of The Department Of Higher Education And Training, 15 March 2023**

The Portfolio Committee on Higher Education, Science and Innovation (“the Committee”), having considered the 2022/23 Third Quarter performance report of the Department of Higher Education and Training (“the Department”), reports as follows:

1. **INTRODUCTION**

Section 40 (1) (f) of the Public Finance Management Act (PFMA), 1999 (Act No.1 of 1999) makes provision for the accounting officer of a department to submit all reports, returns, notices and other information to Parliament. The Act also stresses the need for accounting officers to regularly monitor and report on the performance of their departments against the agreed budget for the year.

Section 5 (1) (c) of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009) determines that the National Assembly (NA), through its committees, must annually assess the performance of each national department in relation to the expenditure report of the said department published by the National Treasury in terms of section 32 of the PFMA.

The Committee conducts in-year monitoring and assessment of the service delivery and financial performance of the Department towards achieving the performance indicators and targets as set out in the Annual Performance Plan. The quarterly assessments of the Department’s financial and non-financial performance also assist the Committee in its preparation for the annual submission of the budgetary review and recommendation report (BRRR) as determined by section 5 (2) of the Money Bills Amendment Procedures and Related Matters Act, 2009 (Act No. 9 of 2009).

The Committee considered the 2022/23 Third-Quarter expenditure performance report of the Department on 15 February 2023.

1. **OVERVIEW AND ASSESSMENT OF THE DEPARTMENT’S QUARTERLY EXPENDITURE AND PERFORMANCE**

**2.1. 2022/23 THIRD-QUARTER PERFORMANCE**

**Table 1: Budget allocation and expenditure for the Third-Quarter of the 2022/23 financial year**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **R million** | **Main Appropriation** | **Adjusted Budget** | **Q3 Actual expenditure** | **Expenditure as % of Available Budget** | **Q3 Projected expenditure** | **Variance from projected expenditure** | **% Variance from projected expenditure** |
| **Programme** | | | | | | | |
| Administration | 493,7 | 492,0 | 324,2 | 65,9% | 347,9 | 23,7 | 6,8% |
| Planning, Policy and Strategy | 4 912,9 | 4 695,9 | 2 417,5 | 51,5% | 553,3 | -1 864,2 | -336,9% |
| University Education | 88 581,7 | 88 839,9 | 87 218,8 | 98,2% | 88 483,2 | 1 264,4 | 1,4% |
| Technical & Vocational Education & Training | 12 623,1 | 12 725,2 | 8 814,5 | 69,3% | 8 929,9 | 115,4 | 1,3% |
| Skills Development | 421,6 | 407,0 | 314,8 | 77,3% | 221,6 | -93,2 | -42,1% |
| Community Education & Training | 2 481,9 | 2 577,7 | 1 970,2 | 76,4% | 1 925,6 | -44,6 | -2,3% |
| **Sub-total** | **109 514,9** | **109 737,6** | **101 060,2** | **92,1%** | **100 461,5** | **-598,7** | **-0,6%** |
|  |  |  |  |  |  |  |  |
| Direct Charges: SETAs | 16 495,5 | 16 990,5 | 12 230,4 | 72,0% | 12 269,6 | 39,2 | 0,3% |
| Direct Charges: NSF | 4 123,9 | 4 247,6 | 3 057,6 | 72,0% | 3 067,4 | 9,8 | 0,3% |
| **Sub-total** | **20 619,3** | **21 238,1** | **15 288,0** | **72,0%** | **15 337,0** | **49,0** | **0,3%** |
|  |  |  |  |  |  |  |  |
| **Total** | **130 134,2** | **130 975,8** | **116 348,2** | **88,8%** | **115 798,5** | **-549,8** | **-0,5%** |

Source: National Treasury, 2023

The Department’s adjusted budget for the 2022/23 financial year, amounted to R130,134 billion, which is inclusive of R109,514 billion of voted funds and R20,619 billion of direct charges against the National Revenue Fund. The budget was adjusted to R130,975 billion during the 2022 Adjustment Budget. The projected expenditure for the 2022/23 Third-Quarter amounted to R115,798 billion, comprising R100,451 billion of voted funds and R15,337 billion of direct charges. At the end of the 2022/23 Third-Quarter, the Department had spent R116,348 billion, which comprised R101,060 billion of voted funds and R15,288 billion of direct charges against the National Revenue Fund. Excluding the direct charges, the Department had recorded higher than the projected spending of R598,7 million or 0.6 per cent. The higher than projected spending was attributed to transfers of infrastructure and efficiency grants to universities and TVET colleges, which were brought forward to Quarter 3 from Quarter 4.

In terms of spending on the Compensation of Employees, the Department had spent R6,74 million, against the quarterly projected expenditure amounting to R7,565 billion against the projected expenditure of R7,690 billion. The underspending on the Compensation of Employees for the Quarter amounted to R125,2 million or 1.6 per cent. An amount of R353,9 million was spent on goods and services, recording lower than the projected spending amounting to R62,8 million or 15.1 per cent against the quarterly projected expenditure of R416,7 million.

Expenditure on transfers and subsidies amounted to R93,133 billion against the budget of R92,345 billion, recording higher than projected quarterly expenditure of R788,3 million or -0.9 per cent. Spending on payments for capital assets amounted to R7,1 million against the projected expenditure of R8,6 million, recording a lower than the projected spending amounting to R1,5 million or 17.0 per cent.

**2.2. Overview and assessment 2022/23 Third-Quarter service delivery performance**

For the 2022/23 Third-Quarter, the Department had 47 targets. The targets were shared among the six budget programmes, namely, Administration, Planning, Policy and Strategy; University Education, Technical and Vocational Education and Training (TVET), Skills Development and Community Education and Training (CET). The Department achieved 21 targets or 44.7 per cent of the 47 targets.

**(i) Programme 1: Administration**

The programme provides strategic leadership, management and support services to the Department. The programme four targets and achieved one (1) or 25 per cent of the targets

Targets not achieved include:

* Percentage **(100%)** of valid invoices received from creditors paid within 30 days and actual achievement was 99.56 per cent. The Department cited the omission of emailed invoices for processing as the reason for not achieving the target.
* Percentage **(80%)** of disciplinary cases resolved within 90 days per annum, actual achievement was 77 per cent. It was noted that Gauteng, Free State and Northern Cape regions did not finalise cases within 90 days; and
* Percentage **(98%)** of network connectivity uptime per annum, actual achievement was 91.66 per cent. The Department ascribed the partial achievement to the rolling blackouts due to ESKOM load shedding that affected sites without generators at the Regional Offices, including the power cuts by the City of Tshwane at DINAYE House.

At the end of the 2022/23 Third-Quarter, the programme had spent R324,2 million, recording lower than projected spending amounting to R23,6 million or 6.8 per cent. The lower than projected spending was under compensation of employees and ascribed to vacant posts that were not filled as projected due to the length of time required to sift through the high number of applications received, and under goods and services as invoices for travel and subsistence were received later than expected for processing.

**(ii) Programme 2: Planning, Policy and Strategy**

The programme provides strategic direction in the development, implementation and monitoring of departmental policies and in the human resource development strategy for South Africa. The programme had three targets and achieved 100 per cent of the planned targets for the Third-Quarter.

The programme had spent R2,417 billion, against the quarterly projected expenditure of R553,3 million, recording higher than projected spending amounting to R1,8 billion or 337 per cent. The higher than projected spending was ascribed to the earlier than expected approval by the Minister for the Department to release the infrastructure and efficiency funds to universities and TVET to institutions which met the criteria (submission of their procurement strategy, implementation plan and institutional capacity assessment).

**(iii) 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 and national higher education institutions.

For the Quarter under review, the programme had 18 targets and achieved 11 or 61 per cent of the targets.

Targets that were not achieved include:

* A Fee Regulation Framework submitted to the Minister for approval by 31 December 2022. It was reported that a Fee Regulation Framework was not submitted to the Minister for approval as planned. The Department further noted that the Minister had approved the proposed CPI increase for the 2023 academic year to a maximum of 5.1 per cent for tuition fees and CPI+2 to a maximum of 7.1 per cent for accommodation fees on 13 December 2022.
* Student funding policy submitted to the Minister for approval by 30 October 2022. TheStudent funding policy was not submitted to the Minister for approval as planned, and it was reported that the Cabinet required that more work be done on the draft policy and for the draft to be consulted on before returning to the Cabinet for approval for implementation.
* Number (1 098 000) of students’ enrolments at public universities annually, (actual achievement was 1 068 046); number (14 750) of graduates in engineering annually, (actual achievement was 12 605); number (11 0001) of graduates in natural and physical sciences annually, (actual achievement was 10 608); number (10 000) of human health science annually, (actual achievement was 9 558) and number (14 500) of masters graduates annually (actual achievement was 13 796). The underachievement in these targets was attributed to the impact of the COVID-19 pandemic on university graduations.

The Programme had spent R87,218 billion at the end of the 2022/23 Third-Quarter, against the projected quarterly expenditure of R88,483 billion. The lower than projected spending amounted to R1,264 billion or 1.4 per cent. The lower than projected expenditure was attributed to the delays in the transfer payments to higher education institutions for the earmarked grants. These grants could not be processed as initially projected as the required progress reports were not timeously received. The transfer to the National Student Financial Aid Scheme (NSFAS) for operations was lower than projected by R54 million. this amount was shifted to NSFAS in 2022 Adjustment Budget and will be made in the Fourth-Quarter.

**(iv) 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 had 15 targets and achieved three or 20 per cent of the planned targets

Targets not achieved include, amongst others:

* Number (580 849) of students enrolled at TVET colleges annually, (actual achievement was 565 088). The Department reported that colleges were still struggling to recover from the COVID-19 impact and a decrease in funding;
* Number (329 554) of TVET colleges receiving funding through NSFAS bursaries annually, (actual achievement was 270 134). It was reported that NSFAS informed the Minister that the Auditor-General of South Africa (AGSA) and NSFAS agreed that the entity submits the updated Financial Statements by 31 March 2023;
* Examination results released to qualifying students within 40 days from the last day of the exams timetable (per cycle). No results were released during the Quarter;
* Number (72 298) of TVET college students completing N6 qualification annually, (actual achievement was 57 245). The underachievement was ascribed to curriculum changes;
* Number (13 552) of TVET college students completing NC(V) Level 4 annually, (actual achievement was 12 507). The underachievement was attributed to curriculum changes;
* Percentage (70%)of TVET college lecturers with professional qualifications, (actual achievement was 0 per cent). The Department reported that it was analysing data from colleges; and
* Number (250) of TVET college lecturers holding appropriate qualifications supported to acquire professional qualifications annually. The Department did not report on the target due to outstanding reports from universities and colleges.

The programme had spent R8,814 billion against the projected quarterly expenditure of R8,929 billion at the end of the Third-Quarter, recording lower than projected spending amounting to R115,3 million or 1.3 per cent. The underspending was due to continued delay in the implementation of the Post-Provisioning Norms (PPN), which will place TVET employees on the Department’s payroll system. It was reported that the Department cannot implement the norms at some colleges as these colleges have not yet submitted all the necessary documents.

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

The programme promotes and monitors the National Skills Development Strategy. Develop skills development policies and regulatory frameworks for an effective skills development system. For the Quarter under review, the programme had two targets, and had achieved one or 50 per cent of the targets.

The programme did not achieve the following target on the percentage (100%) of the allocated SETA Mandatory Grants paid to employees. The Department reported that it had yet paid the SETAs levy for December 2022, from which to pay a Mandatory Grant to employers.

The programme had spent R314,8 million against the quarterly projected expenditure amounting to R221,6 million, recording a higher than the projected spending of R93,2 million or 42.2 per cent. The higher than projected spending was due to the transfer of R100 million to the National Skills Fund for the Presidential Youth Employment Intervention (PYEI), which was brought forward to the Third-Quarter as the revised proposal for the PYEI project piloting a performance model for demand-led skills training was accepted, allowing for these funds to be released.

**(vi) 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 had five targets during the Quarter under review. The programme achieved two or 40 per cent of the planned targets.

Targets not achieved include:

* Number (266 424) of students enrolled in CET colleges annually, (actual target was 143 031). The underachievement was ascribed to less emphasis placed on programme diversification and responsiveness to the community needs, Colleges were under resourced and under marketed;
* Number (40 000) of CET college students completing GETC: Level 4 annually, (actual achievement was 10 611). The underachievement was attributed to the under resourcing and under marketing of colleges; and
* Percentage (100%)of CET colleges compliant with the policy on the conduct and management of examination and assessment. The examination process for CET colleges was still in progress during the Quarter under review.

At the end of the 2022/23 Third-Quarter, the programme had spent R1,970 billion, against the quarterly projected expenditure of R1,925 billion, recording higher than projected spending amounting to R44,6 million or 2.3 per cent. The higher than projected spending was ascribed to the implementation of the standardisation of CTE lecturer posts to the nearest notch being back-dated to 01 April 2022.

1. **OBSERVATIONS**

The Portfolio Committee having considered the 2022/23 Third Quarter expenditure and non-financial performance report of the Department of Higher Education and Training, makes the following observations:

**3.1. Programme 1: Administration**

3.1.1.The delays in the payment of valid invoices received from service providers within 30 days was noted as a serious concern. The Committee noted that small businesses do not have sufficient financial reserves to cover operational expenditures and the delays with the payment of their invoices pose a huge risk on their sustainability. It was further noted that the reasons provided by the Department for non-payment of invoices were inadequate and a clear dereliction of duties by some officials of the Department.

3.1.2. The delays by the Department in resolving 80 percent of disciplinary cases within 90 days was concerning. The Committee was concerned that some officials implicated in misconduct cases are still enjoying employment benefits pending the finalisation of their cases, while additional costs are incurred to pay for those acting in those positions.

3.1.3. The impact of load-shedding on the operations of the Department was noted as a concern and the Committee indicated that the Department ought to find mechanisms to mitigate against the disruption caused by power cuts. The Committee also welcomed the Department’s plans to move out of its Head Office and procure new Office space, which would have reliable power supply and alternative energy sources to minimise disruption to its operations.

3.1.4. The delays with the filling of vacant positions especially those located at institutional level (TVET colleges) was noted as a continuous concern.

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

3.2.1. Inadequate oversight and monitoring by senior management of the Department over the performance of various programmes was cited as one of the major contributors to underperformance. It was further noted that the officials responsible for the dereliction of their duties need to be held accountable for underperformance.

3.2.2. The Committee acknowledged the difficulties experienced by the Department in relation to meeting some targets, which were not achieved due to reasons beyond the Department’s control. As a result, it was noted that the Department should find ways of setting targets that are within its control.

3.2.3. Concerns were raised with the overall regression in meeting specified performance indicators by the Department in the 2022/23 financial year and the implications this would pose towards the remainder of the year under review. Unlike the previous years, the Department performance for the 2022/23 in Quarters 1 – 3 has been inadequate.

3.2.4. The fact that 12 per cent of the planned targets during the period under review were not met due to poor planning and 76 per cent of the targets were not achieved due to process and external factors was highlighted as a concern.

**3.3. Programme 3: University Education**

3.3.1. The delays in the finalisation of the comprehensive student funding policy for higher education was noted as a serious concern. It was noted that the missing middle students in particular, are mostly affected by the lack of dedicated financial assistance to meet their learning needs, including postgraduate students.

3.3.2. The Committee was concerned that the Fee Regulation Framework was not finalised as planned. Consequently, other universities were increasing their fees despite the Department having not finalised the framework, which will guide institutions on fee- increment.

3.3.3. It was noted that the 2023 academic year has commenced smoothly in higher education despite the reported student protests at few universities such as Vaal University of Technology and University of Cape Town (UCT).

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

3.4.1. The overall performance of this programme during the Quarter under review was disappointing. Out of the 20 targets planned for the Third-Quarter, only three were achieved, and the Department cited delays in the submission of reports by colleges as a key factor contributing to underperformance.

3.4.2. The lower than expected headcount enrolment in the TVET sector remains a serious concern given the demand for vocational and occupational skills needed to drive the economic growth. Compounding the situation is the lack of funding to support colleges to increase their enrolments.

3.4.3. The delays in the implementation of the Post-Provisioning Norms (PPN) for the sector remains a challenge as colleges are struggling to reduce expenses on compensation of employees’ budget.

3.4.4. The delays in the roll-out of the revised curriculum for TVET colleges, which is relevant and aligned to industry requirements remains a serious concern. The Committee had also observed during its oversight visit that colleges were struggling to train students with the current curricula as it is no longer relevant to what is required by industry.

3.4.5. The throughput and certification rates produced by TVET colleges were inadequate. Compounding the situation were delays in the training and development of lecturers to obtain professional qualifications, which would ultimately contribute to improved student performance.

3.4.6. The placement of 16 000 TVET graduates in workplaces for work-integrated learning (WIL) was welcomed by the Committee. Furthermore, the target to place 20 000 TVET graduates in 2022/23 financial year was commendable. TVET graduates need work placement opportunities to complete some of their qualifications, and improved relations and partnership with industry bodes well for the sector.

3.4.7. The slow spending of infrastructure grants by TVET colleges remains a concern given the dire shortage of student housing and the backlog in maintenance and refurbishment of the existing facilities in the sector.

**3.5. Programme 5: Skills Development**

3.5.1. The delays by the SETAs in the payment of mandatory grants to employers for their skills development and training programmes remains a concern. Of great concern is that the planned target could not be met in the three consecutive Quarters of 2022/23.

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

3.5.1. The CET sector remains under-resourced and this hinders its ability to expand and remain relevant. The fact that only two percent of the Department’s budget is allocated for this programme remains a concern.

3.5.2. The lower than projected enrolment of students in the CET sector remains a serious concern given the demand for short term skills in communities.

3.5.3. The Department’s advocacy campaigns and marketing initiatives to create awareness regarding the CET programme in communities was welcomed. The Committee was encouraged by the reported R1 billion that has been set aside to improve CET college infrastructure, despite SETAs also contributing funding for infrastructure and operational costs of the sector.

**4. SUMMARY**

The Committee was concerned with the Department’s overall performance for the Quarter under review. The Committee stated that the underperformance was unacceptable. There were 28 targets planned during the Second-Quarter, and 15 (54%) of the targets were achieved. Similarly, there were 47 targets planned in the Third-Quarter and three (45%) of the 47 targets were achieved. The primary reason provided for the under-performance recorded in both quarters related to human resources capacity challenges, which in essence hinders the ability of the Department to perform in line with its pre-determined objectives.

The Committee was gravely concerned about the performance of some key delivery programmes such as TVET, which achieved only three of the 15 planned targets. There was no clear indication from the Department about the plan to ensure that employees responsible for under-performance will be held to account. Furthermore, the Department did not provide specific timeframes to implement corrective measures to address under-performance. The Committee’s view was that there is an urgent need to look into the underlying reasons for under-performance and put measures in place to ensure that there is no recurrence of poor performance in the remaining last quarter of 2022/23. The Department committed to rectifying the poor performance, and the Committee undertook to closely monitor the commitment by the Department.

**5. RECOMMENDATIONS**

The Committee having assessed the 2022/23 Third-Quarter expenditure and performance report of the Department makes the following recommendations:

**5.1.** **Programme 1: Administration**

5.1.1. The payment of valid invoices received from service providers within 30 days should be adhered to.

5.1.2. The filling of vacant and critical posts especially at TVET colleges should be prioritised, including the full implementation of PPN.

5.1.3. The Department develops mechanisms to ensure that disciplinary hearings are resolved within the specified time frame of 90 days. Furthermore, additional support should be provided to regional offices that have capacity constraints to deal with the disciplinary case workload.

5.1.4. The process of acquiring new office spaces for the Department needs to be prioritised.

**5.2. Programme 2: Planning. Policy and Strategy**

5.2.1. The oversight and monitoring of the different branches’ in-year performance needs to be improved.

5.2.2. Consequence management should be implemented against officials failing to meet their targets as per their job descriptions.

**5.3. Programme 3: University Education**

5.3.1. The finalisation of the comprehensive student funding model for PSET sector should be finalised within the revised timeframes.

5.3.2. The Department should closely monitor the institutions experiencing student protests and engage them to improve stability.

5.3.3. The implementation of the Fee Regulation Framework for higher education needs to be expedited.

**5.4. Programme 4: TVET**

5.4.1. The performance of the TVET programme should be improved, in particular the systems needed for processing and submission of data.

5.4.2. The review and re-alignment of the TVET curriculum should be expedited to improve the readiness of TVET graduates for workplaces.

5.4.3. The Department should provide the necessary support and capacity needed for colleges to improve their spending and accountability on infrastructure grants.

**5.5. Programme 5: Skills Development**

5.5.1. The Department should ensure that SETAs mandatory grants to employers are paid on time so that their planned training and development programme are not negatively affected.

**5.6. Programme 6: CET**

5.6.1. The utilisation of universities and TVET colleges infrastructure as community learning centres (CLCs) should be expedited to improve the teaching and learning environment in the sector.

5.6.2. The Department should provide the necessary support needed by some CET colleges for the utilisation funding for improving their infrastructure.

Report to be considered.