Audit outcomes of the Higher Education and Training Portfolio

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

11 October 2023

Mission and vision

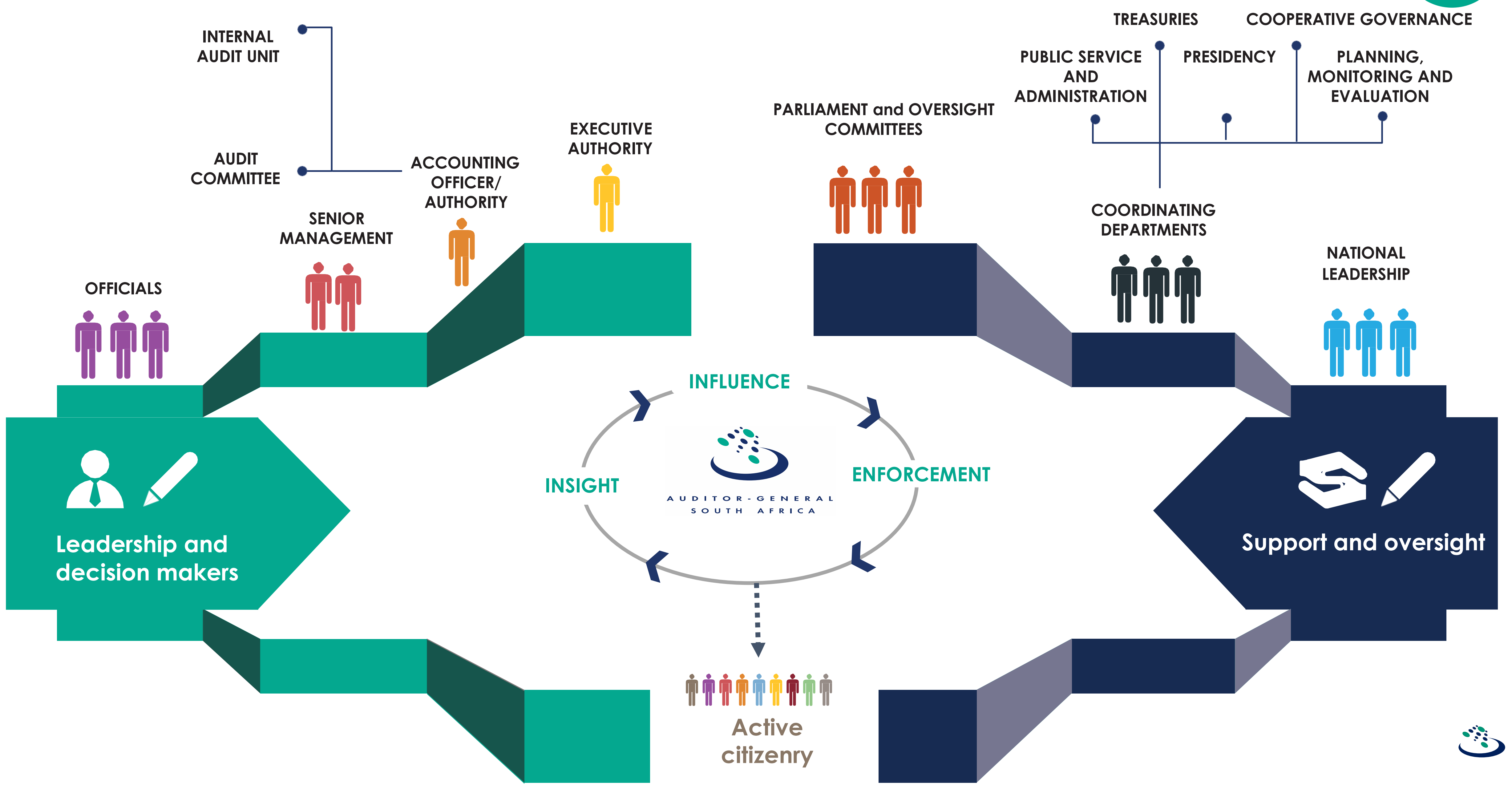
MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

VISION

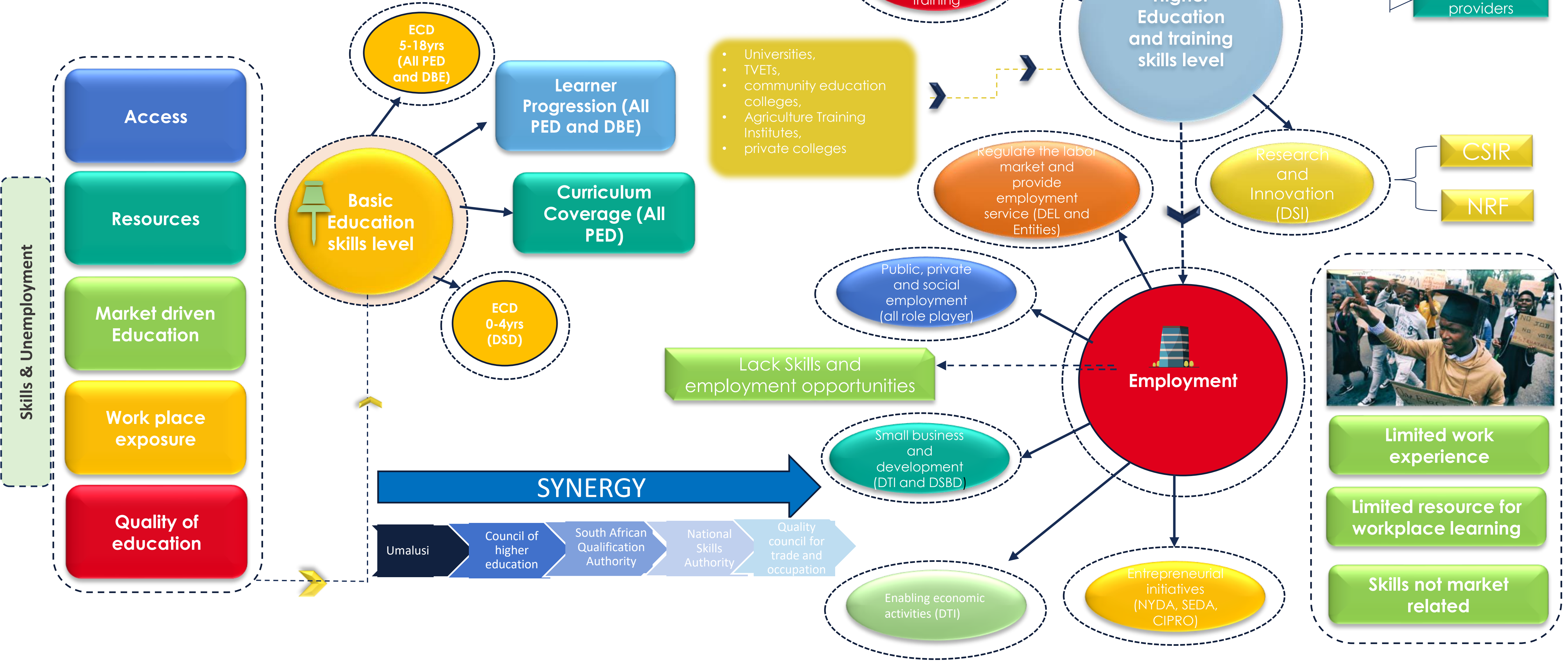
To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability.

All have a role to play in accountability ecosystem



Eco-system of how the different role players interlink

Priority 3 of the MTSF states that the objective of the higher education portfolio is to enable an improved social and economic development through the PSET system



THEME- EDUCATION,SKILLS AND UNEMPLOYEMENT

Problem statement

In its strategies and budgets, government reiterates education and skills development being a priority as a means to eradicate unemployment and poverty. However, more than 36% of South Africans are unemployed, with 64% being youth, this includes graduates and/or individuals who completed one or more skills intervention/ education program.

Integrated planning within the education and skills sector will facilitate quality education and responsive skills development programmes that meets market needs , therefore reduce unemployment. This will further maximise the value of the limited fiscus invested by government particularly in education and skills development

Note : In the current year we opted to start building on a message, however, the solution will cut through multiple years to ensure a sustainable solution.

Audit outcomes of the department and its entities over two years (excluding the TVETs and Universities)

Audit outcomes over administration term

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2019-20 FIRST YEAR OF ADMINISTRATION	8	18	1	0	1	0	28
2021-22	8	14	5	1	0	0	28
2022-23	11	6	9	0	0	2	28
	CHE, **CHIETA**, MQA, FASSET, **FOODBEV**, **MICTSETA**, PSETA, **SAQA**, QCTO, NIHSS and SASSETA	DHET, AGRISETA, CATHSSETA, EWSETA, **FPMS** and **W&RSETA**	**BANKSETA**, CETA, NSF, **ETDPSETA**, **HWSETA** INSETA, SSETA, **MERSETA** and **TETA**	None	None		

MOVEMENTS FROM PREVIOUS YEAR:
6 ↑ 6 ↓

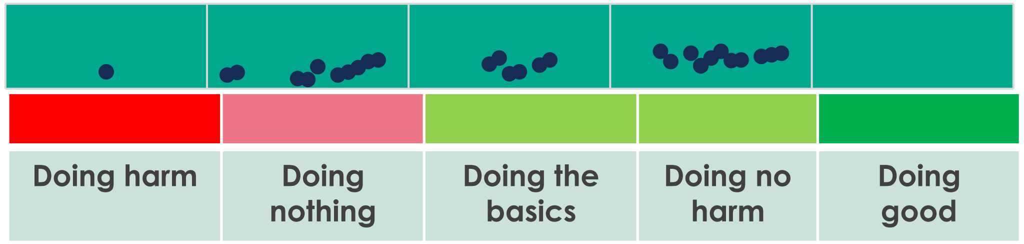
FROM FIRST YEAR OF ADMINISTRATION:
4 ↑ 5 ↓

Submission of financial statements by legislated date for portfolio is at **96%.**

Outstanding audits

- LGSETA
- NSFAS (The financial statements for the 2022-23 have not yet been received)

Current Status



Overview of the outcomes

1 Remained unchanged

- We applaud the following entities for maintaining the same opinion of being unqualified with no findings: **FASSET, MQA, PSETA, QCTO** and **SASSETA,**

2 Improved

- We commend the following entities that have improved in the period under review **CHIETA, FOODBEV, MICT, SAQA and CHE.**
- **W&R** improved from qualified in the prior year to unqualified with findings in the current year.

3 Regressed to Qualifications

- **BANKSETA** – Received a qualified audit opinion on payables from non-exchange transactions as the underlying documents did not agree to the amount disclosed in the financial records of the SETA..
- **HWSETA** –Received a qualified audit opinion on Grants and transfer payables as the status of record keeping was inadequate, the commitments disclosed did not agree to the underlying schedules.
- **TETA and ETDP** - Received a qualified audit opinion on Skills development grants payable due to inadequate records of project expenditure, the records did not agree with the financial records.
- **MERSETA** – Received a qualified opinion on commitments as the entity omitted to accurately disclose expenditure and accruals associated with projects where services have already been rendered.

4 Remained as Qualified

- **INSETA** – Received a qualified audit opinion on commitments due to prior year contracts that were cancelled without sufficient and appropriate audit evidence.
- **NSF –** Received a qualified audit opinion on provisions and on skills development funding due to inadequate project management and monitoring.
- **CETA –**Received a qualified audit opinion on discretionary grants commitments due to inadequate accounting records and limitations on the receipt of information, this is as a result of poor project management and monitoring.
- **SSETA –** Received a qualified audit opinion on commitments as the entity's systems to process and maintain records relating to projects were not adequate.

Overall observations

- The SETAs still struggle to implement adequate project management that will facilitate complete and accurate reporting of accruals, payables, commitments and expenditure.
- Further noted that the entities which regressed as a result of the above observation.

Project life cycle

Applications submitted by service providers

Verification of application information and contracting

Project implementation

Project management/monitoring

Service provider submits invoice and documents

Dr expenditure
Cr accruals/payables

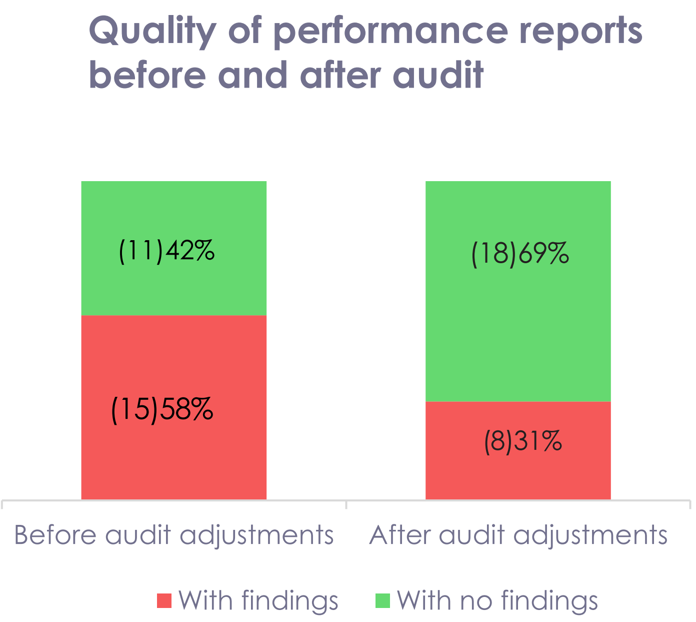
Update commitments register

It has been noted that the SETAs do not adequately implement project management/monitoring and this results in them not accounting for project expenditure as and when services are rendered

There delays in the SETAs paying service providers impacting the survival of SMMEs. This is a ripple effect of inadequate project management as there is over reliance by the SETAs on the SDPs to provide supporting document and status of implementation of projects.

Another ripple effect of inadequate project management is not correctly accounting for project expenditure on the financial statements and not correctly updating the commitments register.

Performance planning and reporting has impact on service delivery



FINDINGS:PLANNING FOR SERVICE DELIVERY

Indicators were identified as not well-defined for BANKSETA & CETA

FINDINGS: REPORTING

The findings were mostly noted on programme 3: Learning programmes and Projects, which directly relates to fulfilling the SETA's core mandate of providing a skilled and capable workforce by providing bursaries and implementing work-based learning programs by working with employers to provide learnerships and other programs to their employees. The supporting evidence for the reported achievements was not always provided, and in some instances differed materially from the reported achievement for the auditees below
DHET ,CETA, INSETA, NSF, SSETA, MERSETA AND TETA

RESULTANT IMPACT

As a result of the above findings, service delivery can be delayed and resources misallocated due to inaccurate data, straining the SETAs budgets and resources. If the data were accurate, funds spent on programs that don't address real skills gaps could be redirected to more effective initiatives. This impacts citizens, as well as the ability of entities to deliver services in accordance with their mandates and in accordance with MTSF targets

Performance against targets

Key targets in medium-term strategic framework for portfolio

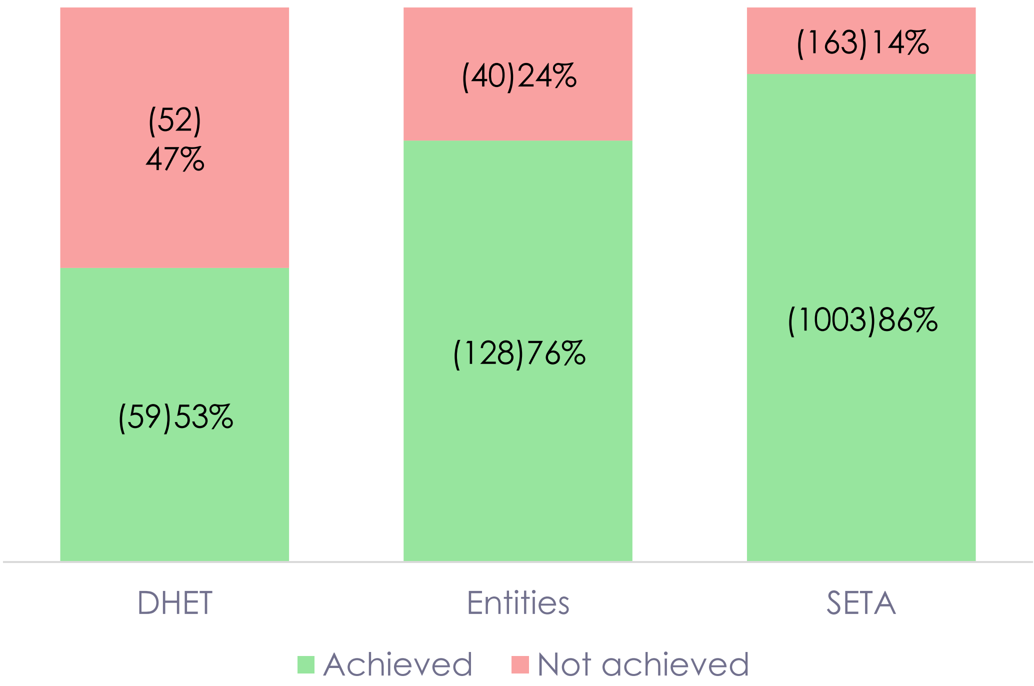
Expanded access to PSET opportunities - To provide diverse students population with access to a comprehensive and multifaceted range of PSET opportunities

Improved success and efficiency of the PSET system - 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

Achievement of annual targets as reported in annual performance report (all indicators) – 2022-23



Impact of targets not achieved

- The department and the entities within this portfolio did not achieve their core objectives relating to skills development and training as a total of 255 out of 1445 targets were not achieved.
- This contributes negatively to the service delivery requirements of the portfolio.

Performance against targets

1 Key service delivery targets/ key targets in medium-term strategic framework for the portfolio

- Enrolments in PSET
- Students receiving funding through NSFAS bursaries
- Learners registered for SETA supported skills programmes
- Students completing qualifications and part qualifications
- Throughput rates : University and TVET.
- University lecturer qualifications (Doctoral degrees).
- TVET college lecturers with professional qualifications.

2 Key service delivery targets not included in plans of auditees

None were noted for the 2022-23 financial year.

However, during the pro-active review of the 2023-24 APPs instances of misalignment between the SETA APPs and the SLAs were identified.

3 Achievement of annual targets as reported in annual performance report (all indicators) – 2022-23

Key targets not achieved by auditees:

- **DHET**
- Overall, 52 targets were not achieved by the department.

SETAs

- Overall, of 197 targets were not achieved by the SETAs.

Other entities

- Overall, 6 targets were not achieved by the entities.

4 Insights, root cause and impact of targets not achieved

The root causes noted were as follows:

- Delays in procurement processes
- Poor and or inadequate project management.
- Lack of alignment and coordination within the PSET system.

Material irregularities

Material irregularities identified

Payments were made to service provider in excess of service level rates. Non-compliance with section 57(b) of the PFMA

The Accounting authority has not taken adequate actions in response to the notification. Recommendations are included in the auditor's report and was expected to be implemented on 10 September 2023, no response was received from CETA We will communicate the next steps in the MI process to the CETA.

Entity appointed an implementing agent, the project failed to meet its objectives and was therefore hauled , resulting in a non - compliance with section 57(b) of the PFMA

The Accounting authority was notified on the 17 July 2023, we have since received the response from the Accounting authority and currently evaluating whether appropriate action is taken.

Entity approved and paid for three modules twice, this is a non- compliance with section 57(b) of the PFMA

Accounting authority has not taken adequate actions in response to the notification. Recommendations are included in the auditor's report and the expected to be implemented on 31 October 2023 .

2 — **Recommendations (NSF and CETA)**

1 — **Recently notified actions being evaluated (CETA)** for planned actions and measures to be implemented on identified matters

CETA
Overpayment

CETA
Payments made for project that did not yield intended benefit

NSF
Payments made for duplicate unit standards

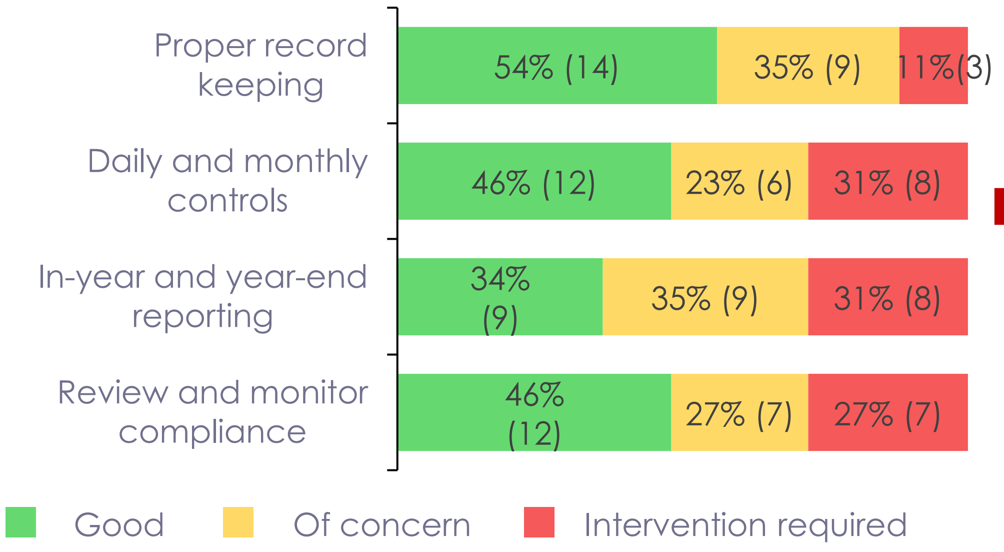
It is important for the entities where MIs are identified to ;

- Stop the loss from reoccurring
- **Investigations** must be instituted.
- Identify the responsible official(s) and institute **consequence management.**
- **Internal controls** and processes must be improved to prevent recurrence.

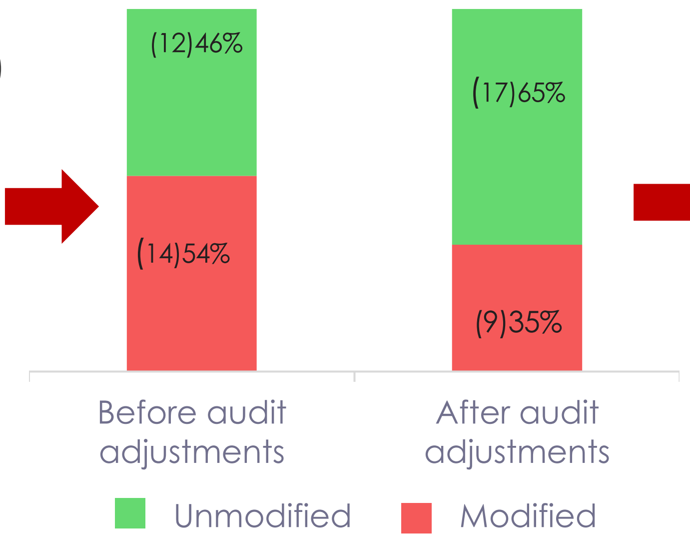
Financial management and compliance

Quality of financial reporting

Financial management controls



Impact on quality of financial statements submitted for auditing



Main qualification areas

- Discretionary Grant commitments
- Payables from non-exchange transactions
- Expenditure

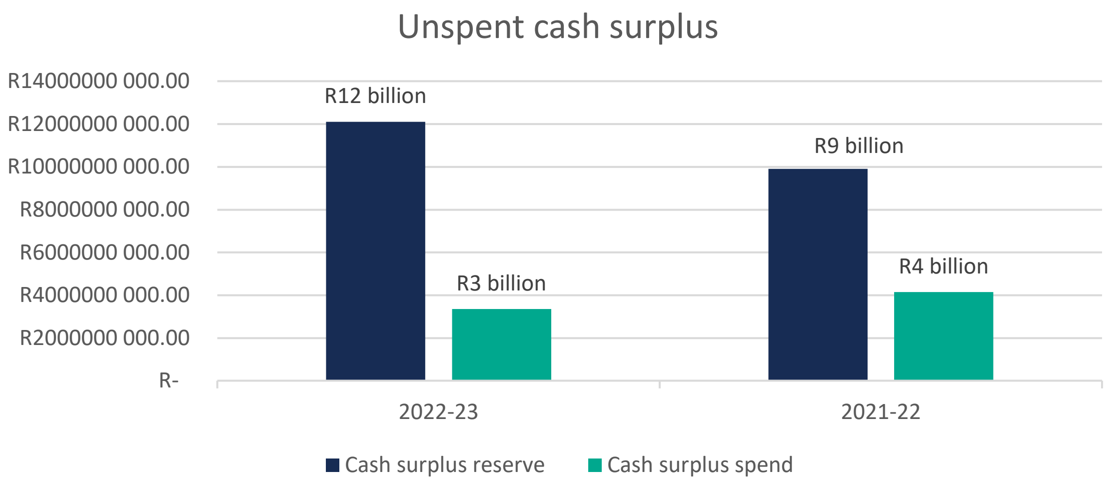
Impact

Proper record keeping as a result of inadequate project management remains a challenge that is leading to the commitments, expenditure and payables from non-exchange transactions still remaining as recurring areas of concerns.

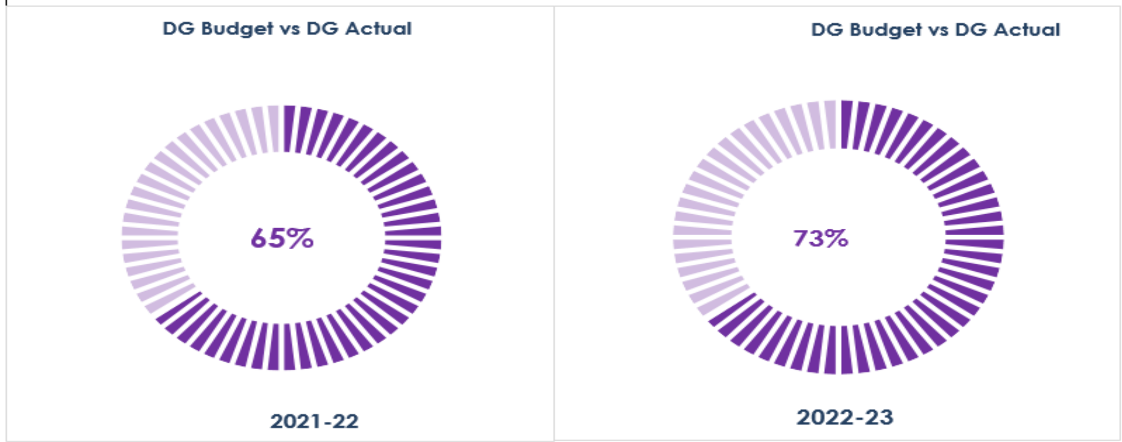
It was further noted that five out of the eight entities that were qualified also had findings on pre-determined objectives, which supports the underlying problem of project management and monitoring .

There is still reliance on the audit process to identify misstatements so as to improve audit outcomes

Insights on financial information



Discretionary Grant budget vs Actual expenditure



High unspent cash surplus

Financial Year	Cash surplus reserve	Cash surpluses spend
2021-22	R9 910 526 554	R4 152 073 934
2022-23	R12 112 344 939	R3 355 310 363

Discretionary Grant budget and utilisation per year

Financial Year	Budget Amount	Actual Amount
2021-22	R9 064 892 791,00	R5 865 466 000,00
2022-23	R14 173 482 152,00	R10 310 836 972,00

Insights

Overall, the SETAs are accumulating reserves over the years.

There is an opportunity for the department to analyze whether there is alignment to the projects committed to ensure efficient utilization of these reserves.

There may also be a need for the SETAs to align their budget to the annual performance plan targets, to ensure optimal utilization of budgets.

Retention of surplus - Legislative requirements

PFMA sec 53 states:

The accounting authority for a public entity listed in Schedule 3 which is not a government business enterprise must submit to the executive authority responsible for that public entity, at least six months before the start of the financial year of the department designated in terms of subsection (2) or another period agreed to between the executive authority and the public entity, a budget of estimated revenue and expenditure for that financial year, for approval by the executive authority.

The budget must be submitted to the executive authority through the accounting officer for a department designated by the executive authority, who may make recommendations to the executive authority with regard to the approval or amendment of the budget.

A public entity which must submit a budget in terms of subsection (1), may not budget for a deficit and **may not accumulate surpluses unless the prior written approval of the National Treasury has been obtained**.

The accounting authority for such a public entity is responsible for ensuring that expenditure of that public entity is in accordance with the approved budget.

National Treasury Instruction note 12 of 2020/2021

Paragraph 4.4 of NT Instruction note 12 of 2020/2021 states that public entities listed in Schedules 3A and 3C whose founding legislation preclude such entities from surrendering surpluses to the relevant Revenue Fund must take note that section 3(3) of the PFMA provides that; in the event of any inconsistency between the PFMA and other legislation, the PFMA prevails.

Paragraph 6.1 of NT Instruction note 12 of 2020/2021 carries on and states that public entities listed in Schedules 3A and 3C to the PFMA must, through their designated departments, surrender for re-depositing into the relevant Revenue Fund, all surpluses that were realized in a particular financial year –

which were not approved for retention by the relevant Treasury in terms of section 53(3) of the PFMA; or

where no application was made to the relevant Treasury to accumulate the surplus in terms of section 53(3) of the PFMA.

In terms of section 14 (5) of the skills development Act, Every SETA must—

prepare annual budgets, annual reports and financial statements in accordance with Chapter 6 of the Public Finance Management Act; and

furnish the Director General with copies of all budgets, reports and statements contemplated in paragraph (a) and any other information that it is **required to submit in terms of the Public Finance Management Act.**

Retention of surplus – Conclusion

National Treasury communication to the SETAs

SETAs and NSF received a letter dated 22 November 2022 that stated the following:
"As to your request for the retention of your surplus, please be advised that since your legislation regulates the use of your surplus, ***you do not require National Treasury's approval to retain the surpluses****. The National Treasury Instruction note No.12 of 2020/2021 dealing with the retention of surpluses* ***will be reviewed*** *to address instances of entities whose legislation regulates the use of surpluses".*

The conclusion of the department indicates the following:
In terms of the hierarchy of the law in South Africa, the constitution is the supreme law, followed by the PFMA and other national prescripts. This is justified by section 3(3) of the PFMA, which states that, "in the event of any inconsistency, between this act and any other legislation, PFMA prevails".

Removing the approval of the utilization of surpluses from the NT is significant and should be done in compliance with section 79 of the PFMA, which prescribes that the National Treasury, may on good grounds, approve a departure from a treasury regulation or instruction or any condition imposed in terms of this Act and must promptly inform the Auditor-General in writing when it does so.

The power and/or authority to approve the retention of surplus funds by the SETAs exclusively vests with the National Treasury in terms of section 53(3) of the PFMA read with the NT Instruction 12 of 2020/2021. The National Treasury, therefore, has a statutory duty to execute the duties and responsibilities imposed on it by the provisions of section 53(3) read with Instruction note no. 12.

AGSA conclusion 2022-23 financial year audit

As a result of the ongoing discussions with National Treasury, we communicated the following conclusions to the department and the SETAs for the 2022-23 audit.

Based on the process between the DHET, National Treasury and AGSA there are key deliberations on this matter for conclusion to be reached subsequent to the finalization of the 2022-23 audit. This will also include the conclusions between DHET and the National Treasury.

We indicated that this matter be included in the audit report under **Other Matters** without modifying the opinion to ensure transparent reporting to the users as follows;

"There are current deliberations with the National Treasury and the Department of Higher Education and Training regarding the appropriate approval processes for the retained surplus of Rxxxx, for the financial year 2021-22, disclosed in note xxx . The ultimate outcome of the matter could not be determined and no provision for any liability was disclosed in the financial statements."

AGSA conclusion
The provisions of section 53(3) and instruction note 12 of 2020/2021 requirements state that the retained accumulated surpluses of the SETAs be approved by the National Treasury. This non-compliance results in incurrence of irregular expenditure in the event that an expenditure is incurred from the surpluses not duly approved by the National Treasury.

Way forward 2023-24
The deliberations with the National Treasury must be completed to ensure the approvals of the surpluses are in line with the PFMA. In absence of appropriate approval's, the SETA will incur irregular expenditure should these surpluses are utilised.

Compliance with key legislation

2022-23

MOVEMENTS FROM PREVIOUS YEAR:

4 ↑ 4 ↓

Most common areas of non-compliance	Auditees
Quality of financial statements	BANKSETS, CETA, CATHSETA, HWSETA, INSETA,NSF,TETA,EWSETA,FP&M, SSETA, MERSETA and W&RSETA
Consequence management	CETA,ETDP,NSF, MERSETA and W&RSETA
Prevention of irregular and fruitless and wasteful expenditure	AGRSETA, CETA, EWSETA, MERSETA and W&RSETA

Procurement and payments

Status of compliance with legislation on procurement and contract management

2022-23

With no findings   With findings   With material findings

MOVEMENTS FROM PREVIOUS YEAR:
3 ↑ 2 ↓

Details of procurement findings	Auditee
Competitive bidding process not followed	HWSETA
Threshold for local content on designated sector procurement not properly applied	HWSETA

Impact

Market prices not tested adequately; this may lead to higher prices paid.

The small, Medium and Micro Enterprises may be disadvantaged and uplifting of local business to boost employment severely affected and consequently no social return on investment.

PFMA Compliance and Reporting Framework

National Treasury Instruction No. 4 of 2022/2023: **PFMA Compliance and Reporting Framework** (Instruction) which came into effect on **03 January 2023**, was issued in terms of section 76(1)(b), (e) and (f), (2)(e) and (4)(a) and (c) of the PFMA

Public objective of the Instruction note is to prescribe the **principles and compliance reporting requirements** for PFMA institutions to the Public Finance Management Act, 1999 regarding **unauthorised, irregular and fruitless and wasteful expenditure** (UIF&WE).

Framework

The new framework brought **significant changes** in relation to the disclosure of **irregular, and fruitless and wasteful expenditure** (IFWE). These changes are as follows:

1. **Movement** in the disclosure note of IFWE has been moved from annual financial statements to the annual report.
2. **PFMA institutions** will only disclose IFWE incurred in the current year, with a one-year comparative analysis.
3. **Historical balances (i.e.., opening balances)** have been completely removed from the annual financial statements

Message to oversight bodies

The change to **remove the disclosure of historical balances for IFWE** means that the **oversight structures may not be able to fully exercise their oversight roles**. Furthermore, **no audit assurance** will be provided on the additional disclosures that have been moved from the AFS

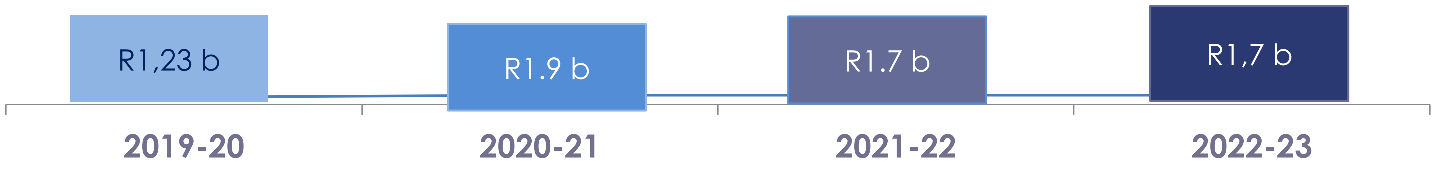
AGSA refined its audit approach to uphold transparency by continuing to audit the IFWE disclosure in the annual report

There is a clear messaging in the audit report on reliability of the IFWE disclosure in the annual report

The objective was to ensure that we could still be in a position to report to users of the AFS in cases where these historic balances of IFWE are not complete and accurate. This had no impact on the audit opinion.

Irregular expenditure

Annual irregular expenditure



Top contributors

R1267 m	**MERSETA**
R216 m	**SSETA**
R80 m	**CETA**
R77 m	**AGRISETA**
R28 m	**CATHSETA**

Observations

- SSETA and CETA were also top contributors in the prior year(s), which gives an indication that consequence management is not adequately and timeously dealt, the timely implementation of consequence management will improve the culture of adherence to controls within these SETAs .

Impact of irregular expenditure incurred

Exceeding approved budget: AGRESETA, CETA, MQA, CATHSETA and SSETA

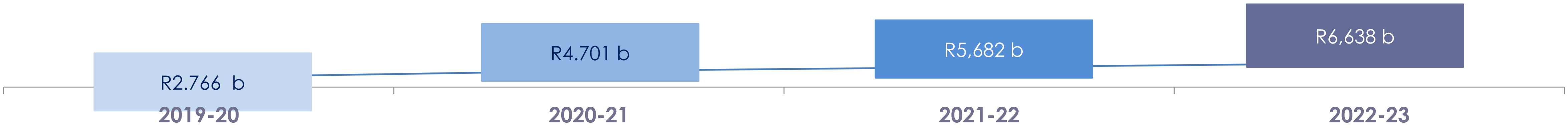
Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive: CETA, CATHSETA & MERSETA

Contracts approved by incorrect delegation: MERSETA

(Some of these contracts have been reported in line with PRECCA)

Consequence management – dealing with irregular expenditure

Closing balance of irregular expenditure continues to increase



How have auditees dealt with irregular expenditure

R0,000	R5.7 m	R56 m	R5.6 bn
Money recovered or in process of recovery	**Written off**	**Condoned/ removed**	**Not dealt with**

Top 4 contributors (R4,083 bn) to irregular expenditure not dealt with constitute 71% of R5,6 billion

R1.739 bn	**NSF**
R1.676 bn	**SSETA**
R7.48 m	**CETA**
R1,267 m	**MERSETA**

Reasons for IE not dealt with:

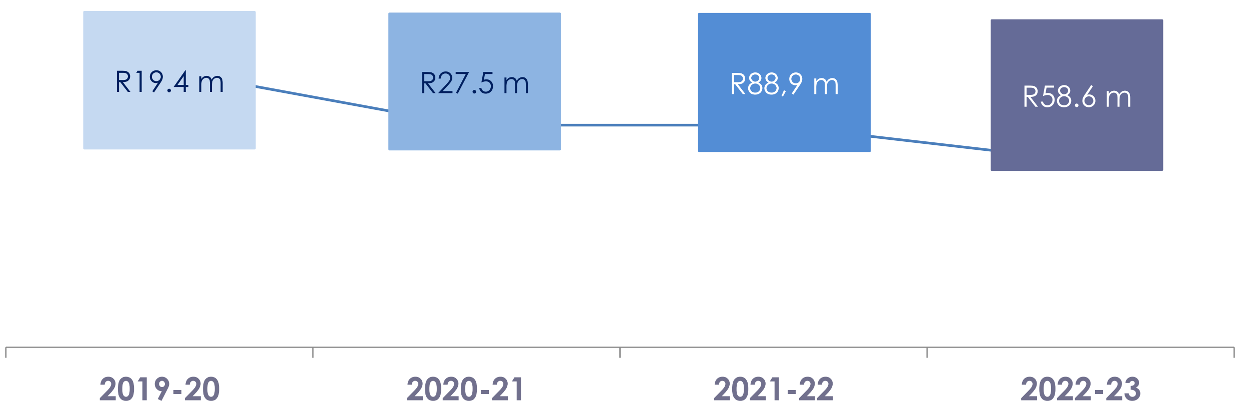
Investigation in progress
- SSETA
- EWSETA
- CETA

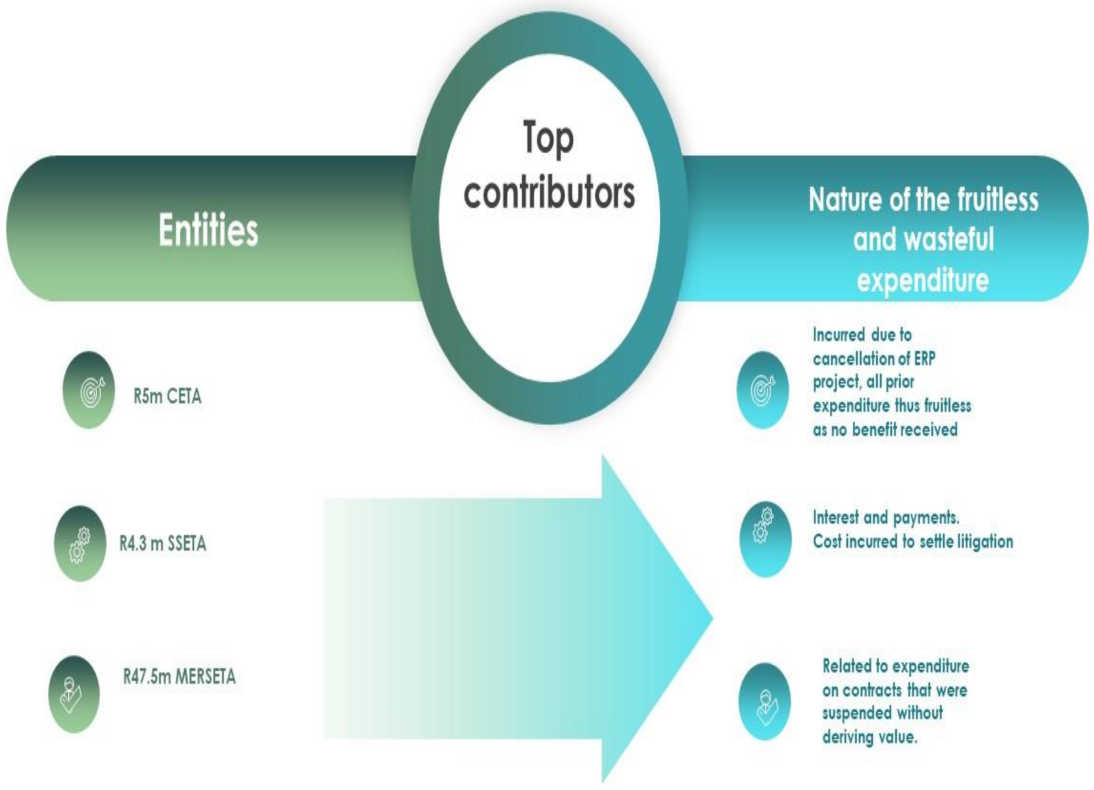
Not yet investigated
- NSF

There are various other investigations currently in progress at the NSF, we urge the NSF to ensure that these investigation also consider the irregular expenditure disclosed.

Fruitless and wasteful expenditure

Annual fruitless and wasteful expenditure





Conclusions and recommendations

Recommendations to the portfolio

The execution of daily and monthly controls over management of projects must be consistent and quick action must be taken where there are deficiencies identified.

Develop and implement an information system environment that is responsive to business needs and not vulnerable to external or internal attacks.

Strengthening of controls around monitoring of projects and collating of supporting evidence.

Foster a values-driven entity by investigating all instances of non-adherence to laws and regulation that led to Irregular, fruitless and wasteful expenditure or fraud.

Timeously create a comprehensive corrective action plan that will adequately address the qualifications.

DHET to follow up with National Treasury on a final position on the approvals of the retention of surplus.

Audit outcomes of the TVETs

Audit outcomes

Overall, the outcomes of the colleges are not improving at the desired pace, the findings identified are recurring, indicating that action plans are not adequate in addressing the root causes. Some TVET's do not have adequate system that enable them to record, analyze and report financial and student information.

We recommend that Councils must continue to do their work through audit committees to ensure management implement and enhance processes of review of the financial statements. The TVET's should ensure that the systems utilized meets their needs and capacitate themselves with skills to ensure the accuracy and completeness of information, to enable credible financial reporting

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	Total
2021-22	5	26	16	0	2	1	50
2022-23	8	21	17	1	0	3	50

MOVEMENTS FROM PREVIOUS YEAR: 7 ↑ 6 ↓

Unqualified with no findings (clean): Boland, **Ekurhuleni East**,Esayidi, **Ingwe, Lovedale**, Northlink, **Umgungundlovu**, West coast

Unqualified with findings: Buffalo City, Capricon, **College of Cape town**, East cape midlands, Ekurhuleni west, Elangeni,Ikhala,King Hintsa,**Lephalale**, Letaba,Maluti,Mthashana,Oribit, Sedibeng,Sekhukhune ,South **Cape**,**South west Gauteng**,waterberg, western

Qualified with findings: False bay,Flavius Mareka,Gert Sibande,Goldfields, King Sabatha Dalidyebo,Majuba, **Mnambithi**,**Mopani south east**,Motheo, **Northern Cape rural, Port** Elizabeth, Tshwane North, Tshwane South,Umfolozi ,**Vhembe**,Vuselela **Northern Cape Urban TVET**

Adverse with findings: Ehlanzeni TVET College

Disclaimed with findings: None

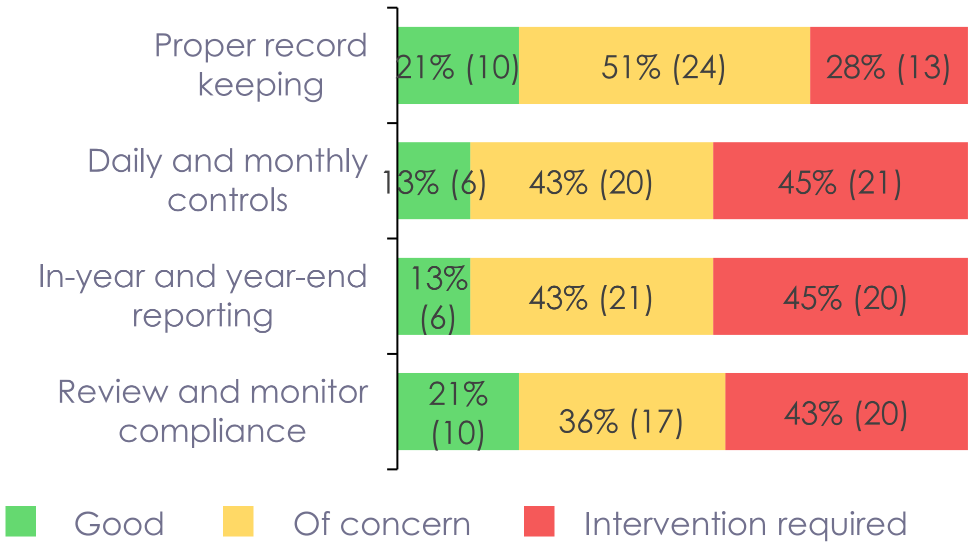
Submission of financial statements by legislated date for portfolio is at **84%**

Outstanding audits

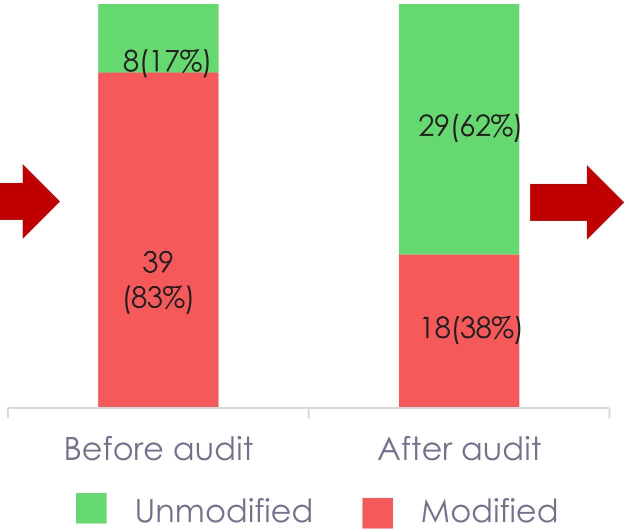
Taletso TVET, Central Johannesburg TVET and Coastal TVET

Quality of financial reporting (TVETs)

Financial management controls



Impact on quality or financial statements submitted for audit



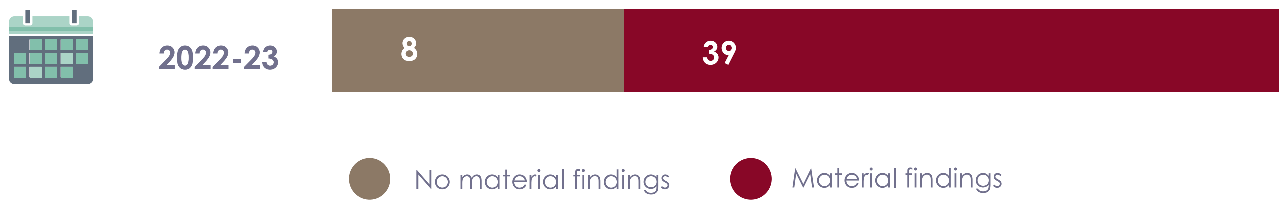
Main qualification areas

- Property, infrastructure, plant and equipment, Expenditure, Payables, Receivables

Impact

- Inadequate financial management controls result in the entities not being able to produce credible financial statements that are free from material misstatements.
- It is essential for the TVET colleges to have effective asset management systems that produces credible asset register, this will enable the colleges leadership to determine the state of the assets and react timely and appropriately to ensure suitable learning environments for the students.
- The management of receivables is critical, as most students obtain funding from various sources within government, it is important to know which students are struggling to make payments and which take advantage of the opportunities provided, this will also enable accurate decision -making regarding student funding.
- Credible financial reporting is important in order to determine the financial status of the colleges.

Compliance with key legislation (TVETs)



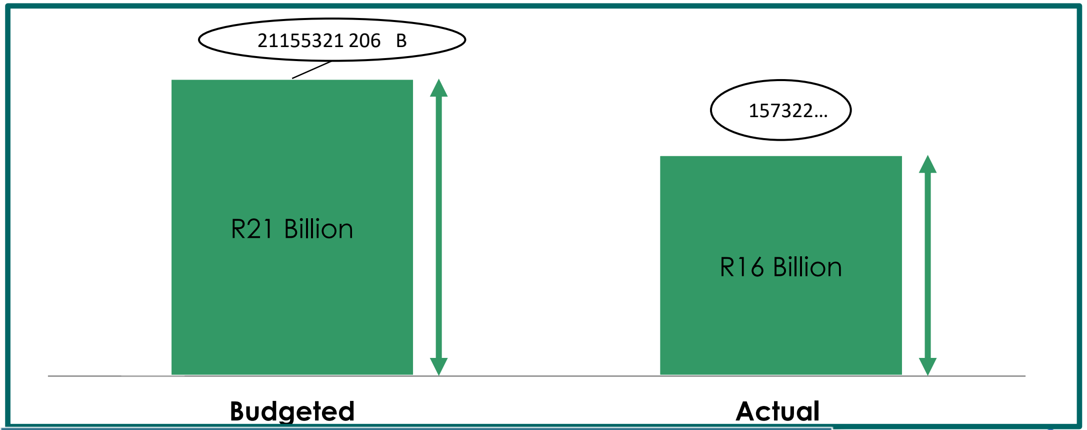
Most common areas of non-compliance	Auditees
Quality of financial statements	Buffalo City, Capricorn, College of Cape Town, East Cape Midlands, Ehlanzeni, Ekurhuleni West, Elangeni, False Bay, Flavius Mareka, Gert Sibande, Goldfields, Ikhala, King Hintsa, King Sabatha Dalindyebo, Lephalale, Letaba, Majuba, Maluti, Mnambithi, Mopani South East, Motheo, Mthashana, Nkangala, Northern Cape Rural, Orbit, Port Elizabeth, Sedibeng, Sekhukhune, South Cape, South West Gauteng, Thekwini, Tshwane North, Tshwane South, Umfolozi, Vhembe, Vuselela, Waterberg, Western, Northern Cape Urban
Procurement and contract management	Capricorn, Majuba, Waterberg
Annual financial statements and annual report	Gert Sibande, Letaba, Tshwane North
Asset management	Elangeni, Gert Sibande, Vuselela

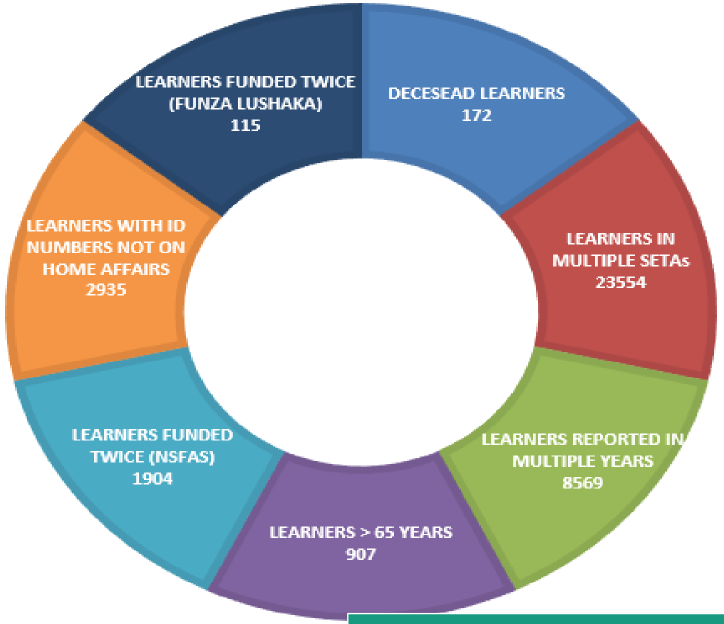
Key Insights

Insights : Optimal utilization of resources and leakages

Department	Amount
Higher Education and Training	R130 billion

SETA Budgets





Duplication of efforts

- Learners receiving skills development funding from more than 1 source (SETAs, NSFAS and Funza Lushaka)
- Leaners in multiple SETAs (double dipping)
- Learners reported in multiple years

Leakages

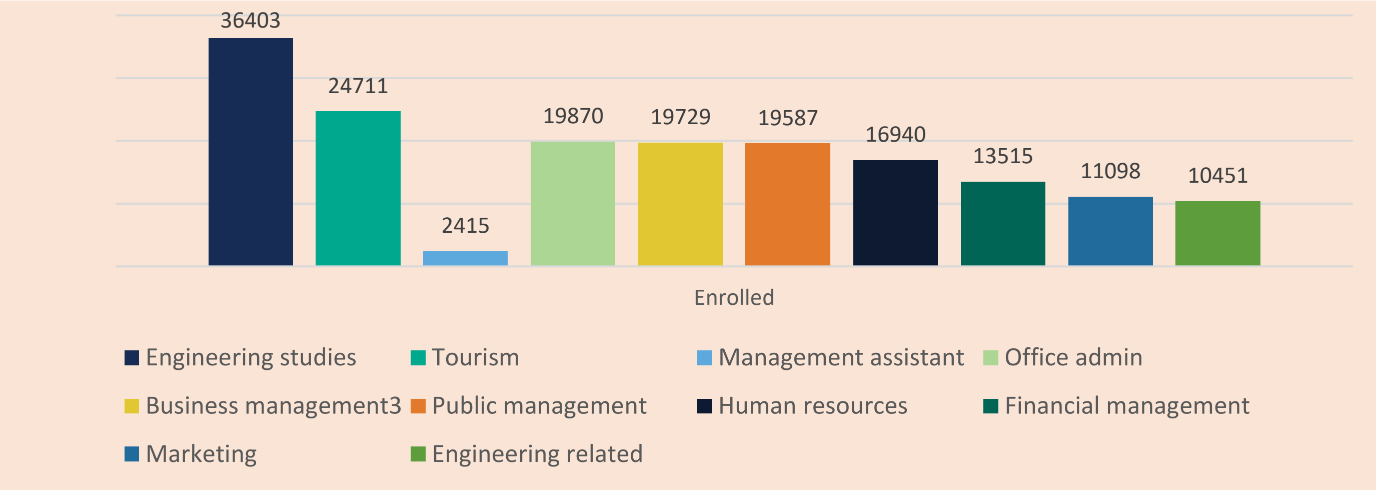
- Deceased learners
- Learners with ID numbers not on the home affairs system (invalid ID)
- Payments to companies deregistered on CIPC.

Opportunities

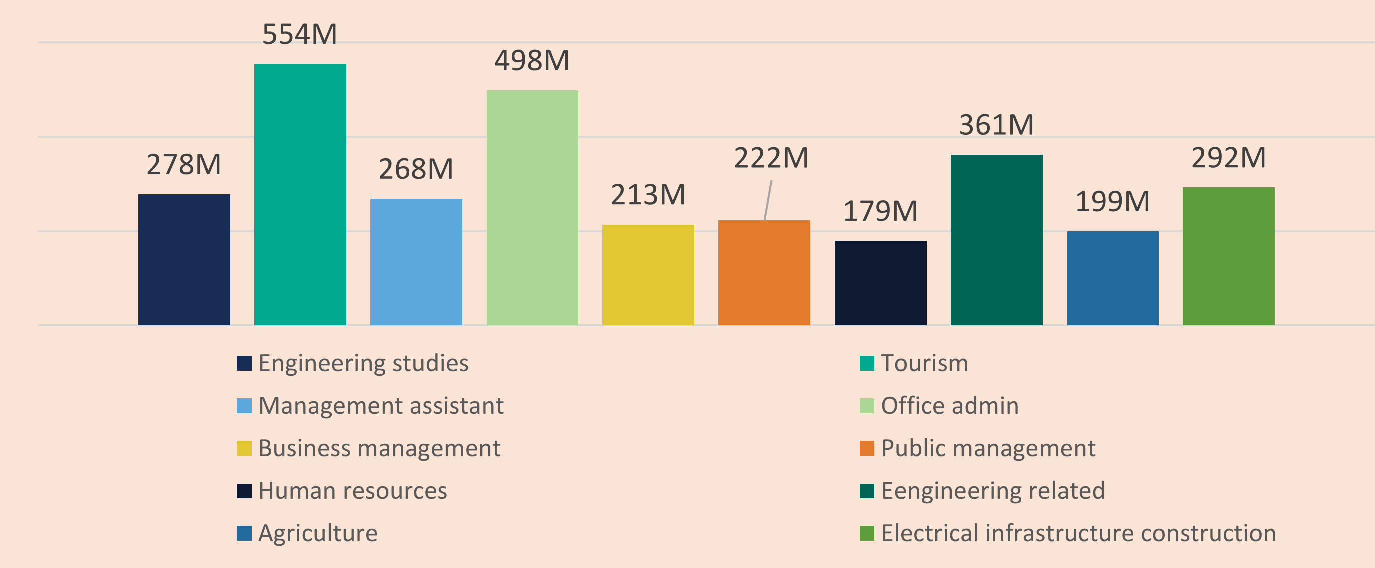
- Opportunity to explore what the NSF should focus on as they are meant to bridge the gap between what is covered by the SETAs and market needs
- Opportunity for enhanced collaboration of the quality assurance entities and entire portfolio, this will further ensure that the AGSA audit is well networked.

Insights : Optimal utilization of resources- Academic focus

TVET Overall Top 10 Courses Enrolled by students



Overall Top 10 TVET courses funded by NSFAS



What we found

Where did the money go ?

- Analysis on the left shows where the TVETs efforts went and where funding is mostly concentrated
- Analysis indicates a lack of correlation between the top enrolled courses (and the top funded courses) and the critical skills list together with the list of occupations in high demand
- There is a misalignment between the courses offered by the TVETs and the research conducted by QCTO on relevant courses

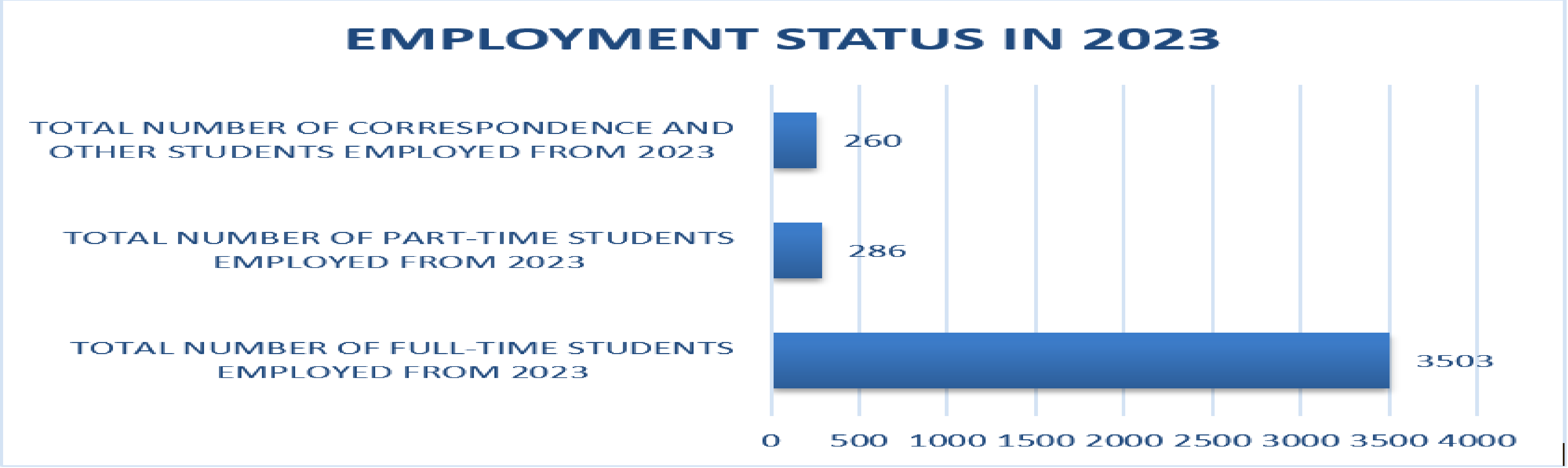
Bursaries

Duplication of efforts due to the following:

- NSFAS and SETAs funding the same students
- Students receiving bursaries from more than 1 SETA
- Students receiving funding from a SETA and Funza Lushaka (bursary from basic education)

Insights - Low employment stats of students after qualification.

Students formally employed subsequent to 31 December 2022. Excluding informal sector and self employed



An analysis was conducted by cross-referencing the student information with the UIF database post-year end to ascertain the employment status of qualified students.

Only 4 049 of the 285 735 (1.4%) students who completed qualifications in 2022 were identified as being employed. It is recommended that tracer studies be undertaken to corroborate the post-training status of the learners as the employment status is currently very low.

Higher Education and Training: Opportunities

- Minister
  - DHET
    - TVET Branches
    - Skills Branch
    - University Branch
  - Strategic Entities
    - NSA - Skills
    - SAQA – TVETs and Universities qualification accreditation
    - QCTO – Quality assurance (TVETs & SETAs)
    - CHE – University curriculum
    - Umalusi- Quality assurance (TVETs and SETAs)

01 Design

Having considered the flow of operations within the department, the department is well positioned to lead and drive the culture of collaboration.

02 Implementation

- Programme/Branches coordination amongst themselves to avoid working in silos.
- The focus and priorities of each of the sectors within the portfolio i.e. the SETAs, TVETs, NSFAS, other entities etc. to complement each other in order to drive maximum impact.
- With regards to academic focus :TVET branch insistence that there be direct relationship amongst the recommendations of the quality assurance entities and the fields of studies being prioritized at the TVETS
- Deliberate integration of skills plans across the SETAs to ensure holistic plan journey for the portfolio, this must further ensure that this skills focus is facilitated having taken into consideration the market intelligence report that highlights the core skills whilst giving a full expression to the operating sector research..

Influence DG and DDGs

03 Collective reflection and Accountability

- Coordinated reporting between across all the entities in the portfolio should be the key measure of success.
- With this portfolio having more than 100 entities, the performance contracts of the leadership of the sector must primarily be anchored on the principals of collaboration and coordination.

Influence the Minister

- Alignment of performance agreements with the skills strategy 2022.

Recommendations to Minister and the Department of Higher and Education and Training

We still advocate that the department of higher education and training consider an integrated system between the SETAs. This will also facilitate improved monitoring and reporting within the portfolio.

Follow up on the progress made on resolving material irregularities

The department to ensure that the APPs of the SETAs and the focus of the TVETs colleges is aligned to the National skills strategy and other government strategic documents.

Monitor the implementation of action plans developed by entities who obtained qualified audit opinions.

Recommendations to the Portfolio Committee

The following are our recommendations to the portfolio committee as part of continuous accountability processes

Evaluate the entities explanations as to why the portfolios service delivery performance did not attain the targets set in the strategic plan.

Follow up on progress made by the portfolio to address poor audit outcomes in relation to performance information and other service delivery matters.

Review of the annual report and also focus on investigating the circumstances that led to under- or over- expenditure of the entity's budget, and the impact this had on service delivery.

Follow up with entities that incurred irregular, fruitless and wasteful expenditure to ensure there is consequence management.

Future focus

HIGHER EDUCATION 2023/24

Assess funding provided by government to students Vs completion rate/Field of completion and absorption in labour market (through UIF)

Assess the efficacy of regulators/quality assurance bodies (CHE, SAQA,QCTO).

HIGHER EDUCATION 2024/25

Access to Higher Education Institutions- capacity

Audit outcomes of the Universities

Section 4(3) - not audited by AGSA

Overall audit outcomes

Overall ,there is a regression in the university's outcomes, we identified that most of the non compliances raised for the Universities relates to the fact that the members of staff do not declare their conflicts of interests upfront, did not declare their possible conflict of interest when the University was procuring from the related suppliers, or some Universities do not have adequate processes in place for the staff to declare their conflicts, as required by the legislation. Furthermore, material amendments were made to the submitted financial statements , indicative of inadequate controls around the preparation of the financial statements.

In order to support universities, we recommend that the Minister of Higher Education and Training consider amending the regulations to prescribe a specific date for the submission of the financial statements for audit, and that these financial statements comply with the accounting framework.

Furthermore, we recommend the universities branch with DHET play a more effective role in designing standardized policies and procedures within the universities.

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2022	12	14	0	0	0	0	26
2023	10	12	0	0	0	4	26

MOVEMENTS FROM PREVIOUS YEAR:

1 ↑ 3 ↓

Unqualified with no findings (clean): University of Pretoria, University of Johannesburg, Rhodes University, Stellenbosch University, University of Cape Town, University of Zululand, University of Western Cape, Cape Peninsula University of Technology, Durban University of Technology, **University of Mpumalanga**

Unqualified with findings: Nelson Mandela University, Mangosuthu University of Technology, University of the Free State, University of Kwa-Zulu Natal, University of Venda, Walter Sisulu University, Sefako Makgatho Health Sciences University, Tshwane University of Technology, Sol Plaatje University, University of the Witwatersrand, Central University of Technology, North West University

Qualified with findings: None

Adverse with findings: None

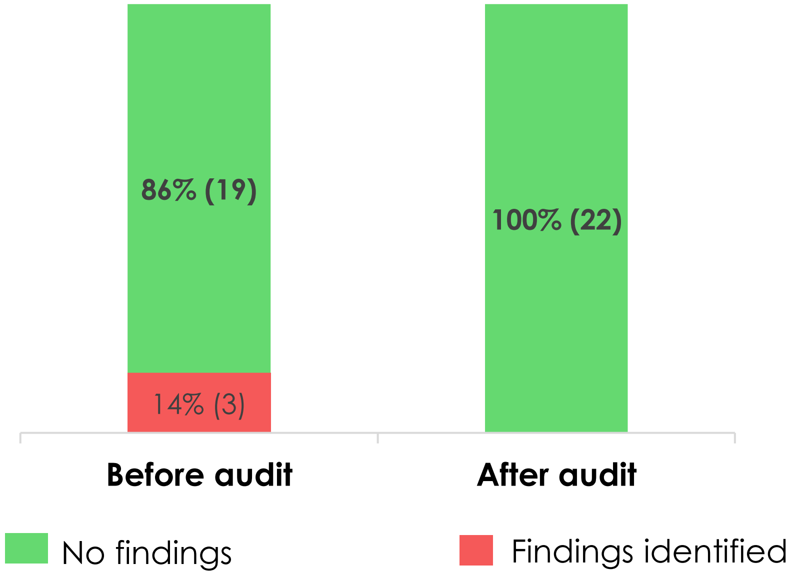
Disclaimed with findings: None

Outstanding audits: UNISA, University of Limpopo, and University of Fort Hare, Vaal University of Technology

Submission of financial statements by legislated date for portfolio regressed from 100% to **96%**

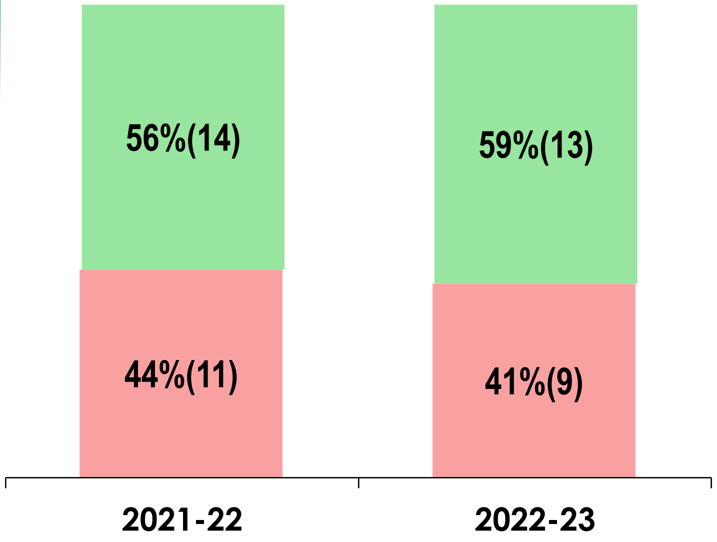
Audit outcomes of Universities (continued)

Quality of financial statements submitted for 22* Universities



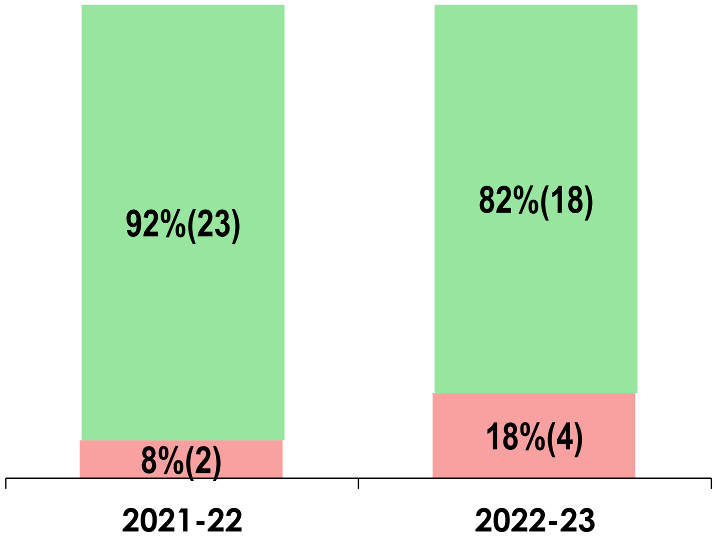
- Nineteen (19) of the auditees submitted financial statements that was supported by reliable supporting evidence. **Central University of Technology, Tshwane University of Technology and Walter Sisulu University** had to effect adjustments to the financial statements to obtain an unqualified audit opinion.
- *The following audits are outstanding: UNISA, University of Limpopo, and University of Fort Hare, Vaal University of Technology

Findings on compliance with key legislation



- Compliance with legislation has remained relatively the same as in the prior year
- Nine (9) out of the twenty- two (22) universities have received findings on compliance with legislation. The non-compliances identified related mainly to the universities not having the required processes in place for the members of staff to declare their conflicts of interest proactively, or when conducting business with the institutions.

Findings on predetermined objectives



- **Sefakho- Makgatho Health Science University, Sol Plaatjie University, Tshwane University of Technology and University of Venda** had findings on predetermined objectives as some of the reported achievements were not supported by accurate and reliable information, or the reported achievements were not aligned to what was initially planned.

Recommendations

Develop a process that will prevent employees from doing business with the universities without declaring the interest.
Ensure that performance information is supported by credible records, and improve the review of the performance reported in the annual performance report.
In-year monitoring activities should be strengthened to enhance the preparation of financial and performance reports.

THANK YOU

www.agsa.co.za

@AuditorGen_SA

Auditor-General of South Africa

Auditor-General of South Africa

AUDITOR-GENERAL
SOUTH AFRICA