Budgetary Review and Recommendation Report of the Portfolio Committee on Higher Education, Science And Innovation On the Assessment of the 2022/23 Annual Reports of the Department Of Higher Education and Training And Entities Dated, 3 November 2023

The Portfolio Committee on Higher Education, Science and Innovation (hereinafter the Committee), having assessed the 2022/23 Annual Reports of the Department of Higher Education and Training (hereinafter the Department), Council for Higher Education (CHE), South African Qualifications Authority (SAQA), Quality Council for Trades and Occupations (QCTO), National Skills Fund (NSF), and the Education, Training and Development Practices Sector Education and Training Authority (ETDP 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 thereafter submit a Budgetary Review and Recommendation Report (BRRR), which will provide an assessment of the department's service delivery performance given available resources, an assessment of the effectiveness and efficiency of the department's use and allocation of available resources, and 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 report accounts for the work done by the Portfolio Committee on Higher Education, Science and Innovation in assessing the 2022/23 Annual Reports of the Department, CHE, SAQA, QCTO, NSF, and ETDP SETA in accordance with section 5 (2) of the Money Bills Amendment Procedure and Related Matters Act, 2009, which mandates all committees of the National Assembly (NA) to annually submit BRR reports for tabling in the NA for each department. On 28 September 2023, the Minister of Higher Education, Science and Innovation tabled the 2022/23 Annual reports of the Department, including the Entities. On 2 October 2023, the Speaker of the National Assembly referred the Annual Reports to the Portfolio Committee in terms of Rule 338 for consideration and reporting.

1.3. Method

On 11^{th} and 18^{th} October 2023, the Portfolio Committee convened briefing sessions with the Auditor-General of South Africa (AGSA), the Department, CHE, SAQA, QCTO; NSF and ETDP SETA, where the audit outcomes of the Higher Education Portfolio and the 2022/23 Annual Reports were presented and scrutinised.

2. RELEVANT POLICY FOCUS AREAS

2.1. National Development Plan (NDP)

The NDP identifies decent work, education, and the capacity of the state as particularly important priorities. For the post-school education and training 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 to different needs and produce highly skilled individuals; 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 (WPPSET)

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

- 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
- Post-school education and training that is responsive to the needs of individual citizens and 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)

2019 – 2024 MTSF is a five-year strategic plan of the government and forms the second five-year implementation phase of the NDP. The Department of Higher Education and Training is responsible for contributing to the realisation of the policy priorities outlined in the MTSF Priority 3: Education, Skills and Health. For the 2020 – 2025 planning period, the Department will focus on the following outcomes:

- **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 ensures that South Africa has adequate, appropriate, and high-quality skills that contribute to 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 the 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. 2022 State of the Nation Address (SONA)

One of the key focus areas of President Ramaphosa's February 2022 SONA was a comprehensive social compact to grow the economy, create jobs, and combat hunger. Additionally, the SONA addressed critical priorities for the PSET sector. In response to the huge challenge of youth unemployment, the President announced that the Department of Higher Education and Training (DHET) will place 10 000 unemployed Technical and Vocational Education and Training (TVET) college graduates in workplaces from April 2022. The President further appealed to the private sector to support measures relating to youth employment and, wherever possible, to drop experience as a hiring requirement and give as many young people as possible their first job.

Additionally, the President announced that infrastructure projects will be prioritised to support economic growth and better livelihoods, especially in energy, roads, and water management. The President said the Infrastructure Fund is at the centre of this effort, with an R100 billion allocation from the fiscus over 10 years. The Infrastructure Fund is now working with state entities to prepare a pipeline of projects with an investment value of approximately R96 billion in student accommodation, social housing, telecommunications, water and sanitation, and transport.

3. RESPONSE TO THE PREVIOUS FINANCIAL YEAR RECOMMENDATIONS OF THE PORTFOLIO COMMITTEE AND THE SELECTED 2023/24 BUDGET VOTE 17 REPORT RECOMMENDATIONS

3.1. 2022 Budgetary Review and Recommendation Report (BRRR)

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 sections 5(2), 6(7), and 6(12). Accordingly, the Report of the Minister of Finance was tabled to Parliament.
Below are the responses from the Minister of Finance to the Committee’s 2021 Budgetary Review and Recommendation Report (BRRR).

- *The Committee recommended that the Department of Higher Education and Training needs additional funding to increase the enrolment of students in the Technical and Vocational Education and Training (TVET) and Community Education and Training (CET) sectors. Even though the budget of the department is projected to increase over the MTEF period, it remains inadequate to meet the National Development Plan targets for enrolment in the TVET and CET sectors and also inadequate to address the funding needs of the missing middle and postgraduate students who are unable to secure funding from other bursaries.*

The Minister of Finance’s response:

- Enrolments in the TVET and CET sectors have been below the set targets over the past three years even after the targets were reduced. The low enrolments are related to concerns about the quality and relevance of the programme offerings. Over the 2023 MTEF period, R13.3 billion is allocated for TVET subsidies, growing at an average annual rate of 2.5 per cent. An amount of R667.3 million was allocated to subsidies for CET colleges over the same period, growing at an average annual rate of 2.4 per cent. Cabinet is engaging with the input from the Ministerial Task Team on Student Funding to find a sustainable solution to the increasing demand to provide funding for fee-free higher education to the missing middle and postgraduate students.

The Committee notes the response and hopes that the engagement on the input of the Ministerial Task Team on Student Funding will be finalised soon.

- *The Committee recommended that the department’s cost pressures and unfunded priorities amount to R12.6 billion over the MTEF period. Notwithstanding the current fiscal constraints, the committee recommends that consideration be made to allocate additional funding to the department to meet its objectives. Spending on the priorities of the Post-School Education and Training (PSET) policy is an investment in human capital and is critical for sustainable development.*

The Minister of Finance’s response:

- Most departments in government have regularly indicated pressure arising from unfunded priorities. This highlights the need for departments to work with the National Treasury to assess their existing baselines and improve efficiency. It also highlights the need to avoid making unfunded commitments. Given the current constrained fiscal context, no additional funds are available to increase the baseline. The department is advised to reprioritise funds to fund emerging priorities.

The Committee notes the response.

3.2. 2023/24 Committee Budget Vote 17 Report

Summary of the selected 2023/24 Committee Budget Vote 17 Report Recommendations

The Committee considered the 2023/24 Annual Performance Plans (APP) and budgets of the Department of Higher Education and Training and entities and recommended, among others, the following:

- The process of moving the Department's Head Office to the CSIR site should be expedited, and the Department should ensure that the Office Accommodation sub-programme in Administration is adequately resourced to ensure smooth relocation.
- The Department should expedite the implementation of measures put in place to support universities that are struggling to spend their infrastructure grants. Furthermore, universities must hold account service providers / contractors accountable for abandoning infrastructure projects or implementing shoddy workmanship.
- The process of phasing out of the outdated and unresponsive TVET curricula should be expedited so that colleges can be better positioned to respond to the world of work and improve linkages with industry.
- The Department should strengthen its collaborations with the Department of Public Works (DPW) and other key stakeholders with regard to the repurposing of under-utilised infrastructure for the CET sector.
- The QCTO's process of rolling out the Specialised Occupational Diploma in TVET colleges should be expedited in line with the revised OQSF. This will also assist in making TVET colleges institutions of choice for many school leavers.
- SAQA should strive to improve its turnaround time for verification of qualifications to improve competitiveness and generate more revenue.
- NSFAS: The procurement of an ICT system that is fit for purpose should be prioritised so that the entity can improve its disbursement processes and payment of funds to eligible students. A fit-for-purpose ICT system will also enable the entity to minimise fraudulent activities related to its disbursement processes.

3.3. Overview and assessment of the Department's 2022/23 financial performance

3.3.1. Overview and assessment of the 2022/23 budget and expenditure

Table 1: 2022/23 budget allocation and expenditure

APPROPRIATION PER PROGRAMME	FINAL APPROPRIATION R'000	ACTUAL EXPENDITURE R'000	VARIANCE R'000	% SPENT
Administration	504 694	452 077	52 617	89.6%
Planning, Policy and Strategy	4 695 851	4 683 454	12 397	99.7%
University Education	88 834 485	88 818 589	15 896	100.0%
Technical and Vocational Education and Training	12 647 833	12 282 533	365 300	97.1%
Skills Development	411 402	406 030	5 372	98.7%
Community Education and Training	2 643 368	2 632 034	11 334	99.6%
Total: Departmental Voted Funds	**109 737 633**	**109 274 717**	**462 916**	**99.6%**
Statutory Appropriation	**20 808 850**	**20 808 850**	**-**	**100.0%**
(National Skills Fund and SETAs	20 808 850	20 808 850	-	100.0%
Total	**130 546 483**	**130 083 567**	**462 916**	**99.6%**

Source: DHET (2022/23) Annual Report

The Department's total final appropriation for the 2022/23 financial year amounted to R130,5 billion, comprising R109,7 billion of voted funds and R20,8 billion from direct charges against the National Revenue Fund. The total revenue excludes R52,9 million from Departmental receipts and aid assistance. At the end of the financial year, the Department spent R130,0 billion or 99.6 per cent of the allocated funds, excluding expenditures from departmental receipts and aid assistance.

The Department incurred underspending amounting to R462,9 million or 0.4 per cent (R473,9 million: 2021/22) on the voted funds. It has been reported that under-expenditure has not negatively affected the Department's programmes and service delivery processes. Concernedly, the Department has not achieved most of the targets and cited capacity challenges, meaning that underspending, especially in the compensation of employees due to not filling vacancies, has impacted service delivery.

The bulk of the underspending at 78.9 per cent or R365,3 million was incurred in programme 4: TVET, followed by programme 1: Administration at R52,6 million or 11.3 per cent of the total underspending. The combined underspending for both programmes constitute 90.2 per cent of the total underspending on voted funds.

3.3.2.Expenditure per economic classification

Table 2: 2022/23 allocation and expenditure per economic classification

APPROPRIATION PER ECONOMIC CLASSIFICATION	FINAL APPROPRIATION R'000	ACTUAL EXPENDITURE R'000	VARIANCE R'000	% SPENT
Current payments	**11 334 610**	**10 884 922**	**449 688**	**96.0%**
Compensation of employees	10 651 217	10 251 820	399 397	96.3%
Goods and services	684 714	634 440	50 274	92.6%
Transfers and subsidies	**119 194 110**	**119 185 791**	**8 319**	**100.0%**
Payments for capital assets	**16 442**	**11 516**	**4 926**	**70.0%**
Payment for financial assets	**1 321**	**1 338**	**(17)**	**101.3%**
Total	**130 546 483**	**130 083 567**	**462 916**	**99.6%**

Source: DHET (2022/23) Annual Report

During the period under review, the Department spent R10,2 billion (R9,1 billion: 2021/22) or 93.6 per cent on compensation of employees against the available budget of R10,6 billion. The Department recorded an underspending amounting to R399,3 million (R450,3 million: 2021/22) or 3.7 per cent. The Department ascribed the underspending to natural attrition, unfilled vacancies, and implementation of Post-Provisioning Norms for TVET colleges, which have not taken place as planned.

In terms of goods and services, the Department spent 92.6 per cent or R634,4 million (R574,7 million: 2021/22) against the budget of R684,7 million. The Department recorded lower-than-projected spending amounting to R50,2 million. Underspending on goods and services increased significantly by R37,6 million from R12,6 million in 2021/22. It has been reported that underspending was mainly due to savings realised on travel and subsistence, printing and stationery due to virtual meetings as opposed to physical meetings, which is also coupled with monitoring and evaluation processes that were converted to desk-top analysis where possible, as well as cancellation of stationery tender. Other reasons for underspending were ascribed to the CET not claiming interdepartmental examination services rendered and delays in the procurement of blank certificate pages for the National Examination Assessment.

The bulk of the underspending at 50.9 per cent or R25,6 million of the total underspending under goods and services was incurred under the travel and subsistence line item, followed by computer services at 13.1 per cent or R6,6 million and operating payments at 7.8 per cent or R3,9 million.

The high-cost drivers under goods and services were travel and subsistence (R135,5 million), computer services (R132,7 million), operating payments (R99,3 million), operating leases (R87,3 million), training and development (R41,4 million), and consultants: business and advisory services (R29,2 million).

Regarding expenditure on transfers and subsidies for 2022/23, the Department spent R119,1 billion or 100 per cent, against a budget of R119,1 billion. Underspending on transfers and subsidies amounted to R8,3 million, which was ascribed to the favourable exchange rate for membership fees to the Commonwealth of Learning and over-provision for leave gratuity payments.

Expenditure on payment for capital assets amounted to R11,5 million (R10,0 million: 2021/22) or 70 per cent of the available budget, thus recording an under-expenditure amounting to R4,9 million. The lower than projected spending was due to capital assets not being received as projected due to delays in the procurement processes.

The Department applied virements amounting to R82,8 million (R43,7 million: 2021/22). Virements were applied from two programmes as follows: R5,4 million from programme 3: University Education to Administration, R77,3 million from programme 4: Technical and Vocational Education and Training to programmes 1: Administration: R7,2 million, programme 5: Skills Development: R4,4 million and programme 6: CET: R65,6 million.

It has been reported that the need for the virement to programme 1: Administration was to finance excess expenditure on Office Accommodation, while the virement to programme 5: Skills Development was mainly required to fund a shortfall in Leave Gratuity Payments. Virement to programme 6: CET was to fund a budget shortfall on compensation of employees for CET lecturers because of processing backdated benefits and salaries related to the standardisation process of CET lecturers. The virements effected by the Department were approved by the Accounting Officer in terms of Section 43 of the PFMA and thereafter reported to the Minister and National Treasury as required.

3.3.3.Overview and assessment of expenditure per programme
Programme 1: Administration
The purpose of this programme is to provide strategic leadership, management, and support services to the Department.

The programme's 2022/23 final appropriation amounted to R504,6 million (R470,3 million: 2021/22). At the end of the year under review, the programme had spent R452,0 million (R432,5 million: 2021/22) or 89.6 per cent against the available budget. The programme recorded lower-than-projected spending amounting to R52,6 million. Underspending increased by R14,8 million from R37,8 million in 2021/22. Regarding underspending per economic classification, the bulk of the underspending at 96.1 per cent or R50,5 million was incurred under current payments as follows: R47,3 million under compensation of employees and R3,2 million under goods and services.

The bulk of the underspending at 62 per cent or R32,5 million was incurred in sub-programme 2: Corporate Management Services. Sub-programme 3: Office of the Chief Financial Officer incurred the second largest underspending at 25 per cent or R13,0 million. Both the sub-programmes had a combined underspending amounting to R45,6 million or 86.6 per cent of the total programme underspending during the 2022/23 financial year.

Expenditure on transfers and subsidies at the end of the 2022/23 financial year amounted to R882 000 or 94.3 per cent against the budget of R935 000. Expenditure on payments for capital assets amounted to R3,6 million or 64.6 per cent against the budget of R5,5 million, thus recording a lower than projected spending amounting to R1,9 million or 35.4 per cent.

- **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 final appropriation in 2022/23 amounted to R4,6 billion (R2,2 billion: 2021/22). At the end of the year under review, the programme had spent R4,6 billion (R2,2 billion in 2021/22) or 99.7 per cent against the available budget. The programme recorded lower than projected spending amounting to R12,3 million or 0,3 per cent against the final appropriation.

Regarding underspending per economic classification, the bulk of the underspending at 83,2 per cent or R10,3 million was incurred under current payments as follows: R7,8 million under compensation of employees and R2,4 million under goods and services.

The underspending per sub-programme was as follows: sub-programme 3: Policy, Planning, Monitoring and Evaluation: R3,4 million; sub-programme 4: International Relations: R2,8 million; sub-programme 5: Legal and Legislative Services: R2,2 million; and sub- and sub-programme 6: Social inclusion and Quality: R2,9 million.

Expenditure on transfers and subsidies amounted to R4,5 billion or 100.0 per cent against the available budget, while expenditure on payments for capital assets amounted to R1,6 million or 65.3 per cent against the budget of R2,5 million, recording a lower than projected spending amounting to R887 000.

Programme 3: University Education
The programme develops and coordinates the policy and regulatory framework for an effective and efficient university education system.

During the 2022/23 financial year, the programme's final appropriation amounted to R88,8 billion (R80,1 billion:2021/22). Expenditure at the end of the year amounted to R88,8 billion or 100.0 per cent of the total final appropriation.

In terms of expenditure per economic classification, the programme spent R58,1 million or 88.0 per cent against the budget of R66,1 million on compensation of employees. Expenditure on goods and services amounted to R6,7 million or 63.9 per cent against the budget of R10,5 million.

Expenditure on transfer and subsidies amounted to R88,7 billion or 100.0 per cent. The programme recorded an underspending of R4,1 million, mainly under the higher education institutions line item. Expenditure on payments for capital assets amounted to R592 000 or 96.9 per cent against the budget of R611 000.

The programme recorded lower than projected spending of R15,8 million. The bulk of the underspending amounting to R11,7 million or 74 per cent was incurred under current payments as follows: R7,9 million under compensation of employees and R3,7 million under goods and services. Underspending under transfer and subsidies amounted to R4,1 million or 26,0 per cent of the programme's total underspending.

All sub-programmes incurred underspending as follows: sub-programme 1: Programme Management: University Education: R509 000, sub-programme 2: University Governance and Management Support: R2,5 million; sub-programme 3: Institutional Governance and management Support: R1,8 million; sub-programme 4: Higher Education and Research: R3,5 million; sub-programme 5: Teaching, Learning and Research Development: R3,3 million; and sub-programme 6: Universities Subsidies: R4,0 million.

Programme 4: Technical and Vocational Education and Training (TVET)
The purpose of this programme is to plan, develop, implement, monitor, maintain, and evaluate national policies, programmes, assessment practices, and systems for TVET.

The programme's 2022/23 final appropriation amounted to R12,6 billion (R12,2 billion: 2021/22). Expenditure at the end of the year amounted to R12,2 billion or 97.1 per cent against the available budget. In terms of expenditure per economic classification, the programme had spent R7,3 billion or 95.7 per cent against the budget of R7,6 billion on compensation of employees, and R348,5 million or 90.5 per cent against the budget of R385,2 million on goods and services. The programme recorded lower-than-projected spending amounting to R365,3 million or 2.8 per cent of the programme's total budget. The underspending increased by R180,6 million or 97.8 per cent from R184,6 million in 2021/22.

Expenditure on transfer and subsidies amounted to R4,5 billion or 100.0 per cent. The programme recorded an underspending of R1,7 million. Expenditure on payments for capital assets amounted to R4,8 million or 88.9 per cent against the budget of R5,4 million, thus recording lower-than-projected spending of R605 000.

The bulk of the underspending at R99.3 per cent or R362,9 million of the total programme underspending was incurred under current payments as follows: R326,2 million under compensation of employees and R36,7 million under goods and services. Underspending under transfer and subsidies amounted to R1,7 million.

Notably, sub-programme 2: TVET System Planning and Institutional Support incurred the largest underspending at 75.4 per cent or R275,7 million of the total programme underspending. Sub-programme 4: National Examination and Assessment incurred the second largest underspending at 14.7 per cent or R53,7 million, followed by sub-programme 6: Regional Offices at 8.6 per cent or R31,7 million.

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.

During the 2022/23 financial year, the programme's final appropriation amounted to R411,4 million (R414,0 million: 2021/22). Expenditure at the end of the year amounted to R406,0 million or 98.7 per cent of the programme's total final appropriation.

In terms of expenditure per economic classification, the programme spent R133,3 million or 99.2 per cent against the budget of R134,4 on compensation of employees and R15,8 million or 84.7 per cent against the budget of R18,7 million on goods and services.

Expenditure on transfer and subsidies amounted to R256,2 million or 99.8 per cent against the budget of R256,8 million, recording an underspending of R587 000. Expenditure on payments for capital assets amounted to R589 000 or 42.1 per cent against the budget of R1,4 million.

The programme had recorded lower than projected spending amounting to R5,3 million or 1.5 per cent against the programme's total budget of R411,4 million. The bulk of the underspending amounting to R3,9 million or 74.2 per cent was incurred under current payments as follows: R1,1 million under compensation of employees and R2,8 million under goods and services. Underspending under transfer and subsidies amounted to R587 000 or 11 per cent of the total programme's underspending. Payments for capital expenditure recorded lower than projected spending amounting to R811 000.

Sub-programme 2: Sector Education and Training Coordination recorded the largest underspending at 43 per cent or R2,2 million, followed by sub-programme 5: National Artisan Development at 30 per cent or R1,6 million and sub-programme 3: National Skills Authority Secretariat at 20 per cent or R1,0 million.

Programme 6: Community Education and Training (CET)
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.

During the 2022/23 financial year, the programme's final appropriation amounted to R2,6 billion (R2,3 billion: 2021/22). Expenditure at the end of the year amounted to R2,6 billion or 99.6 per cent of the total final appropriation.

In terms of expenditure per economic classification, the programme had spent R 2,4 billion or 99.6 per cent against the budget of R2,4 billion. Expenditure on goods and services amounted to R5,5 million or 82.6 per cent of the budget of R6,7 million

Expenditure on transfer and subsidies amounted to R220,6 million or 99.7 per cent against the budget of R221,2 million. Expenditure on payments for capital assets amounted to R228 000 or 26.8 per cent of the budget of R851 000.

The programme recorded lower than projected spending amounting to R11,3 million. The bulk of the underspending amounting to R10,1 million or 89.2 per cent was incurred under current payments as follows: R8,9 million under compensation of employees and R1,1 million under goods and services. Underspending under transfer and subsidies amounted to R595 000 or 5.2 per cent of the programme's total underspending. Payments for capital expenditure recorded lower than projected spending amounting to R623 000 or 5.4 per cent of the programme's underspending.

Sub-programme 2: Community Education and Training Colleges System Planning, Institutional Development and Support recorded the largest underspending at 62.7 per cent or R7,1 million, followed by sub-programme 1: Programme Management: Community Education and Training at 22.0 per cent or R2,4 million.

3.3.4. Irregular, fruitless, wasteful, and unauthorised expenditures incurred in the 2022/23 financial year

Irregular expenditure
The Department has not incurred irregular expenditure during the year under review. The Department has reported an opening balance of R6,9 million from prior years. The National Treasury condoned irregular expenditure amounting to R956 000 relating to Supply Chain Management processes not accordingly followed during 2021/22 and for correct procurement procedures not followed in the 2022/23 financial years.

Irregular expenditure not condoned and removed amounts to R4.9 million for 2022/23, which relates to correct procurement procedures not being followed and appointments not made in line with relevant Public Service Regulations. In both instances, the National Treasury did not condone irregular expenditure. Approval was obtained from the Accounting Officer to remove the irregular expenditure, as all necessary steps had been followed in removing the irregular expenditure.

The reported closing balance amounting to R1,0 million for the current year under review relates to incorrect procurement procedures followed for the procurement of goods and services for tooling and training materials in support of the World Skills International Competition in Kazan. The Department reported that a submission was made to the National Treasury to condone irregular expenditure.

Investigations into irregular expenditure cases of the previous financial years to the amount of R137,910 million have been concluded, and approval was obtained to remove this expenditure during the 2021/22 financial year.

Fruitless and wasteful expenditure
Fruitless and wasteful expenditure was incurred during previous financial years but only identified during the 2022/23 financial year, which relates to financial misconduct in relation to the procurement of cleaning services to the amount of R58 845.00 and fraudulent salary payments effected to an amount of R30 000.00. The investigation of fraudulent salary payments (R30 000.00) was concluded, and the Legal Services Chief Directorate was instructed to institute actions against the officials responsible for the fruitless and wasteful expenditure. The fruitless and wasteful expenditure related to the procurement of cleaning services (R58 845.00) is currently under determination.

3.3.5. Overview and assessment of the Department’s programme performance for the 2022/23 financial year
For the year under review, the Department had 111 targets, comprising 55 direct outputs and 56 system targets (MTSF-related targets) implemented at the institutional level. The Department achieved 59 or 53 per cent of the planned targets and spent 99.6 per cent of the total allocated budget. The 2022/23 performance of the Department in both direct outputs and system targets has regressed compared to the 2021/22 performance. The performance of the Department is unsatisfactory compared to the budget spent. Three of the 111 targets, in programmes 4: TVET (2) and 6: CET (1), were achieved outside the reporting period.

The Department’s programmes and their related achievement against the performance targets for the 2022/23 financial year are shown in Table 3.

Table 3: The Department’s programme non-financial performance for the 2022/23 financial year

PROGRAMMES	APP Targets 2022/23	Achieved	Not Achieved	% Achieved	% Budget Spent
Programme 1: Administration	7	3	4	43%	89.6%
Programme 2: Planning, Policy and Strategy	23	12	11	52%	99.7%
Programme 3: University Education	33	21	12	64%	100%

Programme 4: TVET Colleges	26	13	13	50%	97.1%
Programme 5: Skills Development	12	5	7	42%	98.7%
Programme 6: CET Colleges	10	5	5	50%	99.6%
Total	**111**	**59**	**52**	**53%**	**99.6%**

Source: DHET (2023)

3.3.6. Non-financial performance per programme

Programme 1: Administration

The programme had seven (7) targets for the 2022/23 financial year. The programme achieved three or 43 per cent of the seven targets, which is a significant regression from the performance of 71.4 per cent recorded in 2021/22. The underperformance is a cause for concern given that the programme had spent 89.6% of its allocated budget for the 2022/23 financial year.

Selected key achievements:

- The Department maintained a vacancy rate below the target of 10 per cent (achieved 9.4 per cent).
- Eighty per cent of disciplinary cases were resolved within 90 days.
- Concluded 100 per cent of determination tests on irregular, fruitless, and wasteful expenditure within 12 months.

Targets not achieved:

- Percentage (89%) of network connectivity uptime per annum (achieved 95%). The partial achievement was ascribed to the challenges of loadshedding, and the State Information Technology Agency (SITA) outages experienced. In mitigating the challenge, the Department reported that generators were being installed at all sites because Uninterrupted Power Supplies only last for an hour; therefore, for prolonged loadshedding, generators are needed.
- Percentage (achieved 22.62%). It has been reported that the Preferential Procurement Regulations 2017 did not allow direct procurement from women; hence, it was not possible to achieve the 40 per cent target. The former Regulations 2017 only permitted procurement through sub-contracting that did not make much contribution to achieving the target.
- Percentage (100%) of valid invoices received from creditors paid within 30 days. The partial achievement was attributed to office closure during the first quarter of the 2022/23 financial year due to power cuts and administrative delays.

Programme 2: Planning, Policy and Strategy

For the 2022/23 financial year, the programme had 23 targets (12 in 2021/22), constituting 20.72 per cent of the 2022/23 APP targets of the Department. The programme achieved 12 or 52 per cent of the planned target. The programme performance regressed by 23 per cent from 75 per cent in 2021/22.

Selected key achievements:

- The Revised Recognition of Prior Learning Coordination Policy was gazetted for public comments.
- A Policy on articulation between TVET colleges and universities was submitted and approved by the Minister.
- The Director-General approved the following reports: a report on the implementation of Social Inclusion in the PSET System was approved by the Director-General; a report on the implementation of Gender Equality and GBV policy framework for PSET System; Monitoring report on the number of people reached through collaborative efforts between DHET and Higher Health; a report on the implementation of National integrated CDS system, and guidelines on the provision of open access learner–teacher support materials (LTSM) for students in TVET colleges.

Targets not achieved:

- A report on the implementation of the Integrated Infrastructure Development Support Programme (IIDSP) was not submitted and approved by the Director-General as planned. Lack of capacity in the Infrastructure Unit was cited as the reason for nonachievement. It has been reported that a report of the IIDSP was being developed at the time of reporting.

- The Monitoring report of a feasibility study to establish a Multi-Purpose Centre in Giyani, Limpopo was not developed as planned. Lack of capacity in the Infrastructure Unit was cited as the cause of non-achievement.
- Revised Policy on Minimum Norms and Standards for Student Housing approved by the Director-General for submission to the Minister by 31 March 2023. It was noted that the Revised Policy was in the process of being finalised at the time of reporting. The nonachievement was ascribed to the lack of funding to procure a Support Team made up of SMEs with significant experience in the development, operation, and maintenance of student housing facilities in accordance with the Department's cost norms and/or other best practice methodologies, processes, or systems.
- TVET colleges' infrastructure maintenance plans for 2022/23 relating to all (100%) sites of delivery were not approved as planned. It was reported that reports submitted by TVET colleges were not satisfactory, and not all colleges submitted their plans. However, project maintenance was underway.

Programme 3: University Education
For the year under review, the programme had 33 targets, comprising direct outputs and system targets. The 33 targets constitute 29.72 per cent of the 2022/23 APP targets. The programme achieved 21 or 64 per cent of the 33 targets.

Outcome 1: Expanded access to PSET opportunities.
Selected key achievements:
- The Minister approved the following: The Reviewed Enrolment Planning Statement for the cycle 2023-2025 and the updated guidelines for the DHET Bursary Scheme at public universities.
- The student funding policy was submitted to the Minister for approval.
- The Director-General approved a report on the achievement of Ministerial enrolment planning targets.
- Number (431 412) of university students receiving funding through bursaries annually (556 629). The higher than projected achievement is due to no limitation imposed by the Department on the number of students who may be permitted to benefit under the scheme.

Targets not achieved:
- The Fee Regulation Framework was not submitted to the Minister as planned. It was noted that the Framework was not yet ready for public consultation and substantive engagement with the Minister as required.
- Number (1 098 000) of students enrolled at public universities annually (achieved 1 068 046). The delay in the Higher Education Qualification Sub-Framework (HEQSF) alignment process in replacing B-Tech qualifications with Advanced Diplomas, especially for Universities of Technology and Comprehensive universities.

Outcome 2: Improved success and efficiency of the PSET system
Selected key achievements:
- Number of students completing a university qualification (achieved 233 257). This overachievement was ascribed to the delivery and assessment methods used by universities during COVID-19. Most students passed, and the high pass rate resulted in overachievement in graduate outputs.
- Number of graduates in initial teacher education annually (achieved 29 925 against the target of 29 000). It was reported that universities were encouraged to produce more teachers, especially in STEM subjects, due to the envisaged number of teachers who will be retiring in the next few years.
- Number of veterinary science graduates annually (achieved 219 against the targets of 185).
- Number of Doctoral graduates annually (achieved 3 574 against the target of 3 350).

Targets not achieved:
- Number (14 750) of graduates in engineering annually (achieved 12 605). The underachievement was attributed to universities having projected numbers for the 240-credits Diplomas that were approved and accredited. The 240-credits Diplomas were mainly for

engineering qualifications; however, the Department placed a moratorium on the 240-credit diplomas, which caused a decline in engineering graduates.

- Number (10 000) of graduates in human health annually (achieved 9 558). This underachievement was attributed to the impact of the COVID-19 pandemic on university graduations. Twelve institutions underachieved, which affected the overall achievement of the sector.
- Number of Master's graduates annually (achieved 13 796 against the target of 14 500). The Department indicated that the sector is currently facing challenges in sourcing funding for postgraduate qualifications. This caused a decrease in the number of enrolments, which ultimately affected graduate output. This could be due to student debt from undergraduate studies, the state of the country, and the ability to employ graduates.

Outcome 3: Improved quality of PSET provisioning
Selected key achievements:

- Number of nGAP posts filled at universities annually (achieved 87 against the target of 85).
- Number of scholarship or internship positions allocated to universities through the Nurturing Emerging Scholars Programme (achieved 41 against the target of 40).
- Forty-eight Doctoral scholarships were allocated to universities through the University Staff Doctoral Programme (USDP) for award to permanent instructional or research staff members.
- Forty-nine university lecturers (permanent instruction or research staff) hold doctoral degrees.

Targets not achieved:

- A need analysis report and framework for the governance programme was developed but not submitted to the Director-General for approval. It was noted that the target was not met due to an unsatisfactory needs analysis report, as a result of both internal and external factors. The needs analysis was conducted by a project team appointed by the partner institution.
- A report on the financial health of all 26 public universities was only approved by the Director-General on 9 January 2023 due to delays in receiving correct data from some institutions.

Programme 4: Technical and Vocational Education and Training
For the year under review, the programme had 26 targets, comprising direct outputs and system targets. The programme's 26 targets constitute 23.42 per cent of the 2022/23 APP targets. At the end of the financial year, the programme had achieved 13 or 50 per cent of the planned targets.

Outcome 1: Expanded access to PSET opportunities.
Selected key achievements:

- An additional Disability Support Unit to support students with disabilities in the TVET college was established.
- Number of students enrolled at TVET colleges annually (achieved 589 083 against the target of 580 849. Overachievement was ascribed to colleges planning realistically and achieving within the funding provided.
- Number of unemployed TVET students placed in workplaces annually (achieved 10 616 against the target of 10 000).

Targets not achieved:

- A three-year enrolment plan with differentiation in programme enrolment was approved by the Director-General outside the planned timeframe. This was ascribed to delays experienced during the consultation process with TVET colleges to finalise the enrolment plan.
- The number of TVET college students receiving funding through NSFAS bursaries annually (achieved 266 063 against the target of 329 554). The underachievement was attributed to colleges still struggling to recover from the COVID-19 impact and the decrease in funding.

Outcome 2: Improved success and efficiency of the PSET system
Selected key achievements:

- It took the Department 23 days (average of Quarter 2: 18 days and Quarter 4: 28 days) to release examination results to qualifying students from the last day of the examination timetable.
- It too the Department 2 months against the target of 3 months to issue certificates to qualifying candidates following the publication of results.

- Number of students enrolled in PLP to improve success (achieved 4 581 against the target of 4 000)

Targets not achieved:

- Number of college students completing the N6 qualification annually (achieved 28 685 against the target of 72 298). The Department cited the COVID-19 pandemic and its restrictive regulations in 2021 as one of the reasons for underachievement, including certain curriculum changes that had to be made with regard to curriculum delivery.
- Number of TVET college students completing NC(V) Level 4 annually (achieved 11 374 against the target of 13 552). The underachievement was ascribed to the COVID-19 pandemic and its restrictive regulations in 2021 as one of the reasons for underachievement, including certain curriculum changes that had to be made with regard to the delivery of curriculum.

Outcome 3: Improved quality of PSET provisioning

Selected key achievements:

- Number of lecturers participating in project-based lecturer capacity-building programmes in engineering (electrical, plumbing and mechanical) achieved 115 against the target of 100.
- The Director-General approved an instrument to monitor the implementation of the TVET college council code of conduct.

Targets not achieved:

- Percentage of TVET college lecturers with professional qualifications (achieved 65 per cent against the target of 70 per cent) and number of TVET lecturers holding appropriate qualifications supported to acquire professional qualifications annually (achieved 118 against the target of 250). The Department reported that during the 2021 academic year, there was COVID-19, which had an impact on a number of lecturers to pursue further studies towards attaining professional qualifications. A number of lecturers had to deregister from their studies due to the impact of the national lockdown.

Outcome 4: A responsive PSET System

Selected key achievements:

- Percentage increase in student placement in the workplace for experiential learning (achieved 207 per cent against the target of 8).
- Forty-two TVET colleges offered 4IR-aligned skills training (against the target of 25).
- The Director-General approved three additional new/reviewed TVET programmes with integrated digital skills training.

Targets not achieved:

- Number of lecturers participating in digital literacy programmes (achieved 649 against the target of 3 000). The Department reported that during the 2021 academic year there was COVID-19, which had an impact on a number of lecturers to pursue further studies towards attaining professional qualifications. A number of lecturers had to deregister from their studies due to the impact of the national lockdown.
- Forty-two TVET colleges implemented student-focused entrepreneurship development programmes (against the target of 50).

Programme 5: Skills Development

The programme had 12 targets, comprising direct outputs and system targets. The programme targets constitute 10.81 per cent of the 111 2022/23 APP targets. The programme achieved five or 42 per cent of the 12 targets. Concernedly, the programme’s performance regressed significantly by 12.5 per cent from 54.5 per cent in 2021/22.

Outcome 1: Expanded access to PSET Opportunities

All three targets set under this outcome were not achieved as planned.

Targets not achieved:

- Annual number of learners or students placed in work-integrated learning (WIL) programmes (achieved 99 778 against the target of 107 000).
- Number of learners registered in skills development programmes annually (achieved 90 531 against the target of 148 000).
- Number of learners entering artisanal programmes annually (achieved 14 379 against the target of 22 000)

Regarding the reason for deviation in achieving the above targets, the Department reported that during the 2021/22 financial year, about six industries had not yet recovered from the COVID-19 pandemic, as also presented by the Statistician-General WBL programmes that require employers and workplaces.

Outcome 2: Improved success and efficiency of the PSET System
Selected key achievements:

- Number of learners who completed learnerships annually (achieved 45 146 against the target of 31 300).
- Number of artisans found competent annually (achieved 19 536 against the target of 20 500).
- Number of learners who completed internships annually (achieved 4 138 against the target of 5 200).
- Number of learners who completed skills programmes annually (achieved 83 578 against the target of 100 000).

The Department reported that during the 2021/22 financial year, about six industries had not yet recovered from the COVID-19 pandemic, as also presented by the Statistician-General WBL programmes and skills by the SETAs require employers and workplaces.

Outcome 3: Improved quality of PSET provisioning
Key achievement:

- Percentage of SETAs that meet the standard of good governance (achieved 100 per cent against the target of 95 per cent).

Target not achieved:

- Percentage of allocated SETA Mandatory Grants paid to employers (achieved 60.45 per cent) against the target of 100 per cent). It was noted that the target was new, and the system was not fully geared to produce the required information.

Outcome 4: A responsive PSET System
Selected key achievements:

- Average lead time from qualifying trade test applications received until the trade test is conducted (achieved 31 days against the target of 40-days).
- Twenty-one SETAs were assessed to have developed credible Sector Skills Plans.

Programme 6: Community Education and Training
The programme had 10 targets, comprising direct outputs and system targets. The programme's targets constitute 9.0 per cent of the 111 2022/23 APP targets. The programme achieved five (5) or 50 per cent of the 10 planned targets.

Outcome 1: Expanded access to PSET Opportunities
Key achievement:

- The Director-General approved the reviewed five-year enrolment plan for CET colleges.

Targets not achieved:

- A sustainable funding model for CET colleges was not approved by the Director-General outside the reporting period. The delay was caused by a consultation process that needed to be properly undertaken to solicit inputs from relevant stakeholders. The consultation meetings were moved several times due to the unavailability of relevant stakeholders.
- Number of students enrolled at CET colleges annually (achieved 143 031 against the target of 266 424). This underachievement was ascribed to the lack of provision of adequate infrastructure for teaching and learning in CET colleges.

Outcome 2: Improved success and efficiency of the PSET system
Selected key achievements:

- Four programmes and qualifications were offered in CET colleges, against the target of two. The overachievement was due to additional partnerships with SETAs, which enabled more programmes, i.e., Computer and Digital Support Assistant; National Certificate: New Venture Creation NQF 2: Basic Business Practice, National Certificate: IT: End User Computing NQG 3 and Upholstery NQF 2, to be offered in colleges.
- The Director-General approved a report on the implementation of open-access LTSM for students in CET colleges.

Targets not achieved:

- Number of CET college students completing GETC: Level 4 annually (achieved 25 473 against the target of 40 000). The Department reported that the number of students who wrote exams was below the annual target, which then impacted the completion target. Also, there was a high dropout rate in the number that registered to write exams as compared to the number that wrote. This target was not achieved in 2021/22.

Outcome 3: Improved quality of PSET Provisioning
Selected key achievements:

- Ninety-seven CET colleges met the standards of good governance, against the target of 95 per cent.
- Number of CET college lecturers trained (achieved 903 against the target of 900).

Targets not achieved:

- The percentage (100 per cent) of CET colleges compliant with the policy on the conduct and management of examination and assessment was partially achieved (achieved 93.5 per cent). The Department reported that the non-compliance was due to a vandalised building, lack of running water and electricity and an untidy examination room. Two irregularities were reported: the question paper was opened by a caretaker and the question paper was photocopied from one centre and submitted to the other centre.
- Number (35) pilot community learning centres (CLCs) accredited by the Quality Council for Trades and Occupations (QCTO) was not achieved (only 1 CLC was accredited). The Department reported that CLSs were not compliant with the accreditation requirements of the QCTO and SETAs.

3.4. 2022/23 Audit Outcomes

The Department obtained an unqualified audit opinion with findings from the AGSA for the 2022/23 financial year. For the 2022/23 financial year, the Department obtained a clean audit of its financial statements.

Basis for the opinion
Report on the audit of the annual performance report
The material findings on the performance information of the selected programmes are as follows:
Programme 3: University Education
Various indicators
The AG could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining whether the targets had been achieved.

Indicator description	Planned target	Reported achievement
Number of university students receiving funding through NSFAS bursaries annually	556 629	556 629
Proportion of university lecturers (permanent instruction or research staff) who hold doctoral degrees.	48%	49%

Programme 4: TVET
Various indicators
Some supporting evidence was not provided for auditing, and where it was, the AG identified material differences between the actual and reported achievements. Consequently, the achievements might

be more or less than reported and were not reliable for determining whether the targets had been achieved.

Indicator description	Planned target	Reported achievement
Number of TVET students completing NC(V) Level 4 annually	13 552	11 374
Throughput rate of TVET NC(V)	40%	27,20%
Number of unemployed TVET students placed in workplaces annually	10 000	10 616

- **Number of students enrolled in PLP to improve success:** An achievement of 4 581 was reported against a target of 4 000. However, the audit evidence did not support this achievement. The AG could not determine the actual achievement but estimated it to be materially less than that reported. Consequently, it is likely that the achievement against the target was lower than reported.
- **Percentage of TVET college lecturing staff appropriately placed in industry or exchange programmes:** An achievement of 2% was reported against a target of 14%. However, the audit evidence did not support this achievement. the AG could not determine the actual achievement but estimated it to be materially less than reported. Consequently, it is likely that the achievement against the target was lower than reported.

Programme 5: Skills Development
Various indicators
Based on the audit evidence, the actual achievements for skills development indicators did not agree with what was reported. The AG could not determine the actual achievements but estimated them to be materially less. Consequently, the achievements against the targets were lower than those reported.

Indicator description	Planned target	Reported achievement
Number of artisans found competent annually	20 500	19 461
Number of learners who completed internships annually	5 200	4 139
Percentage of allocated SETA mandatory grants paid to employers	100%	66.70%
Number of learners who completed learnerships annually	30 000	45 48

- **Number of learners registered on the skills programme annually:** 24. An achievement of 148 000 was reported against a target of 93 514. However, some supporting evidence was not provided for auditing, and where it was, the AG identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining whether the target had been achieved.

Programme 6: CET:
Various indicators
Some supporting evidence was not provided for auditing, and where it was, the AG identified material differences between the actual and reported achievements. Consequently, the achievements might be more or less than reported and were not reliable for determining whether the targets had been achieved.

Indicator description	Planned target	Reported achievement
Number of students enrolled at CET college annually	266 424	143 031
Number of CET students completing GETC: Level 4 annually	40 000	25 780

Various indicators
The AG could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing and adequate measurement processes did not exist. Consequently, the reported achievements might be more or less than reported and were not reliable for determining whether the targets had been achieved.

Indicator description	Planned	Reported

	target	achievement
Percentage of CTE colleges compliant with the policy on the conduct and management of examination and assessment annually	100.00%	93.50%
Percentage of CETCs that meet the standard of good governance	95.00%	97.50%

Material misstatements
The AG identified material misstatements in the annual performance report submitted for auditing. These material misstatements were identified in the reported performance information of the names of programmes. Management did not correct all the misstatements, and the AG reported material findings in this regard.

Internal control deficiencies
The AG noted that the Department did not have a proper records management system to maintain information that supported the reported performance in the annual performance report. This included information related to the collection, collation, and verification of the reported achievements, which resulted in the material scope limitations reported in the annual performance report.

It was further reported that numerous misstatements were identified in the achievements reported in the annual performance report. Management did not adequately review the annual performance report to ensure the accuracy and completeness of the report before submitting it for auditing.

4. ENTITIES OF THE DEPARTMENT OF HIGHER EDUCATION AND TRAINING

4.1. Council on Higher Education (CHE)

The CHE is an independent statutory body established in terms of the Higher Education Act, 1997 (Act No.101 of 1997, as amended). It derives its mandate from the Higher Education Act, 1997 (Act No. 101 as amended) and the National Qualifications Framework Act, 2008 (Act No. 67 of 2008 as amended).

In terms of its mandate as per the two primary legislation, the CHE is responsible for the following:

- Advising the Minister of Higher Education and Training on all higher education matters upon request and at its own initiative;
- Promoting quality and quality assurance in higher education through its permanent subcommittee, the Higher Education Quality Committee (HEQC), including auditing the quality assurance mechanisms and accrediting programmes offered by higher education institutions;
- Monitoring the state of higher education and publishing information regarding developments in higher education regularly, including arranging and co-ordinating conferences on higher education issues;
- Developing and managing the qualification sub-framework for higher education, namely, the Higher Education Qualifications Sub-Framework (HEQSF), including the development of qualifications that are necessary for the higher education sector;
- Recommending higher education qualifications to the SAQA for registration on the NQF;
- Maintaining a database of learners' achievements and submitting the data for recording on the NLRD; and
- Advising the Minister of Higher Education and Training on matters relating to the HEQSF.

The mandate is further premised on key policies, namely the National Development Plan: Vision 2030, the White Paper for Post-School Education and Training, the National Plan for Higher Education, and the Medium-Term Strategic Framework 2019 – 2024: Priority 3: Education, Skills and Health.

4.1.1.Overview and assessment of the CHE's 2022/23 non-financial performance

For the 2022/23 financial year, the CHE had four budget programmes, namely, Management of HEQSF, Quality Assurance, Research, Monitoring and Advice, and Corporate. The programmes had 47 targets and achieved 46 or 98 per cent, representing an increase of 2 per cent from 98 percent in 2021/22.

Table 6: The CHE's programmes, with their related achievement against performance targets for the 2022/23 financial year

COUNCIL ON HIGHER EDUCATION AND TRAINING (CHE)	APP Targets 2022/23	Achieved	Not achieved	% Achievement
1. Management of the HEQSF	14	13	1	93%
2. Quality Assurance	11	11	0	100%
3. Research, Monitoring and Advice	9	9	0	100%
4. Corporate	13	13	0	100%
Overall Total	**47**	**46**	**1**	**98%**

Source: CHE (2023)

4.1.2.Non-financial performance per programme

Programme 1: Management of the HEQSF

The programme manages the development and implementation of HEQSF policies, qualification standards, and data to meet the goals of the NQF, NPPSET and NDP. The programme has five sub-programmes and contributes to one of the CHE's five Strategic Outcomes: CHE as an effective custodian of the HEQSF.

During the year under review, the programme had 14 planned targets shared among the five sub-programmes and achieved 13 or 93 per cent.

Selected key achievements:

- Three qualification standards were fully developed and reviewed.
- CHE initiated the development review process of four qualification standards.
- Ninety-eight per cent of private education institutions have all required sets of data records in the database, against the target of 85 per cent.
- Ninety-eight per cent of the data sets were verified and validated to be accurate and reliable, from all data sets submitted by private higher education institutions, 13 percent above the target.
- Supported 18 higher education institutions with respect to the development and implementation of relevant institutional policies, 13 above the target.
- CHE was involved in 16 national events and/or fora on NQF, quality assurance, and promotion, 11 above the target.

Target not achieved:

- The target of completing Phase 3: Approvals and Publication of the updated HEQSF was not achieved. The CHE reported that a draft HEQSF research report was finalised but could not be approved and published during the 2022/23 financial year. the report will be finalised, approved and published during the 2023/24 financial year. the research that was undertaken and the consultation based on was extensive and took more time than anticipated. The report contains specific recommendations that will be considered in updating the HEQSF.

Programme 2: Quality Assurance

The programme contributes towards the fulfilment of the mandate of the CHE as the national authority for quality assurance in higher education. The programme develops and implements processes to inform, assure, promote and monitor quality in Higher Education Institutions (HEIs). For the 2022/23 financial year, the programme had 11 targets shared among the four sub-programmes. The programme achieved 100 per cent of the planned targets.

Selected key achievements:

- Achieved 97 per cent (against the target of 85 per cent) of programme accreditation applications received that go through the accreditation process and are presented to the HEQC within 12 months from the date of appointment of evaluators.
- Achieved 100 per cent (against the target of 85 per cent) of programme reaccreditation applications received that go through the accreditation process and are presented to the HEQC within 18 months from the date of appointment of evaluators.

- Initiated two National reviews.
- Achieved 100 per cent of National Reviews that have their reports and finalised and approved.
- The CHE held 26 workshops (against the target of 10) related to the new framework for Institutional Audits. The increase in the number of workshops was due to requests by institutions.
- The CHE initiated 15 Institutional Audits (against the target of 10) and one National Review.
- Achieved 100 per cent of the completed National Reviews had their reports finalised and approved.
- Developed six Higher Education Practice Standards.

Programme 3: Research, Monitoring and Advice
The programme aims to revitalise and strengthen the research, monitoring, evaluation and advice capabilities of the CHE to advance the realisation of Outcome 3: a reputable centre of intellectual discourse, knowledge generation and advancement in higher education.

The programme had nine targets shared among the three sub-programmes. The programme achieved 100 per cent of the planned targets.

Selected key achievements:

- Six research reports were produced against the target of three.
- CHE organised three conferences/colloquia, seminars, or symposiums.
- Four policy briefs or Briefly Speaking articles were produced.
- Two VitalStats were produced.
- CHE responded to 100 per cent of requests for advice with the submission of the advice.

Programme 4: Corporate
The programme provides leadership, oversight, systems, activities and structures that enable the organisation to operate effectively and efficiently in fulfilment of its mandates and pursuit of its outcomes. The programme contributes to two of the CHE's five Strategic Outcomes, namely Strategic Outcome 4: Governance, compliance and risk management and Strategic Outcome 5: Sustainable, responsive and dynamic organisation.
The programme had 13 targets shared among the three sub-programmes. The programme achieved 100 per cent of the planned targets.

Selected key achievements:

- The CHE developed or reviewed seven ICT policies, frameworks, guidelines, and procedures.
- Nine Human Resources policies, frameworks, guidelines, and procedures were developed or reviewed against the target of seven.
- Eight financial and supply chain management policies, frameworks, guidelines, and procedures were developed or reviewed.
- CHE concluded 90 per cent of activities as per an approved annual ICT Operational Plan, against the target of 80 per cent.
- Seventeen staff training interventions were offered.
- Eighty-five per cent of approved posts on the organisational structure had incumbents throughout the financial year.
- The CHE paid 100 per cent of eligible suppliers within 30 days from the date of receipt of their invoices (272 suppliers were paid within 20 days).

4.1.3.Overview and assessment of CHE's 2022/23 budget allocation and expenditure
For the 2022/23 financial year, CHE's total revenue amounted to R107,3 million, comprising R6,7 million from exchange transactions, which included accreditation fees and other income and interest received from investment, and R79,4 million from non-exchange transactions (Government Grant: R74.4 million, Conditional Grant: R4,9 million, and surplus funds roll-over: R21,1 million)

Total expenditure at the end of the financial year amounted to R102.0 million, recording lower than projected spending amounting to R6,2 million. Underspending constitutes 5.8 per cent of the available budget. Expenditure on compensation of employees amounted to R45,4 million, with underspending amounting to R152 800. Spending on goods and services amounted to R56,6 million, recording lower than projected spending amounting to R6,1 million.

The underspending on compensation of employees was ascribed to the accumulation of funds on three funded vacant posts that took some time to fill, and there were unforeseen delays in filling the posts during the year.

The underspending on goods and services was attributed to fewer legal claims during the year under review, fewer travel expenses for governance committee meetings because some meetings were held online; fewer payments made for subsistence, payments made to Peer Academics and Honoraria for the QAF project; repairs and maintenance underspent due to savings from reduced maintenance to the building and savings from centralised services requested for the period under review for freight/courier, stationery, office supplies, cellphones, and Internal Audit and payments made to Peer Academics for the review of enrolment planning.
The cost drivers in terms of general expenses include, among others, Peer Academics: R17,0 million (R12,0 million: 2021/22) , IT expenses: R8,9 million (R4,9 million: 2021/22), travel: R4,8 million (R608 491: 2021/22), consultancy services and Sub-committee members: R2,6 million (R2,2 million: 2021/22), printing and stationery:R2,5 million (R754 831), remuneration of council and committee members: R2,0 million (R2,0 million: 2021/22), outsourced services: R1,9 million (R658 540: 2021/22), and venues and catering: R1,9 million (R445 464: 2021/22).

4.1.4.Irregular, fruitless, and wasteful expenditure

Irregular expenditure: For the 2022/23 financial year, the CHE has not incurred irregular expenditure.

Fruitless and wasteful expenditure: An amount of R20 220.00 was incurred as fruitless and wasteful expenditure during 2022/23. This relates to four cases of flights and/or shuttle services for CHE staff that were not utilized. Except for one case of the shuttle service amounting to R2 930.00, which was written off / condoned, the costs for the other three cases involving missed flights and associated costs were fully recovered from the concerned officials.

4.1.5.Contingent liability

The CHE had unspent cash of R2,681,827 from the budget for the year under review. This unspent cash is ordinarily supposed to be transferred back to the National Treasury according to section 53(3) of the PFMA. The CHE has requested the retention of these funds from the National Treasury to cater for commitments.

4.1.6.2022/23 Audit outcomes

The CHE obtained a clean audit in 2022/23, which is an improvement from an unqualified audit with findings in 2021/22. The clean audit is highly commendable given that it is commensurate with the performance of 98 % recorded in the year under review.

4.2. Future outlook

The CHE reported that the budget baseline injection was considered and approved by the National Treasury for the Medium-Term Expenditure Framework (MTEF) period on the condition that the budget injection should be used for goods and services. The CHE noted that the requested budget baseline injection will ensure the following: continuous implementation of the CHE mandate; implementing the strategic plan; and implementing the approved quality assurance framework by all core programmes with support from Programme 1: Administration.

Notwithstanding the budget baseline injection, it has also been reported that the budget allocation to the CHE is not sufficient to enable it to undertake all the work for which it is responsible, and to enable sufficient staff to be in place to do the work. The stipulated compensation of employees (CoE) to Goods and Services budget ratio is a factor that further limits the ability of the organisation to employ staff in permanent positions; this leads to too much reliance on the use of service level contracts, of contracted staff, and on the use of peer academics for core work and in critical support areas such as IT where significant investment is needed. The CHE noted that the resourcing of the additional transformation oversight function is required.

CHE funding requirements:

The budget of the CHE is under severe strain due to a range of factors including the following:

- A growing mandate and scope of work: The higher education sector is much bigger now than in the earlier years of the CHE, the private higher education sector is growing rapidly, and there is a need to bring the public and private higher education colleges more closely into the quality assurance oversight of the CHE. Additional mandates that have been added over the years include responsibility for managing the HEQSF as a quality council and the new Transformation oversight mandate.
- Investment in digital technologies is vital if the CHE is to effectively carry out its work in a 21st century world and the context of the 4IR.
- A fit-for-purpose organisational structure is required for the CHE to fully and effectively execute its work, especially as it introduces the new Quality Assurance Framework.

Therefore, additional funding is critical to enable the CHE to carry out the increased scope of work, make progress in implementing its Digital Transformation Strategy, and ensure a fit-for-purpose organisational structure that matches the work that needs to be done.

4.3. South African Qualifications Authority (SAQA)

SAQA is a Schedule 3A public National Public entity as defined by the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999). It derives its mandate from the Constitution of the Republic of South Africa (section 29 of the Constitution and the National Qualifications Framework Act, 2008 (Act No. 67 of 2008 as amended). SAQA further derives its policy mandate from the NDP Vision 2030, the White Paper on PSET, the National Plan for Post-School Education and Training, the Economic Reconstruction and Recovery Plan, and the Department's five-year Strategic Plan.

In terms of section 13 of the Act, SAQA is mandated to, among others,

- Provide advice, oversee NQF implementation, and collaborate with the Quality Councils;
- Develop NQF policies and criteria;
- Maintain 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 communication and advocacy strategy to promote understanding of the NQF architecture; and
- Perform any function consistent with the NQF Act that the Minister of Higher Education and Training may determine.

4.3.1. Overview and assessment of SAQA's 2022/23 non-financial performance

For the 2022/23 financial year, SAQA had five budget programmes. The programmes had 25 APP targets and achieved 22 or 88 per cent, which is an increase of 8 per cent from 80 per cent achievement in 2021/22.

A summary of programme performance for the 2022/23 financial year is illustrated in Table: 7 below.

Table 7: SAQA Programmes, with their related achievement against performance targets for the 2022/23 financial year

SOUTH AFRICAN QUALIFICATIONS AUTHORITY (SAQA)	APP Targets 2022/23	Achieved	Not achieved	% Achievement
1. Administration and Support	10	10	-	100%
2. Registration and Recognition	3	3	-	100%
3. National Learners' Record Database	6	5	1	83%
4. Foreign Qualifications Evaluation and Advisory Services (DFQEAS)	2	0	2	0%
5. Research	4	4	-	100%
Overall Total	**25**	**22**	**3**	**88%**

4.3.2. Non-financial performance per programme

Programme 1: Administration

The programme contributes to the achievement of three of SAQA's Strategic 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; and a competent team dedicated and resourced to develop and maintain the NQF.

The programme had 10 planned targets for 2022/23, constituting 40 per cent of the entity's 2022/23 APP targets, and achieved 100 per cent of the targets.

Selected key achievements:

- SAQA identified three initiatives to share national and international best practices with stakeholders.
- SAQA implemented a pilot project of the Implementation Plan for the Addis Convention.
- Continued to implement the plan to generate funds through alternative revenue streams and exceeded the target. Funds were generated through the South African Police Services and the KwaZulu-Natal Education Department, rental income from parking spaces, research project income, and interest from invested funds.
- SAQA developed the Monitoring and Evaluation Protocol for the System of Collaboration, which was approved by the CEO Committee.
- The entity provided advice to the Minister on the Ministerial Determination in terms of section 74 of the Higher Education Act.
- Ensured that the NQF management information system (MIS) incorporating the NLRD contained 22 024 262 learners with achievements.

Programme 2: Registration and Recognition

The programme is responsible for registering qualifications and part-qualifications, recognising professional bodies and registering professional designations. It contributes to two of SAQA's five Strategic Outcomes, namely:

- We have well-articulated quality-assured qualifications and relevant professional designations that instil trust and meet the needs of the people.
- We have stakeholders and role-players who are aligned to deliver on the NQF.

During the period under review, the programme had three (3) planned targets and achieved 100 per cent of the planned targets.

Selected key achievements:

- During the year under review, SAQA registered 294 qualifications recommended by the Quality Councils for registration within three months.
- The Board approved the concept paper on the registration of national qualifications on the NQF.
- SAQA used the research findings to amend the Policy and Criteria for Recognising a Professional Body and Registering a Professional Designation. The Board approved the Policy.

Programme 3: Information and Communication Technology

The programme contributes to achieving two of the five Strategic Outcomes, namely:

- We have well-articulated quality-assured qualifications and relevant professional designations that instil trust and meet the needs of the people.
- We have stakeholders and role-players who are aligned to deliver on the NQF.

The programme had six (6) planned targets and achieved five (5) or 83 per cent of the planned targets.

Selected key achievements:

- SAQA developed an end-to-end electronic system for the evaluation of foreign qualifications, and the module for foreign qualifications is being built after the development of end-to-end specifications.
- A funding proposal for the digitisation of legacy achievement records was developed.
- Ensured that all QCs load learner achievement on the NQF MIS (comprising the NLRD).
- All recognised professional bodies loaded professional designation that meet the requirements of the NLRD.

Target not achieved:

- SAQA did not publish the Policy on the Misrepresentation of Qualifications due to the President had not proclaimed the NQF Amendment Act, 2019.

Programme 4: Authentication Services
The programme is responsible for evaluating foreign qualifications and locating them on the South African NQF. It contributes to one of the five Strategic Outcomes, namely, a dynamic NQF that is responsive, adapts to, and supports the changing needs of life-long learning. The programme had two (2) planned targets during the year under review and achieved zero per cent.

Targets not achieved:

- SAQA did not complete all applications received for the evaluation of foreign qualifications within 3 months. The evaluation of foreign qualifications is heavily reliant on external third-party institutions to complete the evaluation process. This results in delays in the planned 3-month turn-around time.
- The entity did not complete all compliant applications received for the verification of national qualifications within 25 working days. SAQA reported that the NLRD currently has 70 per cent of the data required for the verification of national qualifications. As a result, qualifications need to be sought at the institutional level. In some cases, the data required is in paper form and requires searching and investigating.

Programme 5: Research
The programme is responsible for conducting evidence-based research to track the development and implementation of the NQF and to evaluate the impact of the NQF on the people in South Africa. The programme contributes to two of the five institutional outcomes, namely:

- We have a dynamic NQF that is responsive, adapts to, and supports the changing needs of lifelong learning.
- We have well-articulated quality-assured qualifications and relevant professional designations that instil trust and meet the needs of people.

The programme had four (4) planned targets for 2022/23 and achieved 100 per cent.

Selected key achievements:

- SAQA reviewed and amended the policy and criteria for recognising a professional body and registering a professional designation for the purpose of the NQF.
- Produced the final 2021 NQF Impact Study Reports and provided a report on the work done with research partners.
- The entity provided the Minister with a report on progress made by SAQA and the QCs in implementing the Articulation Policy.

4.3.3.Overview and assessment of SAQA's 2022/23 budget allocation and expenditure
For the 2022/23 financial year, SAQA's total revenue amounted to R146,4 million, comprising R61,2 million from exchange transactions, which includes revenue from rendering of services, rental income interests, sundry income, and gain on disposal of assets; and R85,2 million from non-exchange transactions, which includes revenue from Government grants and subsidies and the Automation Projection Grant. Notably, revenue from exchange transactions increased by R10,8 million or 21.6 per cent from R50,3 million in 2021/22. Of significant to note is that revenue from non-exchange transactions decreased by R3,2 million or 3.8 per cent from R88,5 million in 2021/22.

Expenditure at the end of the year under review amounted to R102,8 million (R91,0 million: 2021/22), recording an underspending amounting to R43,6 million or 30 per cent of the total budget.

Expenditure on employee costs amounted to R69,6 million (R59,4 million: 2021/22), which constituted 68 per cent of the total expenditure for 2022/23. Spending on general expenses amounted to R28,1 million (R24,2 million: 2021/22). An amount of R4,9 million was spent on depreciation and amortisation, an increase of provision for credit loss, lease rentals on operating lease and repairs and maintenance.

The cost drivers in terms of general expenses include, among others, IT support and maintenance: R7,4 million (R4,7 million: 2021/22); computer software licensing: R3,3 (R751 262: 2021/22); Auditors' remuneration: R2,1 million (R1,8 million: 2021/22); computer expenses: R1,8 million (R3,1 million:

2021/22); building costs: Security Services: R1,8 million (R1,6 million: 2021/22); and building costs: rate and taxes: R1,1 million (R1,2 million: 2021/22).

It has been reported that the R43,6 million underspending was due to the following: effective cost management across the board emanating from a streamlined organisational structure; income generated from the rendering of services had significantly exceeded the budgeted amounts; several staff vacancies during the financial year contributed to cost savings and the building-related projects that have been placed on hold due to the continued search for a buyer for the SAQA premises.

It was further reported that the surplus funds will be utilised to cover provisions and contractual commitments; provide funds for unfunded research projects (NQF review, Professional Body review and NQF Chair); invest in new office premises and related and related costs to support SAQA operations and planned costs to procure ICT goods and services as required by the automation project.

4.3.4.Irregular, fruitless, and wasteful expenditure
For the 2022/23 financial year, SAQA has not incurred irregular, fruitless and wasteful expenditures.

4.3.5.Contingent liabilities
SAQA reported two cases that were with the Commission for Conciliation, Mediation and Arbitration (CCMA) and the Labour Court, respectively.

CCMA Case

Matter1: Claim for SAQA staff members retrenched: Following the retrenchment of employees implemented by SAQA in May 2021 in line with section 189 of the Labour Relations Act, 34, former staff members lodged a claim at the CCMA claiming unfair labour practice As at the date of this report, the matter has not progressed following a referral from the CCMA to the Labour Court.

Labour Court Case

Matter 1: The applicant lodged a claim for unfair dismissal, and the matter was set down for arbitration on 2 September 2022. SAQA awaits a legal ruling on the matter.

Court Case

Matter 1: The matter concerns the SA School of Diplomacy challenging the Public Service SETA (PSETA), QCTO, SAQA, and the Minister of International Relations for not granting them accreditation to offer 2 diplomatic qualifications. Subsequent to the meeting, the applicant sent a response containing their revised terms of the settlement. In addition to the lifting of the ringfencing on the two historic qualifications, they now require the respondents to warranty that some occupational qualifications and unit standards will not be restricted, that the PSETA and QCTO will grant accreditation on some qualifications and a reduced claim on compensation. This legal case is unresolved and is still in progress.

Unspent funds

SAQA will apply to the National Treasury for retention of the cash surplus after the finalisation of the external audit.

4.3.6.2022/23 Audit outcomes
SAQA obtained a clean audit for 2022/23, which is an improvement from an unqualified audit with findings in 2021/22. The entity is committed to maintaining a clean audit.

4.3.7.Funding requirements
In terms of future funding requirements, SAQA indicated that it requires additional funding as follows:

Table 8: SAQA funding requirement over the Medium-Term Expenditure Framework

Project/initiatives	2024/24 R'000	2025/26 R'000	2026/27 R'000
Automation and Digitisation	6 025	6 700	-
Verification of South African Qualifications	14 918	15 308	15 500
NQF Chairperson (Research)	6 300	6 900	7 600

Total	27 243	28 908	23 100

SAQA also noted that it requires additional funding for its Automation Project Phoenix as follows:

- R15 million for API Development (Data validation tool and Verification) for integration with Home Affairs, SAPS, the private sector, banks, public institutions, and pre-employment screening.
- R25 million: Data Warehouse and Document Management for data extraction, data cleaning, data loading, and data transfer.
- R10 million: AI/BI Capabilities/Analytics screens/graphs.

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 and assessment of QCTO's 2022/23 non-financial performance

Table 8: The QCTO's programmes, with their related achievement against performance targets for the 2022/23 financial year

Programme	APP Targets 2022/23	Achieved	Not achieved	% Achievement
1. Administration	4	3	1	75.0%
2. Occupational Qualifications Management and Certification	10	10	0	100%
3. Occupational Qualifications Quality Assurance	12	11	1	92%
4. Research Analysis and Quality Assurance	2	2	0	100%
Total	**28**	**26**	**2**	**93%**

During the 2022/23 financial year, the QCTO had 28 planned targets and achieved 26 or 93 per cent. The QCTO recorded an improvement of 15.6 per cent performance from 77.4 per cent achieved in the 2021/22 financial year.

4.4.2. Non-financial performance per programme

Programme 1: Administration

The programme enables the QCTO performance through strategic leadership and reliable delivery of management support services that will ensure a responsive and learning organisation. It contributes towards Institutional Outcome 3: A responsive learning organisation. The programme provides for the development of the IT infrastructure; as well as the Human Resources capabilities required by the organisation.

For the 2022/23 financial year, the programme had four planned targets. The programme achieved three (3) or 75 per cent of the four targets. The QCTO implemented 40 per cent of the capacity-building strategy, marketing, and communications strategy, and change management strategy.

Target not achieved:

- The MSP Annual Plan deliverables were not fully implemented. The achievement was 28 per cent below the target of 100 per cent. The QCTO ascribed the partial achievement to unexpected internal system delays, such as the need to re-advertise two tenders due to non-responsive bids. A third tender was cancelled due to a change in business needs. This target was also not achieved in 2021/22, when the achievement was 31 per cent below the 100 per cent target. The QCTO committed that the five uncompleted projects will be prioritised in the 2023/24 financial year.

The programme had a total budget amounting to R66,70 million and spent R69,81 million, recording an overspending of R3,11 million. Overspending was incurred in goods and services.

Programme 2: Occupational Qualifications Management and Certification
The programme ensures that occupational qualifications, part-qualifications and skills programmes on the Occupational Qualifications Sub-Framework (OQSF) are developed and registered on the NQF; issues certificates to qualifying learners; verifies the authenticity of issued certificates and maintains stakeholder relationships. Furthermore, it contributes towards the achievement of Outcome 1: A single national quality-assured Occupational Qualifications Sub-Framework that promotes synergy, simplification, and effectiveness.

The programme had 10 targets and achieved 100 per cent of the planned targets.

Selected key achievements:

- Fifty-four prioritised occupational qualifications (full/part) were recommended to SAQA for registration on the OQSF.
- The programme recommended to SAQA 221 historically registered qualifications for deactivation on the OQSF.
- The QCTO Council approved 118 skills programmes.
- Ninety-nine per cent of the (111 out of 112 EISAs) were quality assured against the QCTO standards within 21 working days turnaround time.
- One hundred per cent of assessments for historically registered qualifications were quality assured.
- The Council approved an Annual Report on the implementation of the Quality Assurance Plan for NATED Report 190/191 programmes.
- One hundred per cent of assessments for the QCTO-developed skills were quality assured.

For the 2022/23 financial year, the programme had a total budget of R24,80 million and spent R25,98 million, recording an overspending amounting to R1,18 million. Overspending was incurred in both compensation and goods and services.

Programme 3: Occupational Qualifications Quality Assurance
The programme establishes and maintains quality standards for Accreditation and Assessment within the OQSF and contributes towards the following institutional Outcome 1: A single national quality assured OQSF that promotes synergy, simplification and effectiveness.

During the period under review, the programme had 12 and achieved 11 or 92 per cent, an improvement from 69.2 per cent recorded in 2021/22.

Selected key achievements:

- Processed within the turnaround time of 90 working days the following: 95 per cent of Skills Development Providers (SDP) accreditation applications; 100 per cent of accreditation applications for Skills Programmes, and 100 per cent of accreditation applications for historically registered qualifications.
- Quality assured the following: 77 per cent of accredited Skills Development Providers with implemented historically registered qualifications with learner uptake; 77 per cent of accredited skills providers with implemented NATED Report 190/191 programmes; 126 NATED exam sessions; 76 Assessment Centres conducting External Integrated Summative Assessments (EISAs).

Targets not achieved:

- Percentage (75 per cent) of accredited SDPs with skills programmes implemented quality assured against the QCTO standards. The actual achievement was 65 per cent (11 out of 17), and the deviation was ascribed to Skills Development Providers for skills programmes, not including their learner enrolment. In overcoming the areas of underperformance, the QCTO will ensure that Accredited Skills Development Providers will be contacted monthly to find out if they have learners enrolled. The QCTO-SETA forum is being resuscitated as a Quality Partner Forum, which will focus on OQSF policy implementation as well as the Economic Reconstruction and Recovery Skills Strategy (ERRSS) implementation. It has also been reported that the QCTO has started to implement the necessary control processes to manage the upload of learner achievements to the NLRD. The upskilling of employees and process improvements have been prioritised to improve overall efficiency.

The programme's budget during 2022/23 amounted to R34,53 million and had spent R29,80 million, thus recording a lower than projected spending amounting to R4,72 million. The programme has underspent in both compensation and goods and services budgets. The programme has also underspent by R3,36 million in 2021/22.

Programme 4: Research Analysis and Quality Assurance
The programme establishes and maintains the QCTO Standards for quality assurance through research, monitoring, evaluation, and analysis. It further contributes towards institutional Outcome 1: A single national quality assured OQSF that promotes synergy, simplification, and effectiveness.

During the period under review, the programme had two performance targets, both of which were achieved. Three research reports were developed and approved by the Chief Executive Officer, and one research bulletin was published online.

The programme had a budget of R3,86 million and spent R3,34 million, recording a lower than projected spending amounting to R522 000,00. Underspending was in goods and services.

4.4.3.Overview and assessment of QCTO's 2022/23 budget allocation and expenditure
For the 2022/23 financial year, the QCTO had revenue amounting to R139,9 million (R109,9 million in 2021/22). The revenue comprised R13,0 million from exchange transactions (R5,9 million: from rendering services, R6,9 million of interest received and R83 000 of other income) and R126,8 million from non-exchange transactions (R124,6 million Government grants and subsidies and R2,2 million from Conditional grant from the National Skills Fund).

The QCTO has spent R136,5 million at the end of the 2022/23 financial year, recording an underspending amounting to R3,3 million. There was an improvement in spending as the QCTO did not incur a deficit in 2022/23, while in 2021/22 there was a deficit amounting to R12,47 million. The QCTO had spent R72,5 million (R69,2 million in 2021/22) on personnel costs, which accounted for 53.2 per cent of the entity's total expenditure for the 2022/23 financial year. The expenditure on administrative costs amounted to R58,9 million. Spending on administrative costs increased by R13,6 million or 30 % from R45,3 million in 2021/22.

The cost drivers in terms of administrative expenses were consulting and professional fees: R13,8 million (R11,2 million: 2021/22), lease rentals: R9,2 million (R9,2 million: 2021/22), travel, subsistence, and accommodation: R7,7 million (R2,4 million: 2021/22), IT expenses: R5,7 million (R7,0 million: 2021/22); legal fees: R4,67 million (R2,1 million); water and electricity: R3,82 million (R3,3 million: 2021/22).

4.4.4.Contingent liabilities
The QCTO reported that in the 2020/21 financial year, a dispute has 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 is seeking damages of R7,057,402. The matter is currently under arbitration and is expected to be finalised within one year.

Three former QCTO employees have taken the entity to the Commission for Conciliation, Mediation and Arbitration (CCMA) to contest their dismissals. Should all three succeed with their cases, the QCTO is likely to pay an estimated R1,024,826, however, management and its legal representatives have determined that the likelihood of the QCTO losing all the cases is very minimal.

4.4.5.2022/23 Audit outcomes
The QCTO received a clean audit opinion for the 2022/23 financial year for the seventh consecutive audit cycle. Remarkably, the clean is comparable to the performance of the predetermined objectives. The AG has not identified material findings on the QCTO's annual financial statements, no findings on predetermined objectives, no findings on compliance with legislations, and no deficiencies in internal controls.

4.4.6.Future outlook

The QCTO reported an increase in the SETA Levy Grant from R111,6 million for the 2023/24 financial year to R124,2 million for the 2024/25 financial year. The entity had applied for R250 million, meaning that there would be a shortfall of R125,8 million on the 2024/25 SETA Levy Grant to the entity. The QCTO noted that the requested amount was to ensure that the organisation had sufficient resources to bolster its core performance areas. This includes the QCTO having the requisite human resource capacity to fulfil its mandate and respond to its response to the ERRSS, the uptake of occupational qualifications in the PSET sector, the roll out of the OQSF and completing the automation of QCTO processes.

In addition, the QCTO is still in the process of finalising the purchase of its premises, which will significantly reduce rental costs. The QCTO has received approval from the DHET and is awaiting bond application approval from the National Treasury. The organisation's funding is still unstable and relies heavily on the SETA Levy Grant (75 per cent of total funding for 2024/25) that is applied for annually.

4.5. National Skills Fund

The NSF was established in 1999 in terms of Section 27(1) of the Skills Development Act, which states the following: "The National Skills Fund (NSF) 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).

4.5.1.Overview and assessment of the NSF's 2022/23 non-financial performance

The NSF had three budget programmes for the 2022/23 financial year. The three programmes had 38 APP targets. The NSF achieved four (4) or 11 per cent against the 2022/23 APP targets. The 2022/23 financial year performance is the worst compared to the performance of the previous three financial years. It is very concerning that the entity has not achieved more than 25 per cent of its targets against the APP for the three financial years (2020/21: 23 per cent; 2021/22: 24 per cent and 2022/23: 11 per cent). The table below shows the performance of the NSF over a four-year period.

Table 9: NSF overall performance over a four-year period

Financial year	Number of planned targets	Number of targets achieved	Percentage of targets achieved
2019/20	16	7	56%
2020/21	13	3	23%
2021/22	29	7	24%
2022/23	38	4	11%

Table 10: The NSF's programmes, with their related achievement against performance targets for the 2022/23 financial year

Programme	APP Targets 2022/23	Achieved	Not achieved	% Achievement
1. Administration	7	0	7	17%
2. Skills Development Funding	20	0	20	33%

3. PSET Improvement Funding	11	4	7	13%
Overall Total	**38**	**4**	**34**	**11%**

4.5.2.Non-financial performance per programme

Programme 1: Administration

The programme aims to ensure a sound service delivery environment and effective resource management within the NSF. For the year under review, the programme had 7 targets and achieved zero per cent. The programme also recorded poor performance in 2021/22, where it achieved one of the six planned targets.

Selected targets that were not achieved

- Percentage (100 per cent) of audit findings addressed (achieved 14 per cent). It is critical to note that in 2021/22, the NSF achieved only 13 per cent against the target of 10 per cent. The reason cited for non-achievement in 2021/22 was that the NSF APP was approved, and implementation has started. However, it takes time to finalise most of the actions identified by the business units. For the 2022/23 financial year, the non-achievement of the target was due to the lack of integrated systems and capacity constraints, which led to delays in implementing the action plan. Some actions have been postponed until the Ministerial Task Team (MTT)'s recommendations are implemented.
  Of greater concern is that the Committee has engaged with the NSF several times in 2022, on its turn-around strategy and implementation of an audit action plan to address the audit findings. There was some assurance that the NSF was committed to turning the fortunes of the entity; however, the performance suggests that there was not much effort made by the entity in addressing the audit findings. Hence, the entity still obtained a qualified audit opinion. Concernedly, capacity challenges continue to bedevil the entity, despite the reported establishment of its own Human Resource Unit.
- Percentage (100 per cent) of compliance with the PFMA and applicable regulations as per the compliance report (achieved 74 per cent).
- Percentage (100 per cent) of approved standard operating procedures and policies implemented (achieved per cent). In 2021/22, the NSF reported that the reason for not achieving 100 per cent implementation of approved SOPs and policies was that only fewer SOPs and policies were earmarked for implementation. For the 2022/23 financial year, the reason for deviation changed to performance not being measurable due to the unavailability of the approved list of standard operating procedures and policies. This means that the target as set during the development of the APP did not adhere to the SMART principle and might also be an indication of poor planning.
- Percentage (100 per cent) of planned policies and procedures developed and revised (achieved 0 per cent).
- Percentage (55 per cent) of client satisfaction rating (achieved 0 per cent). The NSF reported that the reason for non-achievement was ascribed to delays during the procurement process. It is concerning that in the 2021/22 Annual report, the NSF reported that the procurement process of a service provider was underway. The dependency of the NSF on the DHET procurement system has had a negative impact on the achievement of this target.

Programme 2: Skills Development Funding

The programme measures the extent to which the NSF has funded learners who may be employed or self-employed within a reasonable period after completing their education and training will provide a reliable measure of the success of the skills development initiatives funded against strategic priority interventions in creating a capable South African citizenry that contributes towards improving economic participation and social development.

For the year under review, the programme had 20 planned targets, constituting 63 per cent of the 38 2022/23 APP targets. Concernedly, the programme achieved zero per cent of the planned targets. This programme is the core mandate and receives the bulk of the NSF budget. In total, the programme planned to fund 228 845 learners in different skills programmes, internships, WIL, bursary funded, and learners who completed different programmes etc. The NSF funded only 59 296 against the target of 228 845. This is evident in the under expenditure incurred during the year under review.

Fifteen out of the 20 targets planned in Programme 2 were not achieved, and the reason cited is the delays in finalising solicited and unsolicited proposals and insufficient resources and capacity in the Initiation and Evaluation Unit to attend to the evaluation process. Five targets out of 20 were not achieved because the PSET system is experiencing a backlog in the printing of certificates. This results in delayed receipt of learner completion certificates and statements of results.

Selected targets that were not achieved

- Number (61 000) of learners funded by the NSF for education and training (achieved 24 318).
- Number (31 690) of NSF-funded learners who completed their education and training (achieved 3 917)
- Number (38 000) of learners funded by the NSF for education and training towards occupations in high demand (OIHD) (achieved 10 020)
- Number (11 000) of NSF-funded learners who completed their education and training OIHD (achieved 1 271).
- Number (5 000) of bursary students funded by the NSF for their qualifications (achieved 798).
- Number (1 500) of NSF bursary students who completed their qualifications (achieved 0).
- Number (11 000) of learners funded by the NSF for skills development through community-based skills development initiatives (achieved 4 013)
- Number (9 000) of learners who completed skills development through community-based skills development initiatives (achieved 1 789).
- Number (1 500) of SMMEs and co-operatives funded by the NSF for skills development (achieved 0).
- Number (5 250) of learners funded by the NSF for education and training through SMMEs and co-operatives skills development initiatives (achieved 0).
- Number (690) of learners who completed their education through worker education (achieved 190).
- Number (1 050) of individuals participating in constituency-based interventions funded (298).
- Number (25) of constituency-based interventions funded (achieved 2).

Programme 3: PSET Improvement Funding

The purpose is to ensure an effective PSET system that will enable smooth training and education for the youth there by creating employment opportunities. For the 2022/23 financial year, the programme had 11 targets. The programme achieved 4 or 13 per cent out of 11 targets. This programme receives the second highest budget of the entity, and it is very concerning that it could only achieve 4 of the 11 targets for 2022/23.

Selected key achievements.

- Number (5) of skills infrastructure development projects funded (achieved 5)
- Number (3) of NSF-funded infrastructure development projects which achieved 60% of the envisaged outputs (achieved 5).
- Number (3) of NSF funded PSET capacity development projects completed (achieved 6).
- Number (4) of the NSF research interventions funded (achieved 4).

Targets not achieved:

- Number (5) of NSF-funded skills infrastructure-related projects completed (achieved 4)
- Number (1) of NSF-funded skills infrastructure-related projects (achieved 0)
- Number (39) of capacity development projects funded (achieved 28).
- Number (35) of NSF-funded PSET capacity development projects which achieved more than 60 per cent of the envisaged outputs (achieved 12).
- Number (2) of NSF-funded research projects that achieved 60% of the envisaged outputs (1).
- Number (2) of NSF-funded research projects completed (0).

4.5.3.Overview and assessment of the NSF's 2022/23 budget allocation and expenditure

For the 2022/23 financial year, the NSF's total revenue amounted to R4,9 billion (R4,3 billion: 2021/22). The NSF's revenue comprised R4,2 billion from non-exchange transactions (Skills development levies: R4,1 billion and Transfer from the DHET: R100,0 million for the Presidential Youth Employment Initiative) and R734,9 million from exchange transactions (Finance income: R700,2 million and Finance income from advance payments to skills development programmes and projects: R34,6 million). Total revenue increased by R663,6 million from the previous financial year. The NSF attributed the increase in revenue to the following: Skills development levies: increase in the number of levy-paying institutions; finance income: the 72 per cent increase in finance income was due to the increase in the PIC value when compared to the previous year; and finance income from advance payments to skills development programmes and projects: advance payments made to the implementation of new projects (e.g. TVET Phase 3, Artisan development and other unsolicited projects).

At the end of the financial year, the NSF had spent R1,3 billion (R4,9 billion: 2021/22), recording a significantly lower than projected spending amounting to R3,5 billion or 72 per cent against the available budget. An amount of R1,1 billion was spent on skills development funding expenses and R149 million was spent on administrative expenses. Expenditure on employee costs amounted to R100,7 million, constituting 67.4 per cent of the total administrative expenses. Operating expenses amounted to R41,8 million or 28.0 per cent of the total administrative expenses.

The NSF reported that underspending on skills development was mainly due to various operational level factors such as capacity constraints throughout the organisation, delays in the approval of new projects, delays in the contracting process, project registration and payment of initial tranche payments.

The key cost drivers in terms of operating expenses include , among others, DHET Shared Services Charge: R10,8 million (R14,9 million: 2021/22), External auditor’s remuneration: R7,0 million (R7,4 million: 2021/22), Consultancy and service provider fees: R1,6 million (R1,7 million: 2021/22), software expenses: R4,4 million (R4,5 million: 2021/22), and travel and subsistence: R10,5 million (R5,8 million: 2021/22).

4.5.4.Irregular, fruitless, and wasteful expenditure
For the 2022/23 financial year, the NSF has not incurred irregular expenditure. The NSF was addressing irregular expenditure incurred in the previous years as follows:

- Angela Church and some unknown expenditures: The irregular expenditure confirmed amounts to R9.9 million. The process of appointing a service provider to conduct the determination test is underway.
- Batsumi Travel, Rambros Construction, and Mamli Projects: The irregular expenditure confirmed amounts to R412 million. The Director-General (DG) approved the submission on approving the implementation of the recommendations made in the determination report. The recommendations are yet to be implemented. The DG approved the submission on approving the implementation of the recommendations made in the determination report. The NSF will apply for condonement of the R412 million irregular expenditure.
- Rennies Travel: The irregular expenditure confirmed amounts to R9.2 million. Although NSF Internal Audit was appointed to re-perform the determination test, DHET Internal Audit had already performed an investigation. The DHET has sought guidance from the National Treasury on how to deal with the removal of this irregular expenditure.
- Internet Solutions: The irregular expenditure confirmed amounts to R2.4 million. The determination test report was provided by the Internal Audit Unit and awaits DG approval.
- NSFAS Shortfall: The irregular expenditure confirmed amounts to R1.3 billion. An Internal Audit was appointed to perform the determination test. The review is in progress and awaits a final and approved report.

Regarding fruitless and wasteful expenditure, the NSF reported an amount of R73,5 million, which was carried over from the prior years.

- Centre for Education Policy Development projects**:** The final determination test report is still outstanding.
- Emanzini Staffing Solution: The final determination test report is still outstanding.
- ADA Holdings Ingwe TVET College Project: The final determination test report is still outstanding.
- Rubicon Communications project: The final determination test report is still outstanding.
- Chippa Training Academy: The final determination report was submitted to the Loss Control Function on 21 March 2023 for further processing. The report is currently with the AEO after the opportunity was provided for the service provider to respond to the report. The report is

yet to be processed further for the DG’s consideration and implementation of recommendations.

- Motheo Construction Group: A process to appoint a service provider to conduct the determination test is underway.
- Chris Hani Institute: A process to appoint a service provider to conduct the determination test is underway.

Regarding the fruitless and wasteful expenditure recovered, it has been reported that during the 2020/21 audit, AGSA identified material irregularities in Chippa Training Academy (CTA). The determination report investigating the material irregularity identified by the AGSA was finalised and approved by the Director-General. The determination report indicated a fruitless and wasteful expenditure. CTA was requested to pay the fruitless and wasteful expenditure amount of R486 115,00. CTA agreed to pay back an amount of R486 115.00 in six monthly instalments amounting to R81 019.87 per month starting from February 2023. As at 31 March 2023, only one instalment had been received.

4.5.5.2022/23 Audit outcomes

During the 2022/23 financial year, the NSF obtained a qualified audit opinion for the second consecutive audit cycle after two disclaimer opinions in 2019/20 and 2020/21.

Basis for qualified opinion

- **Skills development funding:** The AG was unable to obtain sufficient appropriate audit evidence that skills development funding for the current and previous year has been properly accounted for, as evidence that services had been received could not be provided. This was due to inadequate project monitoring and expenditure approval processes. The AG was unable to confirm the skills development funding by alternative means. Consequently, the AG was unable to determine whether any adjustments relating to skills development funding of R1 166 484 000 (2022: R4 694 294 000) disclosed in note 20, as well as the related deferred expenditure of R1 229 391 000 disclosed in note 8, accruals from non-exchange transactions of R2 159 617 000 disclosed in note 12, and the corresponding figure of trade and other payables from non-exchange transactions of R196 412 000 disclosed in note 10 to the financial statements were necessary.
- **Provisions:** The public entity did not have adequate systems in place to account for provisions from skills development funding in accordance with GRAP 19. Provisions, contingent liabilities, and contingent assets as the provisions were not calculated correctly. Consequently, provisions reported in the statement of financial position and note 14 to the financial statements are overstated by R22 636 465. This also impacts the surplus for the period and the accumulated surplus.

Other matters

- **Retention of surplus:** the AG noted that 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 R7 755 997 000 for the financial year 2021-22 disclosed in note 28. The ultimate outcome of the matter could not be determined, and no provision for any liability was disclosed in the financial statements.

Report on the Audit of the Annual Performance Report

The AG evaluated the reported performance information for programmes 2: Skills Development Funding and 3: PSET System Improvement Funding. The AG made the following material findings:

Programme 2: Skills Development Funding: The AG noted that based on audit evidence, the actual achievement for two indicators did not agree with the reported achievement. Consequently, it is likely that the achievement against the target was lower than reported. Below are the indicators and targets:

Indicator	Target	Reported achievement
2.1.2 Number of NSF-funded beneficiaries who completed their education and training	31 690	3 917

2.1.4 Number of NSF-funded learners who completed their education and training towards occupations in high demand (OIHD)	11 000	1 271

Programme 3: PSET System Improvement Funding
Based on audit evidence, the actual achievement for the two indicators did not agree with the achievement reported. Consequently, it is likely that the achievement against the target was lower than reported.

Indicator	Target	Reported achievement	Actual achievement
3.2.1 Number of capacity development projects funded	39	28	26
3.2.2 Number of NSF -funded PSET capacity development projects which achieved more than 60% of the envisaged outputs	35	12	10

Material misstatements: The AG identified material misstatements in the annual performance report submitted for auditing. These material misstatements were identified in the reported performance information of Programme 2: Skills Development Funded and Programme 3: PSET System Improvement Funding. Management did not correct all the misstatements and reported material findings in this regard.

Report on compliance with legislation

- **Annual financial statements:** The AG reported 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 further noted that material misstatements of current assets and current liabilities 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 qualified 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 some investigations into irregular expenditure were not performed.

Internal control deficiencies:
The AG reported the following:

- The public entity did not prepare accurate and complete financial statements that were supported and evidenced by reliable information. This is evidenced by material misstatements identified on various financial statement line items.
- Management did not implement adequate internal controls relating to project monitoring and reporting. This resulted in underlying records not being readily available to support the skills development activities funded by the NSF.
- The leadership did not exercise adequate oversight, specifically regarding the reporting of the skills development funding expenditure, provisions, and performance reporting, resulting in material misstatements identified during the audit.
- Management did not implement adequate monitoring and preventative controls to ensure compliance with key legislation.

Material Irregularities: Status of the previously reported material irregularities
Payments made with respect to duplicate unit standards.

- The National Skills Fund entered into a project funding agreement with a skills development service provider. The objective of the project was to benefit 1 000 learners by enrolling them in a Security Officer Learnership programme (NQF level 3).
- The National Skills Fund approved and paid for three credits already included in the original modules as additional modules. This resulted in additional costs with no additional benefit, in

contravention of section 57(b) of the PFMA. The non-compliance is likely to result in a material financial loss if it is not recovered from the supplier.

- The AG notified the accounting authority of the material irregularity on 9 August 2021 and invited the accounting authority to make a written submission on the actions taken and that will be taken to address the matter.
- The accounting authority did not take appropriate action in response to being notified of the material irregularity, and the AG recommended that the accounting authority take the following actions to address the material irregularity by 02 December 2022:
    - Appropriate action should be taken to finalise the investigation into the non-compliance with section 57(b) of the PFMA to determine the circumstances that led to the non-compliance, take appropriate corrective actions, and address control weaknesses.
    - The financial loss relating to the duplicated modules should be quantified.
    - Appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
    - Effective and appropriate disciplinary steps should be initiated without undue delay against any official that the investigation found to be responsible, as required by section 51(1) (e) of the PFMA.
- The accounting authority submitted a written response with substantiating documentation on the implementation of the recommendations. The AG assessed the written response and substantiating documentation submitted and concluded that although an investigation was conducted, the outcome did not address the material irregularity. The accounting authority was notified of the outcome of the assessment.
- The accounting authority is addressing the shortcomings in the investigation report and has requested an extension for the implementation of the recommendations. The AG has granted the accounting authority an extension until 31 October 2023 to implement the recommendations. The AG will follow up on the implementation of the recommendations by 31 October 2023.

4.6. Education, Training and Development Practices Sector Education and Training (ETDP SETA)

The Sector Education and Training Authorities (SETAs) are established in terms of the Skills Development Act, 1998 (Act no 97 as amended) and listed in terms of the PFMA, as Schedule 3A public entity. The Skills Development Act mandates SETAs to promote skills development in the education and training sector. The SETAs are funded through the one per cent levy income paid by employers to the South African Revenue Service (SARS).

Their mandate is derived from the Skills Development Act (No. 97 of 1998) and its subsequent amendments. Its functions include, among others, the following:

- Develop a Sector Skills Plan (SSP) within the framework of the National Skills Development Strategy (NSDS);
- Implement its sector skills plan by-
    - Establishing learning programmes;
    - Approving workplace skills plans and annual training reports;
    - Allocating grants in the prescribed manner and in accordance with any prescribed standards and criteria to employers, education and skills development providers, and workers; and
    - Monitoring education and skills development provision in the sector.
- Promote learning programmes.
- Register agreements for learning programmes, to the extent required.
- Perform any functions delegated to it by the QCTO in terms of section 261.

4.6.1.Overview and assessment of the ETDP SETA’s 2022/23 non-financial performance

For the 2022/23 financial year, the ETDP SETA had four budget programmes. The four programmes had 35 APP targets. The SETA achieved 31 or 89 per cent against the 35 APP targets, which is an improvement of 6.7 per cent from 82.3 per cent in 2021/22. Notably, three programmes, namely, Administration, Research and Skills Planning and Quality Assurance, achieved 100 per cent of the planned targets. Programme 3: Learning Programmes and Projects achieved 20 targets against 24 targets, recording 83 per cent achievement.

The table below shows the programme performance.

Table 11: ETDP SETA’s Programmes, with their related achievement against performance targets for the 2022/23 financial year

Programme	APP Targets 2022/23	Achieved	Not achieved	% Achievement
1. Administration	2	2	0	100%
2. Research and Skills Planning	4	4	0	100%
3. Learning Programmes and Projects	24	20	4	83%
4. Quality Assurance	5	5	0	100%
Overall Total	**35**	**31**	**4**	**89%**

4.6.2.Non-financial performance per programme

Programme 1: Administration

The purpose of the programme is to ensure effective organisational management and administration. For the 2022/23 financial year, the programme had two planned targets, and both were achieved.

Selected key achievements:

- Number (70) of employees and governance structures members trained and professionally capacitated for improved service delivery (163 (127 staff and 36 governance structures members were trained and professionally capacitated).
- Number (5) of automated businesses were implemented for improved organisational efficacy by year-end.

Programme 2: Research and Skills Planning

The purpose of this programme is to obtain accurate information on the supply of and demand for skills, in order to address the skills gaps in the Education and Training Development (ETD) sector. For the year under review, programme 4 targets and achieved 100 per cent.

Selected key achievements:

- Number (14) of Occupations in High Demand were identified and reported through the Sector Skills Plans process.
- Number (4) of research studies were conducted to inform skills planning.
- Percentage (100 per cent) of Workplace Skills Plans (WSPs) and Annual Training Reports (ATRs) were evaluated and feedback provided to employers.
- Number (1) of evaluation studies conducted.

Programme 3: Learning Programmes and Projects

The purpose of the programme is to implement projects and programmes identified in the financial year in order to raise the skills and education levels of the unemployed and employed occupational mobility. During the year under review, the programme had 24 planned targets, representing 57.1 per cent of ETDP SETA's 2022/23 APP targets. The programme achieved 20 targets or 83 per cent out of 24 targets. The programme receives the bulk of the SETA budget.

Selected key achievements:

- Number (1 300) of TVET students requiring work-integrated learning to complete their qualifications in the workplace (achieved 1 303).
- Number (500) of university students requiring WIL to complete their qualifications placed in workplaces (achieved 636). It has been reported that more students were placed within the allocated budget.
- Number (354) TVET students completed their integrated learning placements (achieved 356).
- A total of 1 500 unemployed graduates were placed in internship programmes to acquire workplace experience and exposure (achieved 1 505).
- Number (700) of unemployed learners completed skills programmes (achieved 991). It was reported that more learners than projected completed their programmes.
- Number (200) of unemployed learners enrolled in Early Childhood Development (ECD) learnership programmes (achieved 200).
- Number (250) of people with disabilities in skills programmes (achieved 250).
- Number (1 000) of workers from constituent employers granted bursaries (new entries) (achieved 1 295). It was noted that more workers were awarded bursaries within the allocated budget.
- The SETA established partnerships with 50 TVET and 9 CET colleges.

Targets not achieved:

- Number (1 227) of unemployed graduates completed internships programmes (achieved 591). The under achievement was ascribed to inadequate monitoring of the entry requirements for internship programmes.
- Number (1 000) of unemployed learners enrolled in entrepreneurship and digital skills programmes (achieved 150). The underachievement was attributed to delays in the procurement of the service provider to conduct the training.
- Number (1 944) of bursaries awarded to students (renewals) (achieved 220). It has been reported that at the time of reporting, fewer applications for renewals were received than expected.

Programme 4: Quality Assurance
The purpose of the programme is to ensure quality provisioning of occupationally directed programmes for Occupations in High Demand. For the 2022/23 financial year, the programme had 5 targets and achieved 100 per cent.

Selected key achievements:

- Number (4) of occupational qualifications promoting Occupations in High Demand are developed (achieved 4).
- Number (140) of candidates completed the Recognition of Prior Learning (RPL) programme (achieved 185). It was noted that more learners complied with the RPL assessment requirements and were declared competent.
- Number (420) of learning programmes evaluated (achieved 738). It has been reported that the overachievement was due to more learning programmes received and processed.

4.6.3.Overview and assessment of the ETDP SETA's 2022/23 budget allocation and expenditure
For the 2022/23 financial year, the ETDP SETA's total revenue amounted to R1,1 billion (R1,0 billion: 2021/22). The ETDP SETA's revenue comprised R1,0 billion from non-exchange transactions and R98,88 million from exchange transactions (R9,4 million: Penalties and interest; R89,1 million: Interest income; R226 000: Other income and R43 000 gain on disposal of assets). The SETA's revenue increased by 8.9 percent from R1,0 billion in 2021/22.
At the end of the financial year, the ETDP SETA had spent R920,3 million (R 794,3 million: 2021/22), recording a lower than projected spending amounting to R234,0 million or 20.2 per cent against the available budget of R1,1 billion.

A total of R709,6 million was spent on discretionary and mandatory grants, constituting 77.1 per cent of the total expenditure. Expenditure on employee costs amounted to R117,7 million, which is the second largest expenditure item at 13 per cent, followed by expenditure on general expenses amounting to R57,9 million.

The key cost drivers in terms of administration expenses include, among others, operating rentals-buildings: R17,1 million (R17,8 million: 2021/22), travel and subsistence: R5,9 million (R2,5 million in 2021/22), hire of equipment: R5,8 million (R6,1 million: 2021/22), advertising, marketing and communication: R5,2 million (R2,5 million: 2021/22), Auditors remuneration: R4,7 million (R3,8 million: 2021/22), meeting and board fees: R3,2 million (R3,4 million: 2021/22), and water and electricity: R3,4 million (R2,6 million: 2021/22).

4.6.4.Irregular, fruitless, and wasteful expenditure
Irregular expenditure: The ETDP SETA reported irregular expenditure amounting to R3,721 million, comprising R2,734 million opening balances from the prior year and R987 000 incurred during the 2022/23 financial year. Regarding irregular expenditure incurred during the 2022/23 financial year, it was noted that R482 000 was incurred due to delays in the finalisation of the vetting process by DHET for the three Accounting Authority members appointed to serve on the ETDP SETA board. After engagements with the DHET and the National Treasury, the appointment has been regularised, and the outstanding documents were submitted concerning the vetting process. It was further noted that there was no financial loss to the organisation as services were rendered. Regarding payments made on expired contracts (R505 000), this was ascribed to a due payment made to a legal service provider. However, at the time of payment processing, the contract had expired, resulting in an

irregular expenditure. Consequence management was implemented, and there was no financial loss to the organisation as services were rendered.

Fruitless and wasteful expenditure: For the year under review, the ETDP SETA incurred fruitless and wasteful expenditures amounting to R283, 000,00. As follows: R243 312,46: Interest and penalties: SARS; R1 530,00 Accommodation: no show; R3 044,01: Flight changes (the funds were recovered); R35 000,00: Services rendered were above the PO.

On steps taken regarding fruitless and wasteful expenditure relating to interest and penalties: SARS, flight changes and services rendered above the purchase order, the SETA reported that issues were still under investigation to determine the officials at fault and will be finalised by 30 November 2023.

4.6.5.2022/23 Audit outcomes

The ETDP SETA obtained a qualified audit opinion for the period under review. This is a significant regression from a clean audit obtained in 2021/22.
The AG indicated that except for the effects of the matters described in the basis for qualified opinion, the financial statements present fairly, in all material respects, the financial position of the ETDP SETA as at 31 March 2023, and financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), the requirements of the Public Finance Management Act 1 of 1999 (PFMA), and the Skills Development Act 97 of 1998 (SDA).

Basis for qualified opinion

Project accruals: The AG reported that the project accruals (discretionary) were not recognised in accordance with GRAP 1, Presentation of financial statements. Adequate records of project expenditure not yet paid at year-end were not maintained. The AG was unable to determine the full extent of the misstatement on project accruals, as well as the related discretionary grants and commitments, as it was impractical to do so. Consequently, the AG was unable to determine whether any adjustments relating to project accruals (discretionary) of R194 948 000 disclosed in note 14, discretionary grants and project expenditure of R569 941 000 disclosed in note 6, and commitments of R1 198 450 000 disclosed in note 19 to the financial statements were necessary.

Additionally, there was an impact on the surplus for the period and on the accumulated surplus in the financial statements.

Emphasis of matter

- **Restatement of corresponding figures:** The AG noted that as disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of an error in the financial statements of the public entity at and for the year ended, 31 March 2023.

Other matters:

- **Retention of surplus:** The AG reported that there are current deliberations with the National Treasury regarding the appropriate approval process for the retained surplus of R1 092 627 000 as disclosed in note 21.1 of the financial statements, the outcomes of which might affect how the entity sources the approval for these funds and whether utilisation of the funds in the current form will not constitute irregular expenditure.

Report on the audit of the annual performance report

- **Material misstatements:** The AG identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 3: Learning programmes and projects, and Programme 4: Quality assurance. Management subsequently corrected all the misstatements and did not include any material findings in this report.

Annual financial statements, performance and annual report

- The AG reported 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.
  Material misstatements of repairs and maintenance expenditure, commitments, project accrual and creditors, related parties, and discretionary grants identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently.

However, uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified 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 investigations into irregular expenditure were not performed. The AG was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

5. OBSERVATIONS AND KEY FINDINGS

The Committee, having assessed the 2022/23 Annual Reports of the Departments and entities, made the following observations and key findings.

5.1. Department of Higher Education and Training

5.1.1.Programme 1: Administration

- The committee welcomed the clean audit of the financial statements of the Department. However, the material findings on the performance report are still a cause of concern. Of great concern is that all four delivery programmes that the AG scoped during the year under review had material findings. The Department is commended for not incurring irregular expenditure in 2022/23, which is evident that internal control measures put in place are successful.
- The committee was concerned that the Department incurred fruitless and wasteful expenditure amounting to R88 845 for the payment of cleaning services not verified as being rendered and fraudulent salary payments made.
- The organogram of the Department was inadequate to enable it to operate optimally. Furthermore, inadequate human resource capacity contributed to the underperformance recorded during the year under review.
- The Department’s proposed relocation of its office to the Council for Scientific and Industrial Research (CSIR) Building was noted by the committee. However, it was concerned about the state and capacity of the CSIR Building to accommodate the Department’s personnel.

5.1.2.Programme 3: Planning, Policy and Strategy

- The overall performance (53 percent) of the Department during the year under review, which was a regression from 73 percent achieved in 2021/22 was a cause for concern.
- The proposed presentation of the comprehensive student funding model for the PSET system to the Cabinet at the end of October 2023 was noted. The committee welcomed the undertaking from the Department that the model will cover the entire sector, including CET.
- The inadequate oversight by the Department over its entities was noted as a concern given the poor implementation of the audit action plans by some entities and the lack of consequence management.
- The repeated failure by NSFAS in tabling its Annual Report for two consecutive financial years, 2021/22 and 2022/23 was noted as a serious concern by the committee. The committee noted that the annual reports are an essential aspect of accountability and provide insight into the operations and governance of the entity. The failure of NSFAS to comply with this legal requirement impacts the committee’s ability to exercise oversight over the entity and undermines good governance.
- The signing of the proclamation to give effect to the NQF Amendment Act, 2019 (Act No. 12 of 2019) by the President was welcomed.
- The finalisation and publication of the National Plan for Post-School Education and Training (NP-PSET) was noted.

5.1.3.Programme 3: University Education

- The 2022/23 outstanding audits of the University of South Africa (UNISA), University of Limpopo, University of Fort Hare, and Vaal University of Technology were noted with concern.
- The non-compliance findings by the AG relating to the fact that members of staff of universities did not declare their conflicts of interests upfront, did not declare their possible conflict of interest when the universities were 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 was noted with serious concern.
- The support provided by the Department in expanding the number of young black lecturers in higher education through the new Generation of Academics Programme (NGAP) was noted.

5.1.4.Programme 4: Technical and Vocational Education and Training
- The placement of 10 616 TVET graduates within the industry and across government departments was welcomed by the committee. The committee noted that the private sector could do more in terms of absorbing more TVET students, especially those who require workplace learning to obtain their qualifications.
- The outstanding audits of the Taletso, Central Johannesburg, and Coastal TVET colleges were noted with concern.

5.1.5.Programme 5: Skills Development
- The increased regression in the audit outcomes of SETAs, particularly regression from unqualified audit opinion in 2021/22 to qualified audit opinion in 2022/23, was noted as a serious concern. Of great concern were the entities (NSF, Services SETA and Construction SETA) that remained qualified with findings, some of which were in the qualified category for consecutive audit cycles. This signified inadequate implementation of the audit action plans. The committee was also concerned about the regression by five SETAs (Bank SETA, MERSETA, TETA, ETDP SETA and HWSETA) from unqualified audits in 2021/22 to qualified audits in 2022/223
- The committee noted its concern regarding the inability of the SETAs to implement adequate project management and monitoring. Consequently, this contributes to irregular, fruitless, and wasteful expenditures, including double dipping of learners from different funders and funding of the same learners by multiple SETAs.
- The delays by the Department in developing an integrated system to assist SETAs with the management of their skills development programmes remains a concern. At present, the systems of SETAs are not aligned; hence, it is easier for beneficiaries to be funded by more than one SETA, and even the deceased or people above the age of 65. The committee had previously recommended the development of this system so that SETAs could share data and detect irregularities in the funding of beneficiaries.
- The committee noted the accumulation of reserves by SETAs, which amounted to R12 billion during the year under review.

5.1.6.Programme 6: Community Education and Training
- The low enrolments in the CET sector were noted as a concern given the importance of the sector in the PSET system, especially given that there are still 3 million people in the country who are illiterate.
- The collaboration between the Department and the Department of Public Works and Infrastructure (DPWI) on repurposing underutilised land and infrastructure for the expansion of the CET college sector was welcomed.
- The committee was concerned that some examination centres in the CET sector were not compliant with the prescribed guidelines.

5.2. Council on Higher Education
- The clean audit obtained in 2022/23 is highly commendable given that it is an improvement from an unqualified audit with findings obtained in 2021/22, and it is commensurate with the performance of 98 per cent recorded in the year under review.
- It is commendable that the entity has not incurred irregular expenditures during the year under review and that it implemented consequences management against staff who were responsible for incurring fruitless and wasteful expenditure by missing flights. The entity took steps to recover in full the funds from the concerned officials.
- The delays in filling vacant positions were noted with concern.
- It is noted with great concern that the budget allocation to the CHE is not sufficient to enable it to undertake all the work for which it is responsible, and to enable a sufficient number of staff

to be in place to do the work. Furthermore, additional mandates have been added to the CHE over the years, including responsibility for managing the HEQSF as a quality council, and the new Transformation oversight mandate.
- The stipulated compensation of employees (CoE) to Goods and Services budget ratio is a factor that further limits the ability of the organisation to employ staff in permanent positions; this leads to too much reliance on the use of service level contracts, of contracted staff, and on the use of peer academics for core work and in critical support areas such as IT where significant investment is needed.

5.3. South African Qualifications Authority

- The improvement from an unqualified audit opinion with findings in 2021/22 to a clean audit in 2022/23 was welcomed. Furthermore, SAQA did not incur irregular, fruitless and wasteful expenditure during the year under review.
- It is commendable that SAQA achieved 88 per cent of the 2022/23 APP targets, recording an increase of 8 per cent from 80 percent in 2021/22.
- The progress made by the entity in developing its automation project (Project Phoenix) and the planned phased-in approach implementation was welcomed. The project will enable SAQA to speedily process the verification of foreign qualifications. This project will also enable SAQA to generate additional revenue due to its improved turn-around time.
- Stable governance and management systems at the entity were noted, including the women's leadership. The committee also welcomed the fact that the senior management positions were permanently filled.
- The delays in the filling of several vacancies, which partly contributed to the underspending amounting to R43 million during the year under review, were concerning.
- Notwithstanding the good performance recorded by the entity during the year under review (88 percent), it still operated under financial constraints, which affected its ability to operate optimally.
- The reported funding requirement over the MTEF period (2024/25 – 2026/27) to fund automation and digitisation, verification of South African qualifications and the NQF Chair (Research), including the automation Project Phoenix, were noted.
- Delays in the evaluation of foreign qualifications within three months remain a challenge for the entity.

5.4. Quality Council for Trades and Occupations

- The seventh consecutive clean audit obtained by the QCTO in 2022/23, including an improved performance from 77.4 per cent in 2021/22 to 96 per cent in the year under review, was welcomed. It is further commendable that the entity did not incur irregular, fruitless, and wasteful expenditures during the year under review.
- The approval by the Minister of the QCTO application to purchase its premises was welcomed, as it will, among other things, reduce rental fees and improve its future financial position.
- The steady increase in the uptake of occupational qualifications, especially by the public sector, including the accreditation of TVET and CET colleges to offer occupational qualifications and skills programmes was commended.
- The underfunding of the QCTO and its unstable funding model impact its ability to realise its full potential in the PSET system. The committee welcomed the SETA Grant Regulations review process underway, which will enable the entity to receive 1 percent as opposed to 0.5 percent from the SETA levy grant.
- The low representation of women in the senior management level of the entity remains a concern, although it boasts 53 per cent women in its staff complement. The entity undertook to prioritise the recruitment of women to senior management in the future.

5.5. National Skills Fund

- The trend of poor performance and poor audit outcomes, which points to poor governance and management, is very concerning. In a period of four years, from 2019/20 to 2022/23, the NSF obtained two disclaimer audit opinions (2019/20 and 2020/21) and three qualified audit opinions (2021/22 and 2022/23).
- The inadequate implementation of the audit action plan, where 14 per cent of the audit findings against the target of 100 per cent were implemented. Of great concern is that the

NSF has engaged with the Committee on the implementation of its Turnaround Strategy and audit action plan; however, this has not yielded the desired outcome.

- The 2022/23 financial year performance of 11 per cent is the worst compared with the previous three financial years. The NSF has consistently recorded poor performance over a four-year period. Notably, for the past three consecutive financial years (2020/21, 2021/22 and 2022/23), the NSF has not achieved more than 25 per cent of its Annual Performance Plans targets.
- The poor performance of programme 2: Skills Development Funding, which had 20 targets, constituting 63 per cent of the 38 targets planned for the financial under review was noted as a serious concern. Furthermore, the programme achieved zero percent of the planned targets. This programme is the core mandate of the NSF and receives the bulk of its budget. In total, the programme planned to fund 228 845 learners in different skills programmes, internships, bursaries, funding, rural learners, etc., but funded only 59 296.
- The reported high dropout rate in skills development programmes was noted as a grave concern as there is no value for the investment made.
- The delays in filling of vacant positions during the year under review were noted as a concern despite the entity having developed its own HR unit. The entity filled 58 percent of the funded positions during the year under review, against the target of 90 percent.
- The slow turn-around time and delays in the finalisation of funding proposals from skills development providers were noted as serious concerns.
- The slow turn-around time and delays in the finalisation of funding proposals from skills development providers were noted as serious concerns.
- The funding of 2 439 learners in multiple SETAs and 142 learners with identity numbers (IDs) not on the Home Affairs system was noted with serious concern.
- The interference by construction/infrastructure mafias in the NSF-funded infrastructure development and its impact on the completion of the projects, utilisation of allocated funds, and the resultant underspending are seriously concerning.

5.6. Education, Training and Development Practices SETA

- The significant regression in audit outcomes from a clean audit in 2021/22 to a qualified audit opinion in 2022/23 was noted with concern. This is the first qualified audit opinion obtained by the entity since its establishment, which points to lapses in internal control measures.
- The entity's improved performance from 82 per cent in 2021/22 to 89 per cent in 2022/23 was commendable.
- The over-achievement in relation to the targets on placement of university and TVET college students in work-integrated learning programmes was welcomed.
- The AG findings on optimal utilisation of resources and leakages found that the ETDP SETA funded 80 learners with deceased statuses on the Home Affairs system; 470 learners who were in multiple SETAs, 116 learners reported in multiple years; 73 learners who were older than 65 years; 85 learners who were double-dipping, funded by NSFAS and Funza Lushaka; and 142 learners with ID numbers not on the Home Affairs system was gravely concerning. Compounding the situation was the lack of an integrated information management system within the PSET system, which can alleviate the challenges.
- SETA's inefficient use of resources, which could be put to optimal use to support many young people to have a chance to participate meaningfully in the economy, was concerning. Of further concern was the funding of learners who are above 65 years of age as they are no longer economically active, while many young people can benefit from the skills interventions.

6. SUMMARY

For the 2022/23 financial year, the Department's final appropriation amounted to R130,54 billion, comprising R109,7 billion of voted funds and R20,8 billion of direct charges against the National Revenue Fund, excluding additional funds from Departmental receipts and aid assistance. At the end of the financial year, the Department spent R130,0 billion, translating into a 99.6 per cent spending rate against the available budget. The Department recorded an underspending of R462,9 million from voted funds, which translate to 0.4 per cent of the available budget for the 2022/23 financial year. The bulk of underspending (R365,3 million or 78.9 per cent) was incurred under Programme 4: TVET, followed by Programme 1: Administration (R52,6 million or 11.3 per cent).

For the year under review, the Department applied virements amounting to R82,8 million (R43,7 million in 2021/22). Virements were applied from two programmes as follows: R5,4 million from Programme 3: University Education to Programme 1: Administration, R77,3 million from programme 4: Technical and Vocational Education and Training to Programme 1: Administration: R7,2 million, programme 5: Skills Development: R4,4 million and Programme 6: CET: R65,6 million.

Regarding performance against the 2022/23 APP, the Department achieved 59 or 53 per cent of the 111 planned targets, which is not commensurate with the budget spent. The 2022/23 performance of the Department in both direct outputs and system targets has regressed compared to the 2021/22 performance.

The Department obtained an unqualified audit opinion with findings for the year under review. It is worth noting that the Department obtained a clean audit on its 2022/23 financial statements, and there were no findings on compliance with legislation. However, the AG identified material findings in its annual performance report. The findings were related to the four delivery programmes: University Education, TVET, Skills Development and CET.

The Committee noted with concern the outstanding audits of the TVET colleges (Taletso, Central Johannesburg and Coastal) and universities (University of South Africa, University of Limpopo, University of Fort Hare and Vaal University of Technology), including the two outstanding audits (2021/22 and 2022/23) of the NSFAS. The Committee implores the University and TVET branches to ensure that the outstanding audits are finalised and submitted for audit.

The increased regression in the audit outcomes of SETAs (BANKSETA, ETDP SETA, Health and Welfare SETA, Manufacturing, Engineering and Related Services SETA(MERSETA) and Transport and Education SETA), particularly regression from unqualified audit opinions in 2021/22 to qualified audit opinion in 2022/23, was noted as a serious concern. Further concerning were the entities (NSF, Services SETA and Construction SETA) that remained qualified with findings, some of which were in the qualified category for consecutive audit cycles.

Irregular expenditure in the Higher Education and Training Portfolio for the 2022/23 financial year remained at R1,7 billion. Five SETAs (MERSETA, SSETA, CETA, AgriSETA and Culture, Arts, Tourism, Hospitality and Sports SETA (CATHSSETA) were the top five contributors to the R1,7 billion irregular expenditure. The committee noted the accumulation of reserves by SETAs, which amounted to R12 billion during the year under review.

The Committee commends the Quality Councils (CHE and QCTO) and SAQA for obtaining clean audit opinions and good performance for the 2022/23 financial year. The Committee remains concerned about the financial constraints experienced by the QCs and SAQA, especially as they are in the process of implementing 4IR-aligned digital transformation strategies. The Committee welcomes the proclamation by the President of the NQF Amendment Act, 2019, which will assist in addressing misrepresentation and fraudulent qualifications.

7. RECOMMENDATIONS

The Committee, having assessed the 2022/23 Annual Reports of the Department and entities, recommends that the Minister of Higher Education, Science and Innovation and the Minister of Finance consider the following:

7.1. Department of Higher Education and Training

7.1.1. Programme 1: Administration

- The organisational review process should be expedited to ensure that the Department operates with a fit-for-purpose organisational structure that will improve service delivery.
- The Department should ensure that all precautionary measures are taken to create a safe and risk-free working environment at the new premises (CSIR Building).

7.1.2. Planning, Policy and Strategy

- The Department should expedite the development and implementation of the integrated information management system for PSET to ensure optimal utilisation of PSET resources and address leakages (such as learners with ID numbers not on the Home Affairs system, learners double dipping from NSFAS, Funza Lushaka, NSF and SETAs, funding of deceased learners, learners in multiple SETAs and NSF, and learners reported in multiple years) as evidenced by the AG's findings.

- The Department should strengthen its oversight and monitoring of the performance of its entities and ensure that consequence management is implemented against underperformance and poor audit outcomes.
- The Department should ensure that its Annual Performance Plan (APP) 2024/25 contains realistic key performance indicators that are achievable.
- The Department should speed up the process of finalising the comprehensive student funding model for the PSET system.

7.1.3.University Education

- The Department should work closely with NSFAS to ensure that the entity finalises its close-out project so that it can table its Annual Reports for 2021/22 and 2022/23 as per the prescribed legal requirements.
- The Department should ensure that the University of South Africa (UNISA), the University of Limpopo, University of Fort Hare, and the Vaal University of Technology finalise and submit the outstanding audits to AGSA.
- The Minister should consider amending the regulations to prescribe a specific date for the submission of the financial statements for audit and ensure that these financial statements comply with the accounting framework.
- The Department should develop a process that prevents employees from doing business with the universities without declaring their interest.
- The Department and the Branch should play a more effective role in designing standardised policies and procedures within the universities.
- The Department should ensure that universities' performance information is supported by credible records and improve the review of the performance reported in the annual performance report.
- The Department ensures that universities' in-year monitoring activities are strengthened to enhance the preparation of financial and performance reports.

7.1.4.Programme 4: Technical and Vocational Education and Training

- There is a need for strengthened collaborations and partnerships with the private sector to increase placement opportunities for TVET students who require work-integrated learning experience to complete their qualifications, including placement of lecturers to gain industry exposure.
- The Department should ensure that Taletso, Central Johannesburg, and Coastal TVET colleges finalise and submit the outstanding audits to the AGSA.
- The Department should monitor the implementation of TVET colleges' audit action plans and implement consequence management against the Councils and management if there is inadequate implementation of the plans.

7.1.5.Programme 4: Skills Development

- The Department should analyse the R12 billion accumulated cash surplus reserves (of SETAs and assess whether there is an alignment to the projects committed to ensure efficient utilisation of these reserves. The Department should also explore how these funds could be reprioritised to fund other PSET areas that are financially constrained.
- The Department should ensure that SETAs align their budgets with the annual performance plan targets to ensure optimal utilisation of budgets.
- The Department should expedite the implementation of the recommendations of the Ministerial Task Team on Strategic Review of the National Skills Fund (NSF) to address the identified areas of overlap and duplication between the NSF and the SETAs.
- The Department should monitor the implementation of audit action plans developed by the NSF and SETAs who obtained qualified audit opinions. Consequence management should be implemented against entities that fail to implement the audit action plans to address the AG findings.
- The Department should follow up on the progress made by the NSF in resolving material irregularities.

7.1.6.Programme 6: Community Education and Training

- Additional resources and support should be provided for the CET sector so that it can move from its development state and become the institutions of choice for many young people and adults who are not in education, training, or employment. These colleges should also assist with the provision of programmes informed by their local economic needs.
- The capacity development programme for lectures in the CET sector should be strengthened so that the sector can produce good outcomes.
- The Department should strengthen its collaboration with DPWI to repurpose underutilised infrastructure and land for the expansion of the CET sector. More provinces should be encouraged to allocate land for the construction of Community Learning Centres.

7.2. Council on Higher Education

- The CHE should undertake a study on the capacity of the higher education sector to meet the growing demand for higher education through a differentiated approach.
- While cognizant of the current fiscal constraint, consideration for additional funding should be made to enable the CHE to:
  - Carry out the increased scope of work.
  - Make progress in implementing the Digital Transformation Strategy so that the CHE can carry out its work effectively in a 21st century world and in the context of the 4IR.
  - Resource the additional transformation oversight function.
  - Increase the capacity of the CHE to bring the public and private higher education colleges more closely into its quality assurance oversight given that the higher education sector is much bigger now than in the earlier years of the CHE, the private higher education sector is growing rapidly, and to address the proliferation of bogus education institutions.
  - Have a fit-for-purpose organisational structure that matches the work that needs to be done, especially as it introduces the new Quality Assurance Framework.

7.3. South African Qualifications Authority

- The entity should expedite the implementation of the automation project to assist in improving the turnaround time for the verification of foreign qualifications.
- SAQA should speed up the process of filling vacant positions, which also contributes to underspending.
- Additional funding over the MTEF period (2024/25 – 2026/27) should be considered to:
  - Enable SAQA to fund automation and digitisation; verification of South African qualifications and the NQF Chair (Research), and
  - Implement the phased-in approach of the automation Project Phoenix.

7.4. Quality Council for Trades and Occupations

- The entity should prioritise the appointment of female candidates at the senior management level.
- The entity should expedite the filling of vacant positions.

7.5. National Skills Fund

- The internal audit and project management units should be strengthened to fulfil their functions.
- Procurement of an automated performance management and information system should be expedited so that the entity can eradicate funding of beneficiaries already funded by other government initiatives.
- The construction mafias that are disrupting infrastructure development projects in the PSET system should be identified and interdicted. The entity should also ensure that projects disrupted by criminal activities are not abandoned and that all necessary safety measures are put in place to ensure that they are completed.

- Consequence management should be implemented against service providers that fail to submit performance reports. The entity should also ensure that these service providers are prevented from having further business with the entity.
- The NSF should engage the QCTO regarding the processing of outstanding certificates for skills development beneficiaries. Furthermore, an action plan should be developed to achieve day zero of the certification backlog.
- Serious action should be taken to address underperformance in the skills development programme, which is the core mandate of the entity. The entity should also ensure that this programme is fully capacitated in terms of human resource capacity.
- The development of an integrated management system should be expedited to eliminate duplication in the funding of beneficiaries.
- The entity should expedite the finalisation of disciplinary cases against employees implicated in the Nexus Forensic report.
- The entity should ensure that the action plan developed to implement the recommendations of the Ministerial Task Team (MTT) on the Strategic Review of the NSF is prioritised.

7.6. Education, Training and Development Practices SETA

- The number of NGOs that received funding and support from the ETDP SETA should be increased.
- Regular monitoring of the implementation of the skills programme should be improved to prevent irregularities from recurring.
- The audit action plan to address findings by the AGSA should be implemented to improve audit outcomes for the 2023/24 financial year.
- The entity should ensure that action is taken against the officials responsible for irregular and wasteful expenditure incurred during the year under review.
- The entity should expedite the filling of vacant vacancies.

Report to be considered.