**2. BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING, WITH REFERENCE TO THE NATIONAL STUDENT FINANCIAL AID SCHEME (NSFAS), THE COUNCIL ON HIGHER EDUCATION (CHE), THE SOUTH AFRICAN QUALIFICATIONS AUTHORITY (SAQA) AND THE QUALITY COUNCIL FOR TRADES AND OCCUPATIONS (QCTO), DATED 17 OCTOBER 2018**

**1. INTRODUCTION AND MANDATE OF THE COMMITTEE**

The Portfolio Committee on Higher Education and Training (hereinafter referred to as the Committee), having considered the 2017/18 Annual Reports of the National Student Financial Aid Scheme (NSFAS), the Council on Higher Education (CHE), the South African Qualifications Authority (SAQA), and the Quality Council for Trades and Occupations (QCTO), reports as follows:

**1.1. Purpose of the Report**

The purpose of this report is to account in accordance with Rule 339 of the Rules of the National Assembly for work done by the Committee in considering the 2017/18 Annual Reports of NSFAS, the CHE, the SAQA, and the QCTO, which were tabled in accordance with Section 40 (1) of the PFMA; and as referred in terms of National Assembly Rule 338 by the Speaker of the National Assembly to the Committee for consideration and reporting in terms of Rules 339 and 340 respectively.

**1.2. Mandate of Committee**

Section 55(2) of the Constitution of the Republic of South Africa 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”. Rule 227 of the Rules of the National Assembly (9th edition) provides for mechanisms contemplated in section 55(2) of the Constitution.

The Committee oversees the implementation of the following Acts, as amended:

Higher Education Act, 1997 (Act No.101 of 1997), National Student Financial Aid Scheme Act, 1999 (Act No. 56 of 1999), Continuing Education and Training Act, 2006 (Act No. 16 of 2006), National Qualifications Framework Act, 2008 (Act No. 67 of 2008), Skills Development Act, 1998 (Act No. 97 of 1998), Skills Development Levies Act, 1999 (Act No. 9 of 1999) and General and Further Education and Training Quality Assurance Act, 2001 (Act No. 58 of 2001). The Department of Higher Education and Training oversees the SETAs and the National Skills Fund in terms of the Skills Development Act and the Skills Levies Act.

**1.3. Method**

The NSFAS, the CHE, the SAQA and the QCTO’s 2017/18 Annual Report were considered by the Committee against the background of key government policy documents relevant to the work of the Department, including, among others: the Medium Term Strategic Framework (MTSF) 2014 – 2019 and the 2017 State of the Nation Address. The Committee had briefing sessions with the Auditor-General of South Africa (AGSA) on the 2017/18 audit outcomes of the Higher Education and Training Portfolio and NSFAS, the CHE, the SAQA and the QCTO.

**2. OVERVIEW OF THE KEY POLICY FOCUS AREAS RELEVANT FOR THE ENTITIES**

**2.1. Relevant Government policy documents**

**2.1.1. The National Development Plan (NDP), Vision 2030 and the 2014 – 2019 Medium Term Strategic Framework (MTSF)**

The 2014-2019 MTSF, which is a five-year strategic plan of government, forms the first five-year implementation phase of the NDP. The aim of the Framework is to ensure policy coherence, alignment and coordination across government plans as well as alignment with the budgeting process. The Department is responsible for Outcome 5: “*A skilled and capable workforce to support an inclusive growth path”*.

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

For the Quality Assurance Councils, both the NDP and the MTSF make a call for an education, training and innovation system, which should cater for different needs and which should produce highly skilled individuals and for the production of graduates of the post-school system to have adequate skills and knowledge to meet the current and future needs of the economy and society. The White Paper for Post-School Education and Training advocates for a post-school education and training system which provides for life-long learning and articulation.

**2.1.2. 2017 State of the Nation Address (SONA)**

On 9 February 2017, the President, Mr Zuma in the State of the Nation Address outlined government’s policy priorities for the 2017/18 financial year. For the PSET sector, the President announced that the government would provide funds to ensure that no student whose combined family income of up to R600 000 per annum would face fee increases at universities and TVET colleges for the 2017 academic year. The President stated that all students who qualify for NSFAS and who have been accepted by universities and TVET colleges, would be funded.

The 2017/18 financial year also saw government’s pronouncement of the gradual implementation of fee-free education policy for poor and working class. Section 29 (1) (b) states that “everyone has the right to further education, which the state, through reasonable measures, must make progressively available and accessible”. The implementation of the fee-free education is realisation of this constitutional right. NSFAS commenced with the implementation of the fee-free education policy in the fourth quarter (January – March) of 2017/18.

**3**. **OVERVIEW AND ASSESSMENT OF THE NATIONAL STUDENT FINANCIAL AID SCHEME (NSFAS) 2017/18 ANNUAL REPORT**

**3.1. National Student Financial Aid Scheme (NSFAS) Mandate**

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

**3.1.1. Analysis of the revised 2017/18 Annual Performance Plan (APP)**

NSFAS made material changes to the strategic objectives and key performance indicators in the 2017/18 Annual Performance Plan. The rollout of the student-centred model to all institutions at the beginning of the 2017 academic year resulted in misalignment between the business model and the APP. Accordingly, the APP had to be amended as follows:

* Remove performance objectives and key performance indicators linked to the previous business model;
* Add new performance objectives and key performance indicators appropriate for current business model;
* Revise and improve performance targets;
* Amend key performance indicators (KPIs) to address prior year audit finding, and
* Reclassification of Strategic Objectives within appropriate program delivery goals.

**Table 1: New strategic objective and key performance indicators added to the Annual Performance Plan**

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| --- | --- | --- |
| **Strategic objective** | **Key performance Indicator** | **Motivation for amendment**  |
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| --- |
| 3. 3. Improve the efficiency of the application, evaluation and funding of students. |

 | 3.1. Percentage of all manual applications received by 30 November and captured by 31 December each year | To align the APP with the business plan |
| 3.2. Percentage of all applications received by 30 November and evaluated by 31 December each year. |
| 3.3. Percentage of all applications received by 30 November for, which provisional funding decisions are communicated to applicants by 31 January each year. |
| 3.4. Design and implement processes to record the date on, which registration data is received from institutions. |
| 3.5. Percentage of LAF/SOPs generated within 30 days of registration data from institutions. |
| 3.6. Number of institutions where all NSFAS disburse allowances directly to students. |
| 4. Improve the efficiency of payment of residence fees, tuition fees and allowances to NSFAS students and institutions (existing strategic objectives) | 4.3. Percentage of amounts due to institutions in respect of LAF/SOPs accepted, which are paid to institutions by 31 December each year. | Align the APP with the business model. |
| 4.4. Percentage of allowances due to students in respect of LAF/SOPs (where NSFAS disburses directly to students), which are paid to students by 31 December each year |

**Table 2: Amendments to key performance indicators**

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| --- | --- | --- | --- |
| **Strategic objective** | **Key performance Indicator** | **Previous key performance indicators description** | **Motivation for amendment**  |
| 4. Improve the efficiency of payment of residence fees, tuition fees and allowances to NSFAS students and institutions (existing strategic objectives) | 4.1. Percentage of students for, which the first instalment of amounts due to the institution is paid to the institution within 30 days from LAF/SOPs acceptance date. | 4.1. percentage of students in the student-centred model paid tuition and residence fees within 30 days. | Address prior year audit findings |
| 4.2. Percentage of students for, which the first instalment of allowances due to students (where NSFAS disburses directly to students) is paid to the student within 10 days of LAF/SOPs acceptance. in  | 4.2. Percentage of students in the student-centred model paid allowances within 10 days |
| 5. Improve and maintain financial, performance management and IT governance audit outcomes. | 5.1. Audit Opinion of the AGSA | 5.1. Audit Opinion of the AGSA (Financial) | Address prior year’s findings |

**Table 3: Strategic objectives and key performance indicators removed**

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| --- | --- | --- |
| **Strategic objective** | **Key performance Indicator** | **Motivation for amendment**  |
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| 3. 3. Increase the percentage of students on Student-Centred Model. |

 | 3.1. Percentage of students migrated to new Student-Centred Model (cumulative) | To align the APP with the business plan |
| 4. Improve the efficiency of payment of tuition, residence fees, tuition fees and allowances to NSFAS students and institutions  | 4.3. Percentage of claims paid to institutions outside of the student-centred model by due date | Align the APP with the business model. |
| 5. Improve and maintain financial, performance management and IT governance audit outcomes | 5.2. Audit Report of the AGSA (other legal and regulatory requirements) | This was to address prior year audit findings. |

**Table 4: Amendments to targets**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Strategic objective** | **Key performance Indicator** | **Previous target**  | **Proposed target** | **Motivation for amendment** |
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| 3. 1. Increase in funding (Rand value) raised for financial aid for qualifying students |

 | 31.2 Increase in amount of funds (rand value) raised from current funders | R106.0 m | R13.0 m | Target was not achievable |

**Reclassification of Strategic Objectives within appropriate program delivery goals**

Strategic objective 7: to undertake research for the better utilisation of financial resources was reclassified from programme 1: Administration to programme: Student-Centred Financial Aid as this was considered to be more appropriate.

The revised 2017/18 Annual Performance Plan was approved by the Minister of Higher Education and Training in December 2017 in terms of treasury regulation 30.1.1, which requires the executive authority to approve the annual performance plan.

**3.1.2. Overview and assessment of the NSFAS 2017/18 budget and expenditure**

During the year under review, NSFAS had a total revenue of R15.7 billion after the 2017/18 budget adjustment. The revenue comprised of a R13.9 billion grant for student loans and bursaries, R1.5 billion interest revenue (exchange), a R225.9 million administration grants, R25.2 million administration fees, R4.9 million from other income, R3.8 million s-Bux commission revenue, and R2.4 million unallocated debtors’ receipts.

Expenditure at the end of the financial year amounted to R7.8 billion, with a surplus of R7.9 billion. Of this surplus, an amount of R4.9 billion was spent on other losses due to impairment of R17 million, which were payments made on behalf of funders, but which were regarded as unrecoverable; R3.9 billion for the social benefit component on student loans issued (part of the loan granted to student is converted into a bursary), and R991 million for model adjustments. The overall expenditure amounted to R12.7 billion, including the expenditure on the losses.

The underspending at the end of the financial year amounted to R3 billion. The underspending was attributed to the following: delays in the finalisation of funding decisions by NSFAS, challenges experienced with submission of registration data and deficient integration of NSFAS systems with universities and colleges and students not signing contracts timeously.

In terms of expenditure, R149.1 million was for personnel costs, R5.4 billion for loans at universities, R2 billion for TVET college bursaries, R92.3 million was for general expenses and R26.7million for consulting and professional fees.

**3.1.3. Auditor-General of South Africa (AGSA)**

**3.1.3.1. Findings on the financial statements**

i. Audit opinion

For the 2017/18 financial year, NSFAS received a qualified audit opinion, which is a regression from an unqualified audit opinion with findings in 2016/17. The Scheme aimed to achieve a clean audit on its annual financial statements. However, due to material findings identified on the financial statements, a clean audit could not be achieved as planned.

The basis for the qualification was due to NSFAS disbursing a projected amount of R503.34 million to students above the amount stipulated in the loan agreements, which did not meet the definition of an asset in accordance with generally recognise accounting practice Generally Recognised Accounting Practice 1 (GRAP 1) presentation of financial statements. The AG was unable to obtain sufficient appropriate audit evidence to determine the correct carrying value of the student loan book stated at R10.3 billion, as disclosed in note 6 of the financial statements. Consequently, the AG was also unable to determine the impact of the actuarial valuation on the social benefit component, impairment adjustments and carrying value of the student loan book.

ii**.** Irregular expenditure

The AG reported that NSFAS did not establish adequate controls to maintain complete records of irregular expenditure resulting from disbursements in excess of the amounts stipulated in loan and bursary agreements with students, as required in terms of section 55(2)(b)(i) of the Public Finance Management Act (PFMA) which requires NSFAS to include particulars of irregular expenditure in the notes to the financial statements. The AG was not able to obtain sufficient appropriate audit evidence to confirm the amount of irregular expenditure to be disclosed by alternative means. Consequently, the AG was unable to confirm the amount of irregular expenditure, disclosed in note 36 of the financial statements. For the year under review, NSFAS incurred irregular expenditure amounting to R284.7 million due to payment in excess of the contract amount as disclosed in note 36.

iii. Emphasis of matter

There were material findings on the following:

* Significant uncertainties

The AG found that NSFAS had entered into contractual commitments to fund students for the duration of their qualification, as part of the student-centred model. These commitments resulted in a contingent liability of R34.7 billion at 31 March 2018 (2017: R25.1 billion) being disclosed in the financial statements as the entity would need to fund the students for the duration of their studies, subject to them meeting the promotion requirements. The AG made a similar finding in the 2016/17 financial year. This is going to become a recurring finding as NSFAS will continuously enter into a contract commitment with students to fund them for the duration of their studies, subject to the meeting the promotion requirements.

* Material fair value and impairment adjustments

NSFAS had student loan receivables with a nominal value of R35.6 billion as at the 31 March 2018 (2017: R29.8 billion), which were reflected in the financial statements as R10.3 billion (2017: R9. billion), after cumulative fair value and impairment adjustments of R25.3 billion (2017: R20.4 billion), as disclosed in note 6 to the financial statements. The AG made a similar finding on material fair value and impairment adjustments in 2016/17.

* Restatement of corresponding figures

The AG noted that the corresponding figures (R11,181,559) for 31 March 2017 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, (R11,151,960) 31 March 2018 as disclosed in note 34.

**3.1.3.2. Report on the audit of the annual performance report**

i. The material finding in respect of reliability of the selected programmes

* Programme 2: Student-centred financial aid: The AG reported that NSFAS management erroneously included online applications in the schedules submitted for auditing for key performance indicator 3.1: percentage of all manual applications received by 30 November and captured by 31 December each year and the resultant overstatement could not be rectified by management. This implies that the reported performance of 62.0 percent on this target as reflected on page 33 of the Annual Report was not a true reflection of actual performance.
* Adjustment of material misstatements: The AG identified material misstatements in the annual performance report submitted for auditing. The material misstatements were on the reported performance information on programme 2: student-centred financial aid. NSFAS management subsequently corrected some of the misstatements. The AG raised a material finding on the reliability of the projected performance information.

**3.1.3.3. Compliance with legislation**

i. Asset management

The AG reported that funds were invested with banking institutions that were not approved by the National Treasury, as required by Treasury regulation 31.3.3 which states that public entities listed in Schedule 3A and 3C must annually obtain the approval of National Treasury to accumulate surpluses. The AG noted that the controls which provided for the monitoring of compliance with National Treasury regulations with regard to the investment of unused funds were insufficient.

The AG reported that NSFAS failed to request exemption from Treasury Regulation 31.3.3 from the National Treasury, which would have allowed them to invest funds with institutions other than the Corporation for Public Deposits (CPD) or National Treasury approved financial institutions.

ii. Financial statements

The AG also found that the financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatement of deferred income identified by the auditors in the submitted financial statements was corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion. A similar finding was made by the AG in 2016/17, however, material misstatements identified in the 2016/17 financial statements submitted were subsequently corrected, resulting in NSFAS averting a qualified audit opinion.

iii. Expenditure management

NSFAS incurred irregular expenditure amounting to R284.7 million due to payment in excess of contractual agreements. Management did not take effective steps to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The AG could not confirm the full extent of the irregular expenditure.

**3.1.3.4. Internal control deficiencies**

i. Leadership

The leadership did not exercise sufficient oversight responsibility regarding financial reporting and compliance as well as related internal controls through ensuring that disbursements were not made above the loan and bursary agreement amounts.

ii. Financial and performance management

The AG identified the following:

* Effective systems of internal controls and the monitoring thereof were not properly implemented for the administration of student loans and bursaries, which led to an overspending on loan and bursary agreements in non-compliance with the NSFAS Act, resulting in material misstatement of the recorded student loans receivable balance and irregular expenditure in the financial statements.
* Management did not prepare regular, accurate and complete performance reports that were supported by reliable schedules and source documentation.
* Management did not monitor compliance with the PFMA and treasury regulations, thereby ensuring that unused funds were only invested with banking institutions approved by the National Treasury.

**3.1.4. Overview and assessment of the NSFAS 2017/18 service delivery performance**

During the year under review, NSFAS had 14 targets spread across the two programmes, Administration and Student-Centred Financial Aid. Of these, 13 targets (92.85 percent) were not achieved and one was achieved. This is a significant regression from the 53.8 percent achieved in 2016/17.

**3.1.4.1. Programme 1: Administration**

The aim of this programme is to conduct the overall management, administration and governance of the entity and to provide efficient and effective support services to sustain the new student-centred operating model. Under this programme, there two strategic objectives, namely: Objective 5: to improve and maintain financial, performance management and IT governance audit outcomes and Objective 6: to strive for an improved organisational culture of high performance and high productivity by improving employee engagement.

There were three predetermined targets, which all were not achieved. The Scheme planned to achieve a clean audit for the 2017/18 financial year, but instead received a qualified audit opinion.

The target to maintain Corporate Governance of Information and Communication Technology Assessment Standards (CGICTAS) Level 4 – continuous improvement was not achieved. It is reported that based on previous reviews, the entity believed that CGITCAS Level 3 compliance would be achieved. The current review, indicated that the entity was actually on level 1 compliance. The target to have an employee engagement index of 70 percent was not achieved. It was reported that this was due to multiple changes in leadership during the 2017/18 financial year, which exacerbated employee change fatigue, which resulted in increased job uncertainty.

**3.1.4.1. Student-Centred Financial Aid**

The aim of this programme is to improve the provision of financial aid to an increasing number of eligible students by implementing a new student centred operating model and enhancing the financial aid environment with policy recommendations for new financial aid programmes. For the year under review, the programme had five strategic objectives: 1: to increase funding (Rand value) raised for financial aid for qualifying students; 2: to increase the amount of money received (Rand Value) from NSFAS debtors; 3: to improve the efficiency of the application process and evaluation of students; 4: to improve the efficiency of payments of tuition, residence fees and allowances to NSFAS students, and 7: to undertake research for better utilisation of financial resources.

The five strategic objectives had a combined total of 11 targets of which 10 (90.9 percent) were not achieved as planned. The only target that was achieved, was the amount of funds (Rand value) raised from new funders. The actual achievement was R56.6 million, which means the target was exceeded by R45.6 million. The Scheme received new funding from three funders.

Summary of the targets that were not achieved included:

* The target to raise funds from funders was adjusted downward from R61 million in 2016/17 to R13 million in 2017/18. The entity noted that the target was not achievable as there has been a continued decrease in the funding received from the SETAs.
* To increase the amount of money recovered (Rand value) from NSFAS debtors by 50 percent from the R392.4 million recovered in 2016/17. The entity increased the recovery rate by 30.7 percent, to achieve R392.4 million. The underperformance was attributed to a delay in the appointment of the external debt collectors (EDCs) panel to collect outstanding debt from the private sector due to capacity constraints with the bid evaluation committee (BEC) and the large numbers of tenders that needed to be evaluated. It was also reported that there was a stagnation in collections from the public sector as it became increasingly difficult to collect from the remaining debtors. There were also expected employer settlements that did not take place.
* 100 percent of all manual applications received by 30 November and captured by 31 December each (achievement was 62%). It was reported that there were boxes with new applications left behind at the National Youth Development Agency (NYDA) offices, which were discovered towards the end of December. Some capturing work was outsourced to an external service provider, but some applications were not captured. NSFAS ended up requesting the applications back from the service provider and captured them internally in the contact centre and loans and bursaries service units.
* 100 percent of applications received by 30 November and evaluated by 31 December each year, the achievement was 82.0%. The underperformance was attributed to a number of performance issues with the case management module, which delayed the finalisation of the evaluation process by the target dates. This included the module taking long to open and close, and problems accessing documents.
* 100 percent of all applications received by 30 November for which provisional funding decisions are communicated to applicants by 31 January each year. NSFAS cited incomplete documentation submitted by applicants (evaluation of 19 268 applications had not been completed by 31 January due to outstanding documents) as a cause for the delays.
* 98 percent of students for, which the first instalment of amounts due to the institution is paid within 30 days from loan agreement forms and schedule of particulars (LAF/SOPs) acceptance date. The achievement was 71 percent. The entity cited the processing of a large number of top-up adjustments that required s-Bux accounts to be created manually; flaws in the system logic/processes coupled with manual manipulation of data from business users had severely impacted on the integrity of data housed in the master NSFAS databases.
* Target of producing four research reports or data analytics was not achieved. Three research reports were produced, but not approved by the executive management within the 2017/18 financial year.

**4.** **OVERVIEW AND ASSESSMENT OF THE COUNCIL ON HIGHER EDUCATION (CHE)’s 2017/18 ANNUAL REPORT**

**4.1. The CHE Mandate**

The Council on Higher Education (CHE) is an independent statutory body established in terms of the Higher Education Act No. 101 of 1997, as amended. The mandate of the CHE as the Quality Council for Higher Education is to advise the Minister of Higher Education and Training on all higher education issues, and is responsible for quality assurance and promotion through the Higher Education Quality Committee (HEQC).

**4.2. Overview and assessment of the CHE’s 2017/18 budget and expenditure**

For the 2017/18 financial year, the CHE’s total revenue amounted to R73.4 million. The revenue comprised of R7.5 million from exchange transactions, R60.53 million from government grants and subsidies, R2.2 million from the University of Pretoria (UP) and R3.2 million surplus funds from funds rolled over.

Expenditure at the end of the financial year, including depreciation and amortisation amounted to R58.9 million. Personnel expenditure at the end of the financial year amounted to R32.008 million and was the highest expenditure item at 54.26 percent of the total annual expenditure, followed by R23.9 million on goods and services, and R2.2 million on repairs and maintenance.

Surplus at the end of the year amounted to R11.2 million, due to an additional allocation of R12.5 million from the Department of Higher Education and Training (DHET) which was received three months before the end of the financial year. The CHE could not execute some of the planned activities and projects planned during the year under review due to the late allocation of additional funding from the Department.

In terms of expenditure on goods and services line items, R5.8 million was spent on legal fees and constituted the highest expenditure, followed by R3.7 million spent on payments to peer academics. The third highest expenditure line item amounted to R2.5 million spent on travel (local). There was a modest increase in expenditure on other items, whilst other line items experienced decreased expenditures in 2017/18 compared to 2016/17.

**4.3. Auditor-General’s Report**

For the 2017/18 financial year, the CHE received a clean audit from the Auditor-General. This is a significant improvement from the unqualified audit opinion with findings in 2016/17.

**4.4. Overview and analysis of the 2017/18 service delivery performance**

For the year under review, the CHE had four budget programmes, namely: Institutional Quality Assurance, Qualifications Management and Programme Review, Research, Monitoring and Advice and Administration and Support. The programmes had a combined total of 41 targets, of which 21 (51.2%) were achieved and 20 (48.8%) were not achieved. The CHE performance regressed by 27.5 percent from 80 percent achievement in 2016/17. The underperformance was attributed to the late allocation of additional R12.5 million to cover the funding shortfall.

**4.4.1. Programme 1: Institutional Quality Assurance**

The purpose of this programme is to develop and implement processes to inform, assure, enhance, and promote quality in higher education institutions (HEIs). The programme had four sub-programmes, namely: Assessment of Higher Education Institutions Quality Assurance Systems, Accreditation, Quality Enhancement Programme and Institutional Audits.

There were eight (8) targets planned, of which four (50%) were achieved and four (50%) were not achieved. The CHE completed two institutional quality assurance assessments of the University of Zululand (UniZulu) and Walter Sisulu University (WSU); processed 85 percent (619 of 725) new programmes received for accreditation within 12 months after the appointment of an evaluator; synthesised a document from phase 1 of the Quality Enhancement Programme held two workshops and received 24 institutional reports from higher education institutions.

With regard to the non-achieved targets, the CHE planned to have a methodology to assess higher education institutions quality assurance systems approved. However, the target was not achieved due to the capacity constraints in the directorate resulting from the resignation of the Director which set back the completion date. The CHE achieved 43 percent of the target which was to have 80 percent of submitted applications for programmes re-accreditation with a Higher Qualifications Quality Committee (HEQC) outcome within 18 months after the appointment of an evaluator. The target to have an approved revised framework document for programme accreditation was not achieved. The CHE had to rethink its future resourcing as it was apparent that the baseline would not be adjusted and that the entity had to reconsider the process and feasible timeframes towards developing an integrated Quality Assurance Framework.

**4.1.2. Programme 2: Qualifications Management and Programme Review**

This programme is responsible for developing qualification standards; and undertaking national reviews in selected programmes and qualification levels. The programme has three sub-programmes, namely: Management of the Higher Education Qualifications Sub-Framework (HEQSF), Development of Qualification Standards and National Reviews.

The programme had 15 targets, of which four (26.7%) were achieved and 11 (73.3%) were not achieved. The CHE made two uploads to the SAQA national learner’s record database (NLRD) in the second and fourth quarter of 2017/18, developed 80 percent Draft Doctoral Standards, which were approved by the HEQC for external consultation with higher education institutions and relevant stakeholders; exceeded its target of 60 percent fourth iteration of the draft qualification standards for Library Sciences and achieved 100 percent HEQC approval and publication outcomes on Bachelor of Laws Phase 3.

Due to budgetary constraints, the CHE could not achieve the targets to develop one HEQC policy; to develop procurement qualifications and approval of the national report on Bachelor of Social Work. The target to have approved activities on doctoral degrees - phase 1 was not achieved. The targets on the development of qualification standards on the following qualifications could not be fully achieved as planned: Bachelor of Commerce, Sports Coaching, Bachelor of Nursing, Engineering Diploma, Engineering Bachelor and Higher Certificate in Emergency Care.

**4.1.3. Research, Monitoring and Advice**

This programme is responsible for researching and monitoring trends and developments in higher education and fostering critical discourse on contemporary higher education issues and providing advice on strategy and policy. The programme has four sub-programmes, namely: Research, Monitoring, Advice and Global trends in quality assurance.

The programme had five targets, of which two were achieved and three were not achieved. The CHE produced two VitalStats for 2015 and 2016 and provided advice on two requests: Advice on internationalisation policy and advice on National Senior Certificate for Adults (NASCA). The underperformance in this programme was attributed to budget constraints. Research activities could not be undertaken as planned. Consequently, proactive advice to the Minister could not be provided and the planned colloquium could not be held.

**4.1.4. Administration and support**

The purpose of this programme is to provide strategic direction, corporate services, enabling systems, structures and facilities in support of the core functions. The programme had five sub-programmes, namely: Human Resources Management, Information and Communication Technology (ICT), Facilities Management, Finance and Supply Chain Management and Office of the Chief Executive Officer.

The programme had 13 targets, of which 10 (76.92 percent) were achieved and three were not achieved. In relation to the targets that were achieved, the CHE filled 85 percent of the approved posts on the organisational structure; reviewed and developed finance and supply chain management policies; paid 100 percent of the suppliers within 30 days; published media communiques, newsletters and other corporate information resources; participated in two international conferences and produced a benchmarking activity report on the topic of joint degrees.

The CHE did not manage to design HEQC online accreditation citing that a new service provider was appointed, however, the prognosis for securing the funds to develop and implement a new IT system was not promising. The CHE reviewed / developed only four of the seven planned ICT policies. The underperformance was attributed to the resignation of the ICT Administrator and Chair of the Information and Communication Technology Standards Committee (ICTSC).

**5.** **OVERVIEW AND ASSESSMENT OF THE SOUTH AFRICAN QUALIFICATIONS AUTHORITY (SAQA) 2017/18 ANNUAL REPORT**

**5.1. The SAQA Mandate**

The South African Qualifications Authority (SAQA) is a statutory body established in terms of the South African Qualifications Act, (Act No. 58 of 1995) as amended by the National Qualifications Act (Act No. 67 of 2008). The NQF Act positions the SAQA as the oversight body of the NQF and the custodian of its values. The SAQA is responsible for coordinating the work of the Quality Councils (Umalusi, Council on Higher Education and the Quality Council for Trades and Occupations) and other NQF partners.

**5.2. Overview and assessment of the SAQA’s 2017/18 budget and expenditure**

For the year under review, the SAQA had a total revenue amounting to R120.5 million. Of its total revenue, 53.9 percent (R64.9 million) was from the DHET grant allocation and 46.1 percent was from exchange transactions as follows: evaluation fees: R36.9 million, verification fees: R10.4 million, sundry income: R5.3 million, interest received: R1.8 million and rent and proceeds on sale of property plant and equipment: R1 million. CGITCAS Level 3 compliance. The DHET grant allocation increased by R8 million from R56.9 million in 2016/17. Revenue from exchange transactions increased by 23.3 percent from R39.8 million in 2016/17.

Expenditure at the end of the financial year amounted to R112.7 million. Employee related costs constituted the largest expenditure item amounting to R78.6 million. The second largest expenditure amounted to R26.9 million for other administrative expenses. The main cost drivers for expenditure on administrative expenses were as follows: building costs R4.1 million, legal fees R3.2 million, consulting and professional fees R3 million, postage R2.9 million and IT support and maintenance R2.8 million. Expenditure on the SAQA’s legal fees increased significantly, from R705 175 in 2016/17 to R3.2 million in 2017/18. It was reported that during the year under review, the SAQA secured the domain names that became available on the open market that threatened its intellectual property. Therefore, the SAQA procured legal services to pursue persons who engaged in violating its registered trademark.

The entity implemented cost containment measures to realise savings on property, plant and equipment, computer software and licensing, IT support and maintenance, conference fees, travel and subsistence, electricity, and advertising and advocacy.

 **5.3. Overview and assessment of the SAQA’s 2017/18 service delivery performance**

SAQA had six budget programmes, namely: Administration, Registration and Recognition, National Learners Record’s Database (NLRD) and Verifications, Foreign Qualifications Evaluation and Advisory Services, Research and International Liaison. The six programmes had a combined total of 55 deliverables, of which 48 (87.3%) were achieved and seven (12.7%) were not achieved. Of the six programmes, four (4): Registration and Recognition, National Learner’s Record Database, Foreign Qualifications Evaluation and Advisory Services and International Liaison achieved 100 percent of their targets.

 **5.3.1. Programme 1: Administration and Support**

This programme covers the activities of the Executive Office and Directorates. The Strategic Objectives are: Executive Office: to provide bold and competent leadership in the implementation of the National Qualifications Framework (NQF) Act to the advantage of lifelong learners, to facilitate and support the implementation of the NQF policies in a simple, coherent and integrated manners and to coordinate the work of the NQF partners; Financial and Administration: to maintain an effective and efficient financial management system; Human Resources: to provide strategic and operational human resource support to the SAQA; Information Technology: to develop an effective and efficient IT system that supports the SAQA: Advocacy, Communication and Support: to inform the public about the NQF, the SAQA and related matters; and advisory services to enable the public to navigate the NQF.

The programme had 27 targets of which 24 (88.9%) were achieved and three (11.1%) were not achieved.

The summary of key achievements was as follows: the SAQA completed a report on the implementation of Ministerial Guidelines and submitted it to the Minister; developed the Draft Register of Fraudulent Qualifications; produced a final report on the implementation Action Plan; reviewed and amended two policies: NQFpedia and Policy and Criteria for the Recognition of Professional bodies and Registration of Professional Designation; produced and submitted timeously 12 monthly management accounts and four quarterly reports; maintained 100 percent compliance with HR legislation and submitted Workplace Skills Plans and Report to the ETDP SETA; assessed 100 percent of the staff; reviewed and adjusted the SAQA succession plan; and reviewed NQF Advisory Service and produced a report on findings and recommendations for further implementation.

**5.3.2. Programme 2: Registration and Recognition**

The programme is responsible for registering nationally relevant and internationally comparable qualifications and part-qualifications that meet national criteria and articulates across sub-frameworks; and recognising professional bodies and registering professional designations on the (NQF) NLRD. Its Strategic Objectives are to register qualifications and part-qualifications; recognise professional bodies and register professional designations on the (NQF) NLRD.

For the year under review, the programme had six targets and were all achieved as follows: the SAQA processed 100 percent of qualifications and part-qualifications recommended by the QCs; monitored all qualifications registered from 2009 and reported on learner uptake by compiling list of registered qualifications with no learner enrolments and sent to the QCTO for consideration; completed a progress report on the study to map five articulation pathways for learners sampled from the NLRD and monitored 100 percent of the professional bodies that were recognised in the 2015/16 financial year, against the policy and criteria.

**5.3.3. Programme 3: National Learners Records Database (NLRD)**

The programme is responsible for maintaining and further developing of the NLRD’s functionality, which serves as the key national source of information or human resource and skills development in terms of policy, infrastructure and planning. The programme is also responsible for verifying the authenticity of national qualifications through its Verification Project. The programme had nine targets which were all achieved.

The summary of key achievements was as follows: the SAQA loaded 100 percent of received data from the QCs that met the criteria; loaded 100 percent of received data twice a year from professional bodies that met the criteria; produced one report per quarter on learner achievements and submitted it to the Minister; produced the 5th Trends Report; invoiced 100 percent of clients within 30 days of completing verifications process; and produced a progress report for each quarter.

**5.3.4. Programme 4: Foreign Qualifications Evaluation and Advisory Services**

The programme is responsible for evaluating foreign qualifications against set criteria, including verification of the authenticity of qualifications and comparison of foreign qualifications with similar qualifications on the South African NQF. Its Strategic Objective is to provide a foreign qualifications evaluation and advisory service.

The programme had three targets which were all achieved. The SAQA produced a monitoring report on the implementation of the approved policy and criteria for the evaluation of foreign qualifications within the South African NQF as amended; registered and activated 100 percent of all compliant applications for further processing and produced the annual Trends Report on misrepresented foreign qualifications.

**5.3.5. Programme 5: Research**

The programme is responsible for conducting evidence-based research to evaluate the impact of the NQF and inform the development and further implementation of the NQF. Its Strategic Objective is to facilitate and support the implementation of the NQF policies in a simple, coherent and integrated manner, and to conduct research on issues of importance to the NQF.

The programme had four targets, of which three were achieved and one was not achieved. The SAQA produced a detailed report on progress made with current partnerships, produced the Draft 2017 NQF Impact Study Report and produced one bulletin. The target to commence and report on the implementation of the Articulation Ombud function (subject to Ministerial approval) was not met because the Minister did not give approval for the implementation of the Ombud function during the year under review.

**5.3.6. Programme 6: International Liaison**

The programme is responsible for liaising with international partners on matters concerning qualifications frameworks and sharing best practice within the NQF family. Its Strategic Objective is to ensure effective international collaboration and benchmarking.

The programme had six targets and were all achieved as follows: the SAQA produced two documents informing NQF partners and other stakeholders about international best practice; convened a benchmarking workshop; participated in 12 international forums so as to share best practice; produced one trend analysis report on international developments and hosted eight workshops related to the implementation of the Southern African Development Community (SADC) Qualifications Framework (SADCQF).

**5.4. Auditor-General’s report for the 2017/18 financial year**

**5.4.1. Audit opinion**

For the year under review, the SAQA received an unqualified audit opinion with findings.

**5.4.2. Matters of emphasis**

**I. Annual Financial statements:** The AG reported that the financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA. There were material misstatements on comparative figures of commitments identified by the auditors in the submitted financial statements and were subsequently corrected, resulting in the financial statements receiving unqualified audit opinion.

**ii. Procurement and contract management:** The AG identified that some of the goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1. Some of the quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 17A8.3.

**iii. Expenditure management:** Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R272 189 as disclosed in note 30 to the Annual Financial Statements, as required by section 51(1) (b)(ii) of the PFMA. The majority of the irregular expenditure was caused by procurement processing not being adhered to.

**iv. Internal control deficiencies**

* **Leadership:** The AG noted that management did not monitor controls sufficiently to ensure that the financial reporting controls and compliance with legislation relating to procurement and financial statements disclosures were effective in preventing and detecting material misstatements and non-compliance with legislation.
* **Financial and performance management:** The non-compliance with supply chain management could have been prevented had management properly reviewed and monitored compliance with procurement and contracts.

**6.** **OVERVIEW AND ASSESSMENT OF THE QUALITY COUNCIL FOR TRADES AND OCCUPATION (QCTO) 2017/18 ANNUAL REPORT**

**6.1. The QCTO Mandate**

The QCTO was established as a juristic person in 2010 in terms of the Skills Development Act (SDA), 97 of 1998 as amended in 2008. The QCTO is one of three Quality Councils (QCs) responsible for a part of the National Qualifications Framework (NQF), which is the Occupational Qualifications Sub-Framework (OQSF).

**6.2. Overview and assessment of the QCTO’S 2017/18 budget and expenditure**

The QCTO’s total revenue for the 2017/18 financial year amounted to R100.2 million. The entity’s revenue increased by R12.5 million from R87.7 million in 2016/17. The revenue was comprised of R26.9 million from the DHET grant allocation, which increased by R3.8 million from 2016/17 allocation amounting to R23.1 million; R68.4 million from the SETA grant allocation, which increased from R60.6 million in 2016/17; R4.8 million from interest generated and certification verification fees. The bulk of the of the total revenue, 68.3 percent was from the SETA grant allocation.

The total annual expenditure for the year under review amounted to R74.3 million, with lower than projected spending amounting R25.8 million. The underspending increased significantly by 56.8 percent from R11.1 million in 2016/17. Of the total expenditure, 56.6 percent (R42.1 million) was for compensation of employees and 35.5 percent (R29.3 million) was for administrative expenses. There was a marginal decrease amounting to R877 000 in expenditure for compensation of employees. In terms of expenditure per administrative expenses line items, the main cost drivers were lease rentals on operating lease: R7.4 million, consulting and professional fees: R5.2 million, travel, subsistence and accommodation local: R4.2 million, IT expenses: R2.5 million and electricity: R2.2 million.

**6.3. Overview and assessment of the QCTO’s 2017/18 service delivery performance**

For the 2017/18 financial year, the QCTO had three budget programmes, namely: Administration, Occupational Qualifications and Quality Assurance. The three programmes had a combined total of 15 targets, of which 11 (73%) were achieved and four (27%) were not achieved.

**6.3.1. Programme 1: Administration**

The purpose of the programme is to enable the QCTO performance through strategic leadership and reliable delivery of management support services. This programme falls under the Strategic Outcome Oriented Goal 2: to create a sustainable organisation to deliver on the QCTO’s mandate. The programme implements the Strategic Objective 1.1: to have an institutional capability in place to enable the QCTO to deliver its products and services.

This programme had two targets which were all achieved. The QCTO developed an ICT implementation plan which was approved by the ICT Steering Committee and the plan was implemented. An annual marketing and communication plan was approved and implemented during the year under review.

**6.3.2. Programme 2: Occupational Qualifications**

The purpose of the programme is to ensure that occupational qualifications registered on the Occupation Qualifications Sub-Framework (OQSF) are available and Skills Development Providers (SDPs) that offer occupational qualifications are accredited within a reasonable period and ensure credibility of providers. This programme is linked to the Strategic Outcome Oriented Goal 1: to have competent people in priority trades and occupations. This programme is fundamental in delivering on the mandate of the organisations as stipulated in the Skills Development Act.

The programme had six (6) targets, of which three (50%) were achieved and three (50%) were not achieved. The QCTO recommended 111 (exceeding the target of 30) full and part occupational qualifications to SAQA for registration on the OQSF; produced four quarterly performance reports on the reconstruction of the National Accredited Technical Education Diploma (NATED) Report 190 (N4-N6) which were considered and approved by the Occupational Qualifications Committee (OQC) and contacted 100 percent of accredited Skills Development Providers (SDPs) for occupational qualifications to ascertain learner uptake.

With regard to non-achievement of the three targets, the QCTO was not able to establish a baseline for the new indicator which is a number of historically registered qualifications realigned to the OQSF recommended to SAQA for registration on the OQSF. External dependency was cited as a cause for non-achievement. The QCTO depended on the SETAs and the professional bodies to identify qualifications for re-alignment. The accredited 87 percent of the SDPs within the turn-around time of 90 working days was not fully achieved. The achievement was lower by 3 percent. The significant increase in applications, especially due to the requirement that SDPs must be registered with the DHET and the resource constraints within the QCTO impacted on the ability to process all applications within the turnaround time.

**6.3.3. Quality Assurance**

The purpose of this programme is to establish and maintain standards for Quality Assurance of Assessments and Certification for Occupational Qualifications on the Occupational Qualifications Sub-Framework. The programme is linked to the Strategic Outcome Oriented Goal 1: to have competent people in priority trades and occupations. The programme was responsible for implementing the two Strategic Objectives, SO 3.1: to ensure that the Quality Assurance System for the implementation of registered occupational qualifications is functional, effective and efficient and SO 3.2: to have learner achievements of qualifications on the OQSF quality assured and certified as prescribed in QCTO policies.

The programme had seven targets, of which six (85.7%) were achieved and one was not achieved as follows: the QCTO processed 100 percent (183 of 183) of assessment centres accreditation applications within a turn-around time of 30 days; processed and approved one Assessment Quality Partner delegation and approved five extensions of scope; achieved 100 percent (13) assessments quality assured against the QCTO standards; processed 100 percent (19 333 of 19 333) certificate applications within the 21 working days turn-around times and processed 99.99 percent (10 443 of 10 444) of verification requests within a turn-around of five (5) working days.

The QCTO planned to take over eight quality assurance functions delegated to the SETAs and the SAQA accredited professional bodies and the target was not achieved as planned. The inability to take over the functions was attributed to resource constraints within the QCTO.

**7. OBSERVATIONS**

The following formed part of the key observations:

**7.1. National Student Financial Aid Scheme**

* + 1. NSFAS received a qualified audit opinion for the 2017/18 financial year, which is a regression from the unqualified audit in 2016/17. Irregular expenditure for 2017/18 amounted to R284 million and this was mainly attributed to over-disbursement of funding to students. Moreover, there was a significant decline in the performance of NSFAS in the year under review as compared to the 2016/17 financial year.
		2. It is concerning that NSFAS invested funds with financial institutions, especially in fund management companies that were not approved by National Treasury during the year under review.
		3. NSFAS experienced recurring IT system inefficiencies in 2017/18 which resulted in the delays in the disbursement of funds to institutions and students. The delays with disbursement of funding and allowances to students contributed to the instabilities in the higher education and TVET sectors since students from poor households rely heavily on NSFAS allowances to access and succeed in education and training.
		4. NSFAS stagnated with respect to loan recoveries from former beneficiaries, despite having external debt collectors negotiating on its behalf for repayment arrangements.
		5. The rollout of the student-centred model which uses the s-Bux system to disburse allowances for transport, food and books directly to students using vouchers through mobile phone remains a serious concern. The system is sophisticated and limits students to utilise their vouchers at retail outlets that are aligned to the sBux system. The system is highly dependent on mobile phones, and there is a tedious process to be followed to register a new number in case a cell number is no longer in use or the phone gets lost.
		6. The delays by students in signing the loan agreement forms and schedule of particulars (LAF/SOPs) compounded the delays in the disbursement of allowances. NSFAS is unable to pay funds to students unless they sign the contract. It appears that students are not aware of the importance of signing these contracts after qualifying for NSFAS and their expectation is that the institution or NSFAS would fund their studies.
		7. The transfer of NSFAS funds to institutions without remittance advices has caused delays in the disbursements of funds to students.
		8. The administration of NSFAS bursaries at TVET colleges and some universities remains an ongoing concern. TVET colleges do not have the capacity and proper systems in place to administer NSFAS funding. The data exchange between NSFAS and these institutions compounds the situation, given that colleges often submit incorrect registration data to NSFAS.
		9. The appointment of the Administrator at NSFAS in August 2018 by the Minister has yielded positive outcomes within a short-term period. The Administrator has managed to clear the vast majority of the disbursement backlog for 2017/18 and the systems that are being proposed by the Administrators appear to be stabilising the entity. The Committee fully supports the work of the Administrator to restore stability at the entity so that it can continue to fulfill its mandate.
		10. The failure of the former NSFAS accounting authority to execute its fiduciary duties in terms of the PFMA and the National Student Financial Aid Scheme Act, 1999 was noted with great concern as NSFAS collapsed under their tenure.
	1. **Council on Higher Education**
		1. The CHE received a clean audit for the 2017/18 financial year, which is an improvement from the unqualified audit with findings from the previous financial years.
		2. The CHE started the 2017/18 financial year with a shortfall of R12.5 million in the operational budget, which meant that some of the targets for the year under review were implemented late. Nevertheless, additional funding of R12.5 million was received in December 2017 from the National Skills Fund (NSF) to address the funding shortfall and to assist with the implementation of priority projects. The CHE could only spend R2.5 million of the total allocation and the R10 million unspent was recorded as contingent liabilities. The delays in the transfer of the additional funding were attributed to the rigorous processes associated with the approval of NSF funds for priority projects.
		3. The overall performance of the CHE for 2017/18 stood at 52 percent and this was largely attributed to the funding shortfall of R12.5 million for operational costs.
		4. The CHE experienced an escalation with respect to expenditure on legal fees which was one of the high cost drivers for 2017/18. The bulk of the litigations were by private higher education providers that challenged the outcomes of the HEQC. The courts ruled in favour of the CHE.
		5. The quality assurance system that is being implemented by the CHE involves a large degree of peer review. The high dependency on academic peers contributes to the high expenditure on consultancy and professional services. Meanwhile, the internal capacity of the CHE to fulfill the accreditation and quality assurance mandates appears to be diminishing due to the high attrition rate of staff. Compounding the situation is the insufficient funding of the CHE to attract and retain suitably qualified personnel.
		6. The length of time it takes for the accreditation and re-accreditation of learning programmes, especially from the private higher education institutions continues to be a major challenge for the CHE due to insufficient capacity. The CHE staff capacity is not able to cope with the large volumes of applications that need to be assessed and accredited. The target to have all the higher education existing programmes realigned to the sub-framework by 31 December 2019 seem to be unrealistic given the current capacity challenges.

**7.3. South African Qualifications Authority**

* + 1. The work of the SAQA is underpinned by the objectives of the NQF to ensure that the South African qualifications are of the highest quality and are internationally comparable. The SAQA was able to fulfill its mandates for the 2017/18 financial year despite having financial difficulties. 93 percent of the targets for 2017/18 were achieved. The Committee commended the improvement in the performance by the SAQA.
		2. The measures put in place by the SAQA to secure additional funding to implement its 2017/18 APP was commended. The SAQA was able to put into action the advice and the recommendations made by the Committee during the previous financial reporting period.
		3. The SAQA received an unqualified audit opinion with findings from the Auditor-General for 2017/18. The findings raised were related to the inefficiencies in the supply chain management and the inadequate oversight role by management.
		4. The recognition of workplace qualifications within the sub-frameworks remains a challenge and there is no provision made for articulation of these qualifications in the public institutions.
		5. Section 41 (1) (h) of the Constitution states that: All spheres of government and all organs of state within each sphere must co-operate with one another in mutual trust and good faith by - (i) fostering relations, (ii) assisting and support one another, (iii) informing one another of, and consulting one another, on matters of common interest. The Committee observed that the general public and even provincial government departments do not seem to consult the SAQA and the Department of Higher Education and Training before sending students to study abroad.
		6. The awareness of the public pertaining to the recognition of prior learning (RPL) implementation remains a challenge. A number of skilled people in the townships and rural are not aware of the processes to obtain qualifications based on their acquired skills.
		7. The simplification of the NQF to make it more responsive to articulation within the sub-frameworks remains a concern. Students from the TVET colleges find it difficult to articulate to higher education.

**7.4. Quality Council for Trades and Occupations**

* + 1. The QCTO received a second consecutive clean audit opinion from the Auditor-General in 2017/18 which is commendable.
		2. The QCTO incurred a surplus amounting to R25.8 million during the 2017/18 financial year due to the delays in the approval of its business case by the Department. The business case was completed three years ago. Moreover, the QCTO ended the year under review with a surplus that is committed to other priority projects. Of great concern is that the surplus increased significantly by 56.8 percent from R11.150 million in 2016/17.
		3. The proposal to offer CET colleges with skills programmes to cater for the different needs of learners is a step in the right direction. The majority of the learners in the CET sector are registered in the matric re-write programme. The new programme offerings will increase the access to short-term qualifications which contribute to employment. The Committee has been advocating for CET colleges to be institutions that respond to the local communities’ developmental priorities.
		4. The inconsistencies in the quality of training provided by the skills development providers remain an ongoing concern in the OQSF.
		5. The delays with respect to the review of the OQSF to give effect to national policy imperatives remains a challenge.
		6. The lack or low uptake of the new QCTO occupational programmes by the public TVET colleges due to lack of funding from government is of great concern

**8. SUMMARY**

The right to further education, which the state, through reasonable measures, must make progressively available and accessible is provided for by the Constitution of the Republic of South Africa. The National Student Financial Aid Scheme is committed by the Constitution to ensure that this right is enjoyed by all who seek access to education and training. NSFAS is critical in supporting government’s MTSF priority to increase access of students to TVET colleges and higher education institutions. During the year under review, NSFAS’ financial and service delivery performance regressed significantly. The entity received qualified audit opinion and of great concern is that of the 11 targets related to the Student-Centred Financial Aid 10 were not achieved. The entity has also recorded a surplus of over R3 billion, which was attributed to ICT challenges, unsigned LAF/SOPs by students and allocations of funding to institutions without remittances.

The performance of the South African Qualifications Authority and the Quality Council for Trades and Occupations improved significantly. Despite the funding shortfalls, the entities put mechanisms in place to generate additional income to implement their 2017/18 APPs. The cost containment measures to reduce spending on some of the administrative expenses implemented by the SAQA were commended. The findings of the Auditor-General with regard to non-compliance to supply chain management by the SAQA which resulted in irregular expenditure was noted with great concern. The surplus of over R25 million incurred by the QCTO was noted with concern. Despite the good plan put in place by the QCTO to utilise the surplus, the Committee urged that the QCTO should guard against accumulating surpluses, especially when some deliverables have not been achieved.

The CHE’s performance had regressed from 80 percent in 2016/17 to 52 percent in 2017/18. The CHE experienced a budget shortfall of R12.5 million in 2017/18, however, the additional funding was secured from the Department three months before the end of the financial year, which caused some of the activities to be implemented late while others were not implemented as planned. The entity has been experiencing funding constraints over the years as the baseline funding was not growing in line with its mandate. The Committee acknowledged that the inherited funding model for the Quality Councils is not conducive to allowing them to execute their mandate and urged the Department to review the frameworks.

**9. RECOMMENDATIONS**

The Committee recommends that the Minister of Higher Education and Training consider the following:

**9.1. National Student Financial Aid Scheme**

* + 1. The communication with students to sign the loan agreement forms and schedule of particulars (LAFSOP) with the correct amounts should be expedited. This will assist NSFAS to finalise the disbursement of outstanding allowances due to students. Different stakeholders such as universities, TVET Colleges, student representative councils (SRCs) and the Department should be involved in the communication strategies and advocacy to eradicate the disbursement backlog.
		2. The improvements to the internal control systems are critical to minimize the risk associated with respect to the flouting of supply chain management processes. The implementation of the Auditor-General’s action plan will be critical to improve the audit outcomes of NSFAS henceforth. The Committee support the AG recommendations, and therefore recommends it implementation as a matter of urgency. The Committee should get updates with respect to the engagements between the Auditor-General and NSFAS as it relates to the interim audit reviews.
		3. A robust advocacy campaign should be undertaken by NSFAS in partnership with the Department and other relevant institutions in the public sector to encourage all NSFAS beneficiaries who are employed and earn above the R30 000 threshold per annum to repay their outstanding loans.
		4. The integration of the NSFAS information technology (IT) systems with institutions is critical to improve the data exchange for disbursement of funding and allowances due to students. Furthermore, institutions should send the correct student registration data / confirmation to provide seamless disbursement of allowances to eligible students.
		5. The data integrity challenges experienced with NSFAS IT system should be addressed as a matter of urgency.
		6. NSFAS should ensure internal controls are built into the system to ensure data credibility and that only eligible students who meet both financial and academic requirements are funded. The Audit Committee should monitor adherence to compliance with legislation in the administration of the allocated funds and to ensure that monthly reconciliations are undertaken.
		7. The payment of upfront allocations to institutions should be aligned to the remittance advices, specifying which students are eligible for such funding.
		8. The Department working in collaboration with NSFAS should ensure that regulations are published to clearly define the roles and responsibilities of the institutions, students and NSFAS in the roll-out of the student-centred model or any alternative being considered. Sufficient time be allowed and support and resources be given to build the necessary capacity of institutions to execute the responsibility.
		9. The student-centred model should be reviewed to rectify the anomalies of the s-Bux system that is used to pay for students living allowances. Furthermore, the utilization of intermediary companies to administer s-Bux allowances should also be reviewed.
		10. A forensic investigation should be instituted to determine the extent of irregularities with respect to over-disbursement of funds and violation of supply chain management procedures and action should be taken against any employee/s and former employees of NSFAS who could be implicated in irregularities as per the PFMA and related laws.
		11. In anticipation of the large number of applications for 2019, NSFAS should improve its capacity to manage this project and ensure that the IT systems are well equipped to deal with the demand and pressure on the system.
		12. NSFAS should ensure that outdated and draft key polies and procedural documents in key areas of its business are reviewed, approved by the relevant authority and implemented accordingly.
		13. NSFAS and the Auditor-General should appear before the Portfolio Committee in November 2018 to report progress on the interim audit review and implementation of the AG recommendations.

**9.2.** **Council on Higher Education**

* + 1. The quality assurance role of the CHE is critical in protecting the integrity of qualifications offered by institutions within the Higher Education Qualifications Sub-Framework (HEQSF). The CHE’s budget constraints affect its ability to fulfill this critical mandate effectively as observed in the prior years, and the loss of key personnel in critical posts is an ongoing concern. In addition, capacity constraints constitute a major challenge that affects the overall performance of the CHE. The Department should review the funding frameworks of the QCs to ensure that they respond to their mandate.
		2. The CHE should develop strategies to minimise the expenditure on legal fees and consultancy fees which are among the top cost drivers.
		3. The length of time it takes for the accreditation of learning programmes due to the increasing volumes of applications, especially from the private higher education institutions needs to be resolved.
		4. The CHE should prepare adequately for the large volumes of Category C qualifications that need to be realigned before 31 December 2019 deadline.
		5. The CHE should strengthen its quality assurance oversight over the public universities to ensure that they do not offer unaccredited programmes for a long period without being detected.
		6. The CHE in collaboration with the Department of Higher Education and Training should ensure that consequence management is implemented against public and private universities that offer unaccredited programmes.
		7. The Minister should investigate the delays in the payment of additional allocation to the CHE and put measures in place to ensure such delays do not recur. Furthermore, the Minister should the Committee with a report of the investigation.
		8. The CHE should provide the Committee with a motivation for funding needs.
		9. The Committee should confer with the Standing Committees of Appropriations and Finance in terms of the Money Bills regarding funding requirements for the Quality Councils.

**9.3. South African Qualifications Authority**

* + 1. The SAQA continues to play a significant role in protecting the integrity of South African qualifications and maintaining the integrity of the NQF. Mechanisms should be put in place by the SAQA to fulfill its mandate given its limited resources should be encouraged to other public entities to emulate.
		2. The simplification of the NQF is critical to address the bottlenecks associated with the registration of programmes by skills providers to the NQF.
		3. Articulation in the post-school education and training sector is not seamless and simplifying the NQF will contribute in achieving seamless articulation.
		4. Management should develop and implement an Action Plan to address the findings by the AG with respect to the supply chain management process to avoid recurring findings.
		5. The provincial governments should make use of the SAQA to verify whether the foreign institution or its qualifications are registered and accredited prior sending students to study abroad. Furthermore, relevant departments and institutions should be informed and consulted as required in terms of Section 41 (1)(h) of the Constitution and to adhere to the provisions of the Intergovernmental Relations Framework Act, 2005 (Act No 13 of 2005).

**9.4. Quality Council for Trades and Occupations**

9.4.1. The uncertainty with respect to the future role of the QCTO in taking over the education and training quality assurance (ETQA) function of the SETAs should be resolved.

9.4.2. The QCTO plays a critical role in the development and quality assurance of occupational qualifications. The review of the occupational qualifications sub-framework (OQSF) should be expedited to enable the QCTO to develop qualifications in response to national priorities.

9.4.3. The QCTO experienced underspending during the 2017/18 financial and accumulated surplus. The surplus should be committed to priority projects that will enable the QCTO to fulfill its mandate effectively. The QCT should ensure that the allocated budget is spent accordingly to prevent incurring surpluses.

9.4.4. The offering of skills programmes at the CET colleges to cater for the different skills needs of learners should be expedited. The CET colleges were established to provide communities with the skills needed to access employment opportunities.

* + 1. The digitization project of pre-1994 qualifications should be expedited so that these qualifications can be incorporated into the QCTO management information system (MIS) and also be recorded in the National Learner’s Record Database (NLRD).

Report to be considered.