



National Skills Fund

**ANNUAL
REPORT
2019/20**



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



NATIONAL SKILLS FUND

ANNUAL REPORT

2019/20

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PART A

General Information

1.1 GENERAL INFORMATION

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Website address:	http://www.dhet.gov.za/SitePages/NSF.aspx
External auditors:	The Auditor-General of South Africa Lefika House, 300 Middel Street, New Muckleneuk, Pretoria, 0001
Bankers:	National Treasury, 40 Church Square, Pretoria, 0002 First National Bank 215 Francis Baard Street, Pretoria, 0002 Standard Bank 177 Dyer Street, Hillcrest Office Park, Falcon Place, Hillcrest, Pretoria, 0028 Absa Commercial Hillcrest Office Park, 177 Dyer Road, Hillcrest, Pretoria, 0028 Nedbank Corporate Sixth Floor Block 1, 135 Rivonia Road, Sandown, Sandton, 2196 AgriSETA Agricultural SETA



1.2 LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa	DPME	Department of Planning, Monitoring and Evaluation
AIMS	African Institute for Mathematical Sciences	DSI	Department of Science and Innovation
APP	Annual performance plan	DSPP	Dual System Pilot Project
BESD	Basic Entrepreneurial Skills Development	DTI	Department of Trade and Industry
BUSA	Business Unity South Africa	EC	Eastern Cape
CA (SA)	South African Chartered Accountant	ECA-SA	Electrical Contractors Association of South Africa
CATHSETA	Culture, Arts, Tourism and Hospitality SETA	EO	Executive Officer
CEPD	Centre for Education Policy Development	EPWP	Expanded Public Works Programme
CET	Community education and training	ERP	Enterprise resource planning
CETA	Construction Education and Training Authority	ETDP SETA	Education Training and Development Practices SETA
CFO	Chief Financial Officer	EWSETA	Energy and Water SETA
CHE	Council on Higher Education	FASSET	Finance and Accounting Services SETA
CHIETA	Chemical Industries Education and Training Authority	FEDUSA	Federation of Unions of South Africa
CIDB	Construction Industry Development Board	FET	Further education and training
CoS	Centre of Specialisation	FoodBev SETA	Food and Beverages SETA
COSATU	Congress of South African Trade Unions	FP&M SETA	Fibre Processing and Manufacturing SETA
Covid-19	Coronavirus	FS	Free State
CPUT	Cape Peninsula University of Technology	GEPF	Government Employees Pension Fund
DAFF	Department of Agriculture, Forestry and Fisheries	GP	Gauteng
DARDLEA	Department of Agriculture, Rural Development, Land and Environmental Affairs	GRAP	Generally Recognised Accounting Practice
DHET	Department of Higher Education and Training	HEAIDS	Higher Education and Training HIV/AIDS Programme (now Higher Health)
DITSELA	Development Institute for Training, Support and Education for Labour	HESI	Higher Education, Science and Innovation
Director-General	Director-General of Higher Education and Training	HIV/Aids	Human Immuno deficiency Virus/Acquired Immunodeficiency Syndrome
DoL	Department of Labour	HRDCSA	Human Resource Development Council of South Africa

1.2 LIST OF ABBREVIATIONS/ACRONYMS

HRDS	Human Resource Development Strategy	MTEF	Medium term expenditure framework
HRM	Human Resources Management	MTSF	Medium term strategic framework
HSRC	Human Sciences Research Council of South Africa	NACTU	National Council of Trade Unions
HWSETA	Health and Welfare SETA	NAMB	National Artisan Moderation Body
ICT	Information and communication technology	Nated	National Accredited Technical Education Diploma
IESB	International Ethics Standards Board for Accountants	NC	Northern Cape
IFRIC	International Financial Reporting Interpretations Committee	NCV	National Certificate Vocational
IFRS	International Financial Reporting Standards	NDP	National Development Plan
IGRAP	Interpretations of GRAP	NECSA	South African Nuclear Energy Corporation
INDLELA	Institute for the National Development of Learnerships, Employment Skills and Labour Assessments	NEET	Not in employment education or training
INSETA	Insurance SETA	NEDLAC	National Economic Development and Labour Council
IOPSA	Institute of Plumbing South Africa	NIHSS	National Institute for Humanities and Social Sciences
IPSAS	International Public Sector Accounting Standards	NPPSET	National Plan for Post-school Education and Training
ISA	International Standards on Auditing	NQF	National Qualifications Framework
IT	Information technology	NRF	National Research Foundation
KZN	KwaZulu-Natal	NSA	National Skills Authority
LGSETA	Local Government SETA	NSDP	National Skills Development Plan
LP	Limpopo	NSDS	National Skills Development Strategy
MERSETA	Manufacturing, Engineering and Related Services SETA	NSF	National Skills Fund
MICT SETA	Media, Information and Communication Technologies SETA	NSFAS	National Student Financial Aid Scheme
M & E	Monitoring and evaluation	NW	North West
MP	Mpumalanga	PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
MQA	Mining Qualifications Authority	PGC	Project Grants Committee
		PIC	Public Investment Corporation
		PSET	Post-school education and training

PSETA	Public Sector SETA	SDL Act	Skills Development Levies Act, 1999 (Act No.9 of 1999), as amended
QCTO	Quality Council for Trades and Occupations	SDP	Skills development provider
RFP	Request for proposal	SEDA	Small Enterprise Development Agency
SA	South Africa	SETA	Sector education and training authority
SABEN	South African Broadband Education Networks	SIPs	Strategic Infrastructure Projects
SAICA	South African Institute of Chartered Accountants	SMME	Small, medium and micro enterprise
SAIMI	South African International Maritime Institute	SOC	State owned company
SANREN	South African National Research Network	SOP	Standard operating procedure
SAQA	South African Qualifications Authority	SP	Strategic plan
SARETEC	South African Renewable Energy Technology Centre	TB	Tuberculosis
SARS	South African Revenue Service	TCCP	TVET College Connectivity Programme
SASSETA	Safety and Security SETA	TETA	Transport Education and Training Authority
SCM	Supply chain management	TVET	Technical and vocational education and training
SDA	Skills Development Act, 1998 (Act No. 97 of 1998)	UIF	Unemployment Insurance Fund
SDG	Sustainable Development Goal	UKITA	United Khayelitsha Informal Traders Association
SDL	Skills Development Levy	W&RSETA	Wholesale and Retail SETA
		WC	Western Cape
		WIL	Work-integrated learning



1.3 FOREWORD BY THE EXECUTIVE AUTHORITY



This year's annual report illustrates the commitment of the National Skills Fund (NSF) to advancing South Africa's skills development aspirations amid challenging economic conditions that compel the government to focus available resources on key priorities.

As an essential critical national skills development resource funded through the skills development levy, in the 2019/20 financial year, the NSF continued to fulfil its catalytic role, enabling the post-school education and training (PSET) system to be responsive to some key national priorities.

Consistent with the previous years, the NSF prioritised the funding of education and training initiatives through bursaries and scholarships for university programmes, occupational programmes within the public technical and vocational education and training (TVET) colleges, and skills development interventions focused on the youth, small businesses, co-operatives and rural development. The NSF also maintained focus on funding learnerships, internships and apprenticeship programmes and support towards worker education initiatives during this period.

The NSF's disbursements amounting to R1.92 billion in the review year towards these education and training programmes have benefited 48 942 learners. This includes R704.5 million towards bursaries and scholarships for undergraduate and postgraduate studies through strategic partnerships with the National Student Financial Aid Scheme (NSFAS), National Research Foundation (NRF), National Institute for Humanities and Social Sciences (NIHSS) and the international scholarships unit of Department of Higher Education and Training (DHET). While significant NSF funding has been directed at university students, the NSF provided funding amounting to R472.4 million towards the TVET Occupational Qualifications Phase II project in the 2019/20

financial year. The Phase II funding, for the period up to the 2020 academic year, has contributed to higher enrollment in the TVET college sector.

Most NSF-funded learners during the review period were from rural areas (57 per cent), more than half were pursuing priority occupations (55 per cent), and female learners made up 57 per cent of funded learners. Learnerships and skills programmes implemented by NSF-funded skills development providers have benefitted mainly young people not in employment, education nor training (NEET).

The need to overcome the challenges that continue to impede the efficiency and effectiveness of the NSF is imperative. Following the qualified audit opinion by the Auditor-General of South Africa (AGSA) in the 2018/19 financial year, the Accounting Authority had a mammoth task of steering the NSF towards an improved audit outcome for the 2019/20 financial year. However, the disclaimer opinion by the AGSA on the NSF financial statements and annual performance report for the 2019/20 financial year is a regression in the audit findings of the entity. This result signals the urgency for an improved control environment and capacitating the entity in key areas of internal control to support operations.

With the view to ensure that we give urgent attention in addressing the issues that continue to constrain the NSF, an evaluation and review of the general operations of the NSF, including, but not limited to its efficiency and relevance in national priorities is another initiative to be led by my office in the new financial year.

Additionally, as the 2019/20 financial year ended, the scourge of the coronavirus (Covid-19) epidemic was characterised by unprecedented changes to the way government and society would operate including the PSET and innovation systems. We had to think about new

ways of providing learning and teaching through blended education platforms including integrating technological learning and physical delivery of education and teaching programmes due to the impact on new initiatives and completion rates of funded students. As expected, the role of technology in the delivery of education and training, and the need to equip young people with the necessary skills to cope with the changing world of work and opportunities are some of the imperatives re-entrusted to PSET institutions during this period.

It is pleasing, therefore, to report that the NSF's investment in the TVET College Connectivity Project (TCCP) has begun to create a new realm of online teaching and learning methods. Though the TCCP is a single intervention, the envisaged impact in the entire TVET college system is a major shift in the creation of technologically enabled education and training environments. The initiative, that will see public TVET colleges connected to the South African National Research Network (SANREN), is a positive move to realising the vision we aim to achieve through the TCCP which is to end bandwidth poverty within the TVET sector. Completion of this project will begin to bridge the digital divide that exists between the public universities and public TVET colleges.

While adapting the modalities in our learning environments is necessary, so does the health and wellness of our PSET beneficiaries. The NSF's funding injection to Higher Health is thus making a meaningful contribution to enabling the provision of health and wellness programmes in our PSET communities.

I must note my optimism about the new Higher Education, Science and Innovation (HESI) landscape, specifically its abundant opportunities and potential to tackle the triple structural challenges of poverty, inequality and unemployment, and the two-pronged challenge of Covid-19 and post lockdown economic recovery. A well-coordinated dual strategy of skills development and innovation, to support both the management of Covid-19 and the economic and social recovery will be a major focus in the new financial year. This requires better alignment, integration and articulation in the work of all PSET institutions and some Department of Science and Innovation (DSI) entities, with a new vision to drive an innovation-led skills development strategy within the context of a HESI landscape.

Looking ahead, as NSF initiates new skills funding initiatives for the 2020-2025 strategic period, aligning funding priorities to the national economic recovery and revitalisation strategy is a critical intervention. This should contribute to the existing NSF project pipeline which includes the Request for Proposals (RFP)

targeting the 50 public TVET colleges to roll out the Occupational Phase III Programme in 2021 and other RFPs to be launched by the NSF in the new financial year.

Another notable initiative is the evaluation of the NSF that commenced in April 2020 that will assess the impact of NSF interventions as a catalytic fund in line with the National Skills Development Strategy (NSDS) III. The study will provide critical insights to establish the extent the NSF is contributing to improving the economic participation and social development of South African citizenry in the period 2015-2020.

The NSDS III elevates research, development and innovation to a strategic level and fundamental to the achievement of a skilled nation, attracting investment and achieving shared growth and development. It is in response to the NSDS III that the NSF continued to support research during the review period through the National Skills Authority (NSA) and Human Resources Development Council of South Africa (HRDC). This work is in support of building a national skills planning mechanism and contributes to the development of a comprehensive skills response to the country's post-Covid-19 economic and social recovery plan.

The HRDC is a national, multi-stakeholder advisory body chaired by the Deputy President of South Africa, Mr David Mabuza, and under the leadership of the Ministry of Higher Education, Science and Innovation. The NSF's ongoing funding support has enabled the HRDC to lead several initiatives towards building the human resource development base of South Africa including partnering with the National Planning Commission (NPC) in hosting the colloquium on the review of the National Development Plan (NDP) in July 2019. The colloquium was a platform to exchange ideas on priorities to achieve the objectives of the NDP and to make recommendations to realise the developmental state in South Africa.

Towards the development and establishment of effective skills supply and demand planning through research and analysis, in the 2019/20 financial year the NSF continued to fund the Labour Market Intelligence Project (LMIP). The LMIP has been supported by the NSF since 2012 in pursuit of a skills development agenda that is developmental, forward-looking and embedded in empirical analysis.

Further, worker education and constituency support to advocate the skills development strategy as a lever to the broader economic and social development is another priority area the NSF continued to support in the 2019/20 financial year.

It is through worker education and training of members of trade unions that we can contribute to a workforce that understands the challenges facing the different economic sectors.

In conclusion, as we reflect on the period under review and weigh up the achievements of the NSF against the disclaimer by the AGSA, it is important to recognise the dependency of the NSF on the DHET. The department remains a key stakeholder in the performance of many of the skills development initiatives funded by the NSF, especially skills development initiatives where the department plays an active role as an implementer. The Director-General of Higher Education and Training, Mr Gwebs Qonde, the Accounting Authority of the NSF, therefore, has an important role in rallying the support of the DHET entities and branches implementing NSF-funded programmes.

Further, tightening up the control environment in the NSF-funded programmes being implemented through national and provincial government departments and state-owned companies is another area that seeks the attention of the Accounting Authority with the support of my office. This has become a necessary intervention to address shortcomings highlighted by AGSA in the audit of the NSF during the 2019/20 financial year and to instill confidence that the NSF is moving in the right direction.



Minister of Higher Education, Science and Innovation

Executive Authority of the National Skills Fund

Dr BE Nzimande



The NIHSS celebrated its third cohort of Phd graduates in the 2019/20 financial year through scholarships which include programmes funded by the NSF

1.4 DEPUTY MINISTER'S FOREWORD



The annual report of the National Skills Fund (NSF) for the 2019/20 review period shows the contributions of the NSF towards the future vision of the country as laid out in national policies and strategies of government, specifically the National Development Plan (NDP), the National Skills Development Strategy (NSDS) III and Medium Term Strategic Framework (MTSF).

In line with the targets in its 2019/20 annual performance plan, the review period saw the NSF continue to discharge its duties in investing in national skills priorities and contributing to building a vibrant, integrated and progressive post-school and education and training (PSET) system.

For instance, towards the NDP target of producing 30 000 artisans annually by 2030, in the 2019/20 financial year, the NSF continued to support the Department of Higher Education and Training (DHET) in its efforts to strengthen the institutional and policy frameworks to promote artisan training and interventions to increase the enrolment of young people in artisan-related streams.

Artisan development initiatives that benefited from the continued support of the NSF in the period under review include funding towards the National Artisan Moderation Body (NAMB) project that is aimed at eradicating the prevailing practices in artisan development as applied to trade testing under the previous Manpower Training Act.

This support also includes the NSF's ongoing funding towards the Institute for the National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA). INDLELA is leading several interventions such as the WorldSkills initiatives, the Artisan Recognition of Prior Learning (ARPL) and the Centres of Specialisation (CoS) programme being implemented at 26 TVET college

campuses to meet industry requirements in 13 priority trades.

The NSF's support of artisan development is yielding positive results. The team of 23 artisans that represented South Africa in the 45th WorldSkills Competition held in Kazan, Russia finished in 29th position, an improvement from the team's performance in the 44th and 43rd WorldSkills International competitions held in the United Arab Emirates and Brazil in 2017 and 2015.

Further, the CoS Programme is a major intervention supported by the NSF with the view to augment interventions aimed at improving the TVET college sector. The national programme is aimed at building the capacity of the public TVET college system to deliver 13 trade qualifications while building the much-needed skills for Strategic Integrated Projects (SIPs). I am pleased to report that the second cohort of apprentices was recruited for the CoS Programme in the 2019/20 financial year. The NSF's funding committed in the 2018/19 financial year for workshop improvements and equipment, coupled with the ongoing support of four employer associations, has ensured that we remained on course in the training of apprentices in the 13 critical trades and occupations that are in short supply for various infrastructure development and economic needs of South Africa in general. In the review year, the Retail Motor Industry, Steel and Engineering Industry Federation, Institute of Plumbing and South African Institute of Welding continued to fulfil their critical role in facilitating three-year apprenticeship contracts for all recruits as part of the on-the-job learning at host employers.

Importantly, the MTSF places a responsibility on the PSET systems to increase access to occupationally directed programmes. In this regard, beyond the focus

on artisan skills, the NSF's funding of learners for occupational programmes in the TVET colleges has benefited more than 2 000 students in the period under review. This is a result of the R472.4 million funded by the NSF in 2019/20 for the TVET College Occupational Funding Phase II initiative.

As an essential national resource funded through the skills development levy, in the 2019/20 financial year, the NSF has shown that it is committed to fulfilling its catalytic role that is designed to enable the PSET system to be responsive to some key national priorities.

Looking ahead, NSF-funded programmes designed to bring the realm of education closer to the world of work through learnerships, internships and apprenticeship programmes will play an increasing role in addressing the increasing unemployment levels in the country, with a specific focus on those not in employment, education or training (NEET).

Lastly, I would like to express my appreciation to the NSF Executive Authority, the Minister for Higher Education, Science and Innovation, Hon. Dr Blade Nzimande for his unwavering leadership and vision for the Higher Education, Science and Innovation (HESI) landscape where innovation and skills are at the centre of government's initiatives to tackle the triple structural challenges of poverty, inequality and unemployment, and the two-pronged challenge of Covid-19 and post lockdown economic recovery.

To the Accounting Authority of the NSF, Mr Gwebinkundla Qonde, and the Executive Officer, Mr Mvuyisi Macikama, the disclaimer audit opinion by the Auditor-General of South Africa (AGSA) for the 2019/20 financial year should motivate you to address the root causes and main risks of the unfavourable audit outcomes. A lot has been achieved by the NSF in the 2019/20 financial year and some gains in the PSET system in the 2015-2020 MTSF can be attributable to the NSF. In building on these achievements, I encourage the NSF staff to stay motivated and committed to discharging their duties while being steadfast in realising an improved audit outcome in the next financial year.



Mr B Manamela, MP
Deputy Minister of Higher Education, Science and Innovation

1.5 FOREWORD BY THE ACCOUNTING AUTHORITY



The National Skills Fund (NSF) has remained one of the key supporting institutions in our ongoing efforts to continue providing access to post-school education and training (PSET) opportunities and improving the success and efficiency of the PSET system.

As a catalytic fund with an investment portfolio amounting to R8.06 billion in the 2019/20 financial year, the NSF continued to support those areas where the government needs to address key skills shortages, particularly those with a bias towards improved economic development, job creation and social transformation.

As mandated by the Skills Development Act, 1998 (Act No. 97 of 1998), the NSF's purpose is not to accumulate large reserves for investment, but to utilise its funds towards skills development and thereby contribute towards unlocking the human potential of South Africa's citizens. Hence, in the 2019/20 financial year, the NSF committed a total of R5.054 billion of its annual income and accumulated reserves towards funding skills development.

The NSF's R2.52 billion skills funding expenditure in the review year is evident in the funded learners and PSET system through which the skills of learners are developed and improved. For the funding of education and training programmes, the NSF allocated R1.92 billion, benefiting 48 942 learners.

In terms of funding priority PSET system capacity-building projects, the NSF provided R205.63 million funding. A significant portion of this work is spearheaded by various entities and branches of the Department of Higher Education and Training (DHET) and cuts across PSET learnings sectors. This ranges from the Central Application Service for university and TVET college students, to establishing research chairs focused on the PSET research agenda to inform skills supply and

demand, and various initiatives aimed at contributing towards improving the skills shortage of artisans in the country and to encourage and support the integration of workplace training with theoretical learning.

The NSF disbursed R383.48 million for skills infrastructure development in the 2019/20 financial year mainly for infrastructure development at nine technical and vocational education and training (TVET) college sites and the TVET College Connectivity Project (TCCP). Additionally, the NSF disbursed R5.02 million in 2019/20 towards skills development research, innovation and advocacy and this includes the research work conducted through the National Skills Authority (NSA), Human Resource Development Council of South Africa (HRDC) and Labour Market Intelligence Partnership (LMIP).

However, the NSF expenditure in the 2019/20 financial year was below the budgeted amounts in its 2019/20 annual performance plan. Education and training expenditure was 27.6 per cent below the R2.66 million budgeted by the NSF for the review year. Except for disbursements for bursaries and scholarships that increased by 2.5 per cent above the budgeted R687 million, other education and training expenditure targets were below the budgeted amounts.

Further, although the 2018/19 audit opinion by the Auditor-General of South Africa (AGSA) pointed to weaknesses in the NSF's internal controls, the lack of human capacity identified as the root of the audit qualification was not resolved during the 2019/20 financial year. In the period under review, the NSF had an overall 25 per cent vacancy rate on its approved organisational structure, which is an improvement from the 40 per cent vacancy rate in 2018/19. However, critical functions, namely; Strategy, Innovation and Organisational Performance, Bursaries, Legal,

Governance, Risk and Compliance, and Human Resource Management and Development operated with an average vacancy rate of 57 per cent during 2019/20. The lack of adequate human capacity in critical areas thus continued to inhibit the NSF's ability to provide satisfactory evidence on the expenditure and performance information of some of its funded projects, and also contributed to internal control deficiencies in the 2019/20 financial year.

Towards improving internal controls to address the lack of quarterly and close-out reports by some of the funded projects that adversely affect the audit on performance information, two policies and a standard operating procedure (SOP) will be developed by the NSF in the first quarter of the 2020/21 financial year. This is in relation to the Compliance Policy, Restricting of Defaulting SDPs Policy, and the SOP to Non-compliance with the Provisions of the Memorandum of Agreement (MoA) of funded initiatives.

Though these constraints, by the end of the 2019/20 financial year the NSF was at advanced planning stages to launch various funding initiatives to create a pipeline for the 75 000 learners it aims to fund for various education and training programmes over the five-year strategic period up to 2025. This includes the Public TVET Colleges Capacity Building and Occupational Programmes Phase III Request for Proposal (RFP) geared towards occupationally-directed programmes from the 2021 academic year up to 2024. As in prior years, the funding commitment towards occupation programmes offered at TVET colleges is indicative of the NSF's continued support of the capacity building, expansion and growth of the country's 50 public TVET colleges thus creating access to those not in employment, education or training (NEET).

Another priority for the NSF in the new year will be the revival of the partnership arrangement with the Department of Public Enterprise on the continued use of state-owned companies (SOCs) training academy capacity to ramp up production of artisans for the country. Through a public process earmarked in the first quarter of the 2020/21 financial year, the NSF will also invite private skills development providers to partner with the NSF to increase the numbers of required artisans in the country.

Notably, the Covid-19 pandemic and socio-economic setbacks are expected to influence the skills system of South Africa in the 2020/21 financial year. Following the declaration of the National State of Disaster by President Cyril Ramaphosa on 15 March 2020, the Minister of Higher Education, Science and Innovation, Dr

Blade Nzimande, issued a directive on 17 March 2020 with regards to the immediate closure of PSET institutions in adherence to the national lockdown which was part of the government's intervention strategy in response to Covid-19. An imperative for the NSF in the new financial year will, therefore, be engagements with funded skills development providers on the modalities of phasing in of education and activities.

Further, the NSF will prioritise engaging and assessing the impact of Covid-19 relative to the implementation of the 2020-2025 strategic plan and 2020/21 annual performance plan to establish and identify adjustments to its plans due to the impact of Covid-19. Some of the pressing Covid-19 implications for the PSET system in general and levy institutions specifically is the anticipated reduction in skills levy income since productivity was affected across all sectors of the economy and the growing shift to online learning, blended learning and other hybrid forms. As a significant roleplayer in South Africa's skills planning agenda, the NSF's strategic planning tools must reflect these new realities.

Lastly, I would like to thank the Minister of Higher Education, Science and Innovation, Hon. Dr BE Nzimande, for his unwavering support of the aspirations of the PSET system and the mandate of the NSF. I extend appreciation to the Audit Committee, Funding Adjudication Committee and the Internal Audit Unit in the execution of their oversight obligations. The disclaimer on the NSF by the AGSA in the 2019/20 financial year calls for the immediate implementation of the recommendations of the NSF's oversight structures to address the challenges faced by the entity, and which can be achieved with the ongoing support of the Minister. I encourage the Executive Officer, Mr Mvuyisi Macikama, the senior management and employees of the NSF to remain focused on the action plans to address the audit findings in the 2019/20 financial year.



Mr GF Qonde
Director-General of Higher Education and Training
Accounting Authority of the National Skills Fund

1.6 EXECUTIVE OFFICER'S OVERVIEW



The National Skills Fund (NSF) mission is to provide funding for national skills development towards a skilled and capable workforce for an inclusive growth path. In moving towards the attainment of this mission, the NSF has had to ensure that its funding priorities maintained alignment with those of the national government.

Practically, this requires the NSF to constantly navigate the difficult task of allocating funding to meet not only the priority skills needs of the country, but to also assist in building the capacity of the post-school education and training (PSET) system including skills infrastructure and contributing to the skills research agenda and innovation arenas to enable increased access to PSET and the effectiveness and efficiency of the PSET system.

In the year that ended on 31 March 2020, the NSF's staff complement of 117 full-time staff and 34 interns forged ahead to discharge the duties bestowed on the NSF in funding skills development initiatives in line with national priorities.

Resourcing the NSF organisational structure is one of three key tenets which anchor the organisational change management initiative, Project Siyaphambili, in its sixth year in the 2019/20 financial year. The other two facets entail re-aligning business processes and implementing an integrated enterprise resource planning (ERP) and reporting system, all of which are aimed at improving the efficiency and effectiveness of the NSF.

In the 2019/20 financial year, the NSF realised some progress in the filling of vacancies in the organisational structure, with 27 new appointments and 9 officials promoted to new roles.

An important area which had been lacking in the NSF is the strategic planning capability. The appointment of Ms Melissa Erra to Chief Director: Strategy, Innovation and Organisational Performance in July 2019 is a move to elevating the NSF's strategic planning capabilities and contribution towards the planning agenda of the skills

levy system. The processes to make appointments in research, strategic planning and organisational performance, partnership and work-based learning were at advanced stages by the end of the review year towards building the necessary capacity for this function.

Further, eight appointments and one promotion in the review year within the NSF's initiation and evaluation function is a positive development to improve the alignment of the NSF's project initiation activities to its annual outputs and five-year outcomes. Going forward, the additional capacity in this area will assist to improve the NSF's partnership brokering and collaboration capabilities and improving the turnaround times in processing funding application.

The most significant area that the NSF must improve on remains its monitoring and evaluation (M&E) capability of funded skills development initiatives. The 15 appointments in the M&E function in the 2019/20 financial year augment the NSF's national and regional monitoring expertise and which is expected to elevate the M&E capability of the NSF.

In contributing to work-based learning, the NSF had 34 young people in its graduate internship programme which includes 15 graduate interns appointed in June 2019.

Though the progress achieved in the filling of the organisational structure during the 2019/20 financial year and previous years, vacancies in critical functions remain excessively high. NSF key functions, namely, Strategy, Innovation and Organisational Performance, Bursaries, Legal, Governance, Risk and Compliance, and Human Resource Management and Development had an average vacancy rate of 57 per cent in 2019/20. The under-resourced organisational structure has meant that the responsibilities and workloads of existing staff members far exceeded their capacity, contributing to weaknesses in the NSF's internal controls and organisational performance.

Despite the limitation of human capacity, an enabling information and communication technology (ICT) system was envisaged to assist with realising improvements in efficiencies and effectiveness. However, by the end of the financial year, the NSF was still in the process to fully implement the Integrated Microsoft Dynamics ERP System as part of its transition phase, Project Siyaphambili. The system, once fully operational, will integrate all NSF functions from initiation to the funding of skills development programmes and projects into the financial and performance reporting functions to enable improvement in effective and efficient monitoring and reporting on funded skills initiatives.

The NSF achieved 5 of 11 (45 per cent) strategic objective targets which relate to the number of learners who completed their education and training during the 2019/20 financial year. In the period under review, 8 679 learners completed their education and training towards priority occupations, which is almost triple the targeted 3 000 completions in this category in 2019/20. Further, 11 647 learners from rural areas completed their education and training during the period under review, exceeding the planned 3 000 completions in this area almost four-fold. The targeted 500 small, medium and micro enterprises (SMMEs) and co-operatives to benefit from NSF-funded skills initiatives in 2019/20 was exceeded by 22 per cent. A further 1 356 learners received training through NSF-funded SMMEs and co-operatives during this period, exceeding the planned target of 500 learners almost three-fold. With 5 955 learners who acquired skills through funded community-based skills development initiatives in 2019/20, this is almost double the planned 3 000 completions in this category. The strategic objective target for workers educated through worker education initiatives was also overachieved, with 485 completions which is more than the 100 planned completions in this category during the review period.

On the other hand, the strategic objective targets related to PSET system development and capacity building, skills infrastructure development, and skills development research, innovation and advocacy are long-term in nature. The assessment on whether these types of funded initiatives have successfully completed the envisaged outputs during 2015-2019 strategic period will form part of the scope of the NSF evaluation study to commence in the 2020/21 financial year.

The three strategic targets focused on the administrative reporting category were not achieved. The delays in the filling of vacant positions, implementing the Microsoft Dynamics ICT system and developing the NSF website are the main reasons for the underperformance.

In terms of the annual budget programme targets, the NSF achieved 7 of 16 (44 per cent) targets in the review year. Like the strategic objective targets, the NSF

fared well in the education and training front with all 7 annual targets achieved, and the 6 targets related to PSET system development and capacity building, skills infrastructure development, and skills development research, innovation and advocacy were not achieved. On administration, the NSF did not achieve the 3 annual targets related to the filling of vacant positions and progress achieved in meeting some of the key ICT needs of the organisation.

Considering that the 2019/20 financial year-end coincided with the advent of Covid-19 in the country, the pandemic thus reinvigorated the need for agility and responsiveness of the NSF to the resource needs of the country.

Realising an improved audit outcome calls for a renewed and unrelenting commitment to overcome the challenges in our operational environment. This requires building the necessary human capacity in key functions to improve the NSF's internal control environment and the early detection and mitigation of the risks in the project environment.

Further, the NSF standard operating procedure (SOP) for skills development funding is an essential cog in the NSF's new operating model. The SOP, to be finalised in the 2020/21 financial year, will map out the skills development funding process from strategic planning to initiation, implementation and evaluation while ensuring that the NSF's strategic intent remains in focus throughout the process. The SOP will be a useful tool towards a more agile and responsive NSF that supports innovative and creative responses to skills development including skills initiatives to tackle the impact of Covid-19.

In conclusion, I extend appreciation to all NSF employees who continue to work hard to advance the goals of the organisation. The skills development providers that assist the NSF to reach its intended education and training beneficiaries and the PSET community through which the NSF funds initiatives to strengthen our environment also played an important role in realising the achievements of the NSF during this period. These NSF's funding towards PSET improvements do not only benefit the NSF-funded learners but all PSET learners enrolled in these institutions. With the support of the Ministry of Higher Education, Science and Education and Innovation and Office of the Director-General of Higher Education and Training, the NSF is committed to making a meaningful contribution in the PSET system.



Mr MV Macikama
Executive Officer of the National Skills Fund

1.7 STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of Responsibility for Performance Information for the year ended 31 March 2020

The Accounting Authority is responsible for the preparation of the public entity's performance information and for the judgments made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

The performance information reflects the actual achievements against planned objectives, indicators, and targets, as per the strategic and annual performance plan of the public entity, for the financial year ended 31 March 2020.

The performance information of the entity set out on pages 44 to 83 was approved by the Director-General of Higher Education and Training, as the Accounting Authority of the National Skills Fund.



Mr GF Qonde
Director-General: Higher Education and Training
Accounting Authority of the National Skills Fund
30 October 2020



1.8 STRATEGIC FOCUS

VISION

Funding to skill our nation.

MISSION

To provide funding for national skills development towards a skilled and capable workforce for an inclusive growth path.

VALUES

Integrity

Passion

Accountability

Service excellence

Collaborative

Objectivity

Developmental



1.9 LEGISLATIVE AND OTHER MANDATES

Established in terms of the Skills Development Act

The NSF was established in 1999 in terms of section 27 of the Skills Development Act, 1998 (Act No. 97 of 1998) (SDA).

The money of the NSF may be used for the primary objectives as defined by the prescripts of the SDA namely:

1. To fund projects identified in the National Skills Development Strategy (NSDS) III as national priorities (section 28(1) of the SDA);
2. To fund projects related to the achievement of the purposes of the SDA as the Director-General of Higher Education and Training determines (section 28(1) of the SDA);
3. To fund any activity undertaken by the Minister of Higher Education and Training to achieve a national standard of good practice in skills development (section 30B of the SDA); and
4. To administer the NSF within the prescribed limit (section 28(3) of the SDA). Regulations to prescribe the limit for the administration of the NSF at 10% of revenue have been approved and published in Notice No. R.1030, Government Gazette No. 33740 dated 8 November 2010.

The current main revenue sources for the NSF are:

1. Twenty percent of the skills development levies as contemplated in the Skills Development Levies Act, 1999 (Act No. 9 of 1999) (SDL Act); and
2. Interest earned on investments held at the Public Investment Corporation (PIC).

The NSF may also receive revenue from the following sources:

1. The skills development levies collected and transferred to the NSF, in terms of the in respect of those employers or sectors for which there are no sector education and training authorities (SETAs);

2. Money appropriated by Parliament for the NSF;
3. Donations to the NSF; and
4. Money received from any other source.

Retention of accumulated surplus

In terms of section 29(3) of the SDA, the unexpended balance in the NSF at the end of the financial year must be carried forward to the next financial year as a credit to the NSF.

Listed as a Schedule 3A public entity in terms of the PFMA

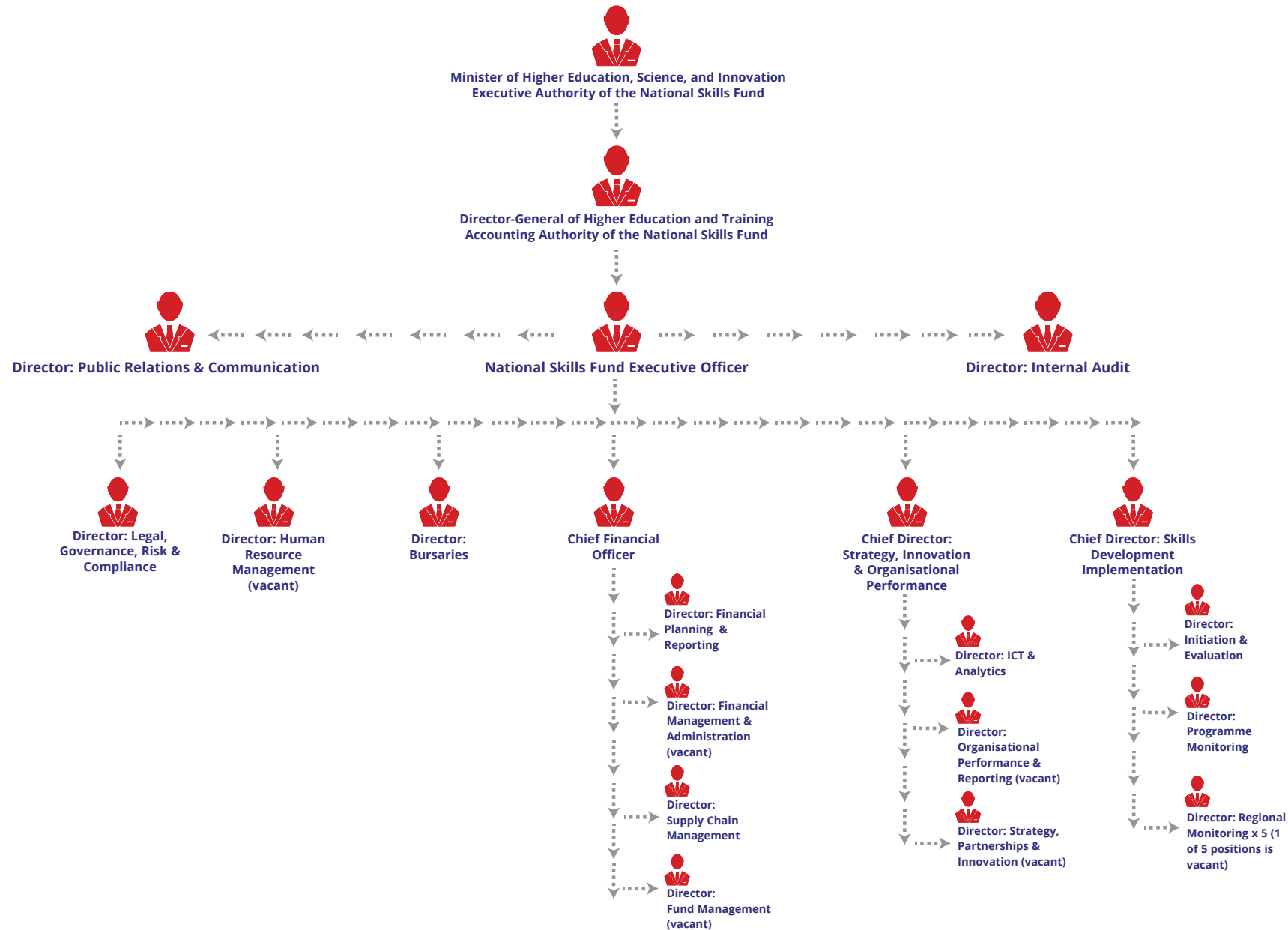
On 12 October 2012, the Minister of Finance listed the NSF as a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA), retrospectively effective from 1 April 2012 (Notice No. 821 in the Government Gazette No. 35759). Prior to the listing as a public entity, the NSF operated as a programme under the Skills Development Branch of the Department of Higher Education and Training (DHET).

Key legislation applicable to the NSF

The following key pieces of legislation are applicable to the NSF:

1. Skills Development Act, 1998 (Act No. 97 of 1998), as amended;
2. Skills Development Levies Act, 1999 (Act No. 9 of 1999), as amended;
3. Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended and Treasury Regulations; and
4. Public Service Act, 1994 (Act No. 38 of 1994), as amended.

1.10 ORGANISATIONAL STRUCTURE



1.10 SENIOR MANAGEMENT

OFFICE OF THE EXECUTIVE OFFICER



Mvuyisi Macikama
Executive Officer



Conny Makhabane
Director: Bursaries



Adv Azwifaneli Sidimela
Director: Legal, Governance, Risk,
and Compliance



Khanyisa Ngewu
Director: Public Relations and
Communication



Cindy Smit CA (SA)
Director: Internal Audit

CHIEF DIRECTORATE: STRATEGY INNOVATION & ORGANISATIONAL PERFORMANCE



Melissa Erra
(Appointed 1 July 2019)
Chief Director: Strategy,
Performance and Innovation



Lubabalo Lokwe
(Resigned on 31 August 2020)
Director: ICT and Analytics

OFFICE OF THE CHIEF FINANCIAL OFFICER



Wean Minnie CA(SA)
(served as Project Siyaphambili
Chief Director in the review period)
Chief Financial Officer (CFO)



Nyawa Dikwayo CA(SA)
(Acting CFO from June 2019 to January 2020)
Director: Financial Planning and Reporting



Anelisa Phohole CA(SA)
(acting from February 2020 to August 2020)
Director: Financial Management and Administration



Athenkosi Yam CA(SA)
Acting Director:
Fund Management



Wicky Mkhize
Director: Supply Chain Management



Zakariya Alli CA(SA)
(Acting CFO up to May 2019, resigned
on 31 October 2019)
Director: Financial Management and Administration

CHIEF DIRECTORATE: SKILLS DEVELOPMENT IMPLEMENTATION



Eubert Mashabane
Chief Director: Skills Development
Implementation



Kgaogelo Hlongwane
Director: Initiation and
Evaluation



Lindiwe Okuofu
Director: Regional Monitoring
(Eastern Cape and KwaZulu-Natal)



Shaafig Fredericks
Director: Regional Monitoring
(Northern Cape and Western Cape)



Meriam Malebo
Director: Regional Monitoring
(Gauteng, Free State and North
West)



Sally Mangubewa
Director: Regional Monitoring
(Limpopo and Mpumalanga)



Frans Strydom
Director: Programme Monitoring



The Minister of Higher Education and Training, Dr Blade Nzimande, launched the Umfolozi TVET College Maritime Academy at eSikhawini Campus during the review period





PART B

Performance Information

2.1 AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings reported under the Predetermined Objectives heading in the

report on other legal and regulatory requirements section of the auditor's report.

Refer to the Report of the Auditor-General to Parliament on the NSF (pages 105 to 113), published as Part E: Financial Information.

2.2 SITUATIONAL ANALYSIS

2.2.1 SERVICE DELIVERY ENVIRONMENT

The NSF reports on its performance against its strategic plan (SP) and annual performance plan (APP) to relevant stakeholders, who include the following:

- The Minister of Higher Education, Science and Innovation, and Director-General of Higher Education and Training, through the relevant structures of the DHET. Reports of the NSF are discussed in the DHET's senior management meetings and Ministerial management meetings. The NSF is also part of the DHET's annual review and planning workshops, where annual performance is discussed and planning of the new financial year is undertaken;
- Relevant parliamentary portfolio committees; and
- A committee of the National Skills Authority (NSA) also provides monitoring with respect to the contribution of the NSF to the targets of the National Skills Development Strategy (NSDS) III, which is now replaced by the National Skills Development Plan (NSDP) 2030.

These performance reports include, amongst others, quarterly monitoring of performance, derived from the annual performance plan of the NSF and reported via the DHET.

The NSF reported on 11 strategic objectives and 16 performance indicators for the period under review. The NSF achieved five (45%) of its 11 strategic objectives, and six (55%) were not achieved. In terms of the 16 budget programme indicators and targets, the NSF achieved seven (44%) of its 16 budget programme targets, and nine (56%) were not achieved. The NSF did not achieve the strategic and budget programme indicators and targets for the NSF business excellence programme during the year. The NSF did not also achieve the PSET system improvement targets related to capacity building, infrastructure and research, and constituency capacity building project implementation targets.

During the period of review, the NSF had 218 projects with just over 2 400

learning sites. There were 152 (69%) education and training projects related to interventions to address priority occupations, rural development, SMME and co-operative development, and worker education. The NSF had 66 (31%) PSET system projects related to research, capacity building, constituency support, and infrastructure. There were 20 projects that have been identified to respond to both education and training skills funding, as well as skills research and advocacy, skills support, and capacity development. These include projects such as the artisan Centres of Specialisation programme as well as well as the worker education projects.

Most of the funds disbursed were towards the education and training of learners, benefitting 48 942 learners for the year under review. Of these 48 942 learners funded, 27 901 (57%) learners are from rural areas, and 27 142 (55%) of the 48 942 learners funded are undergoing learning programmes that relate to priority occupations. Priority occupations are those occupations as identified in demand as outlined in the DHET's Top 100 Occupations in High Demand list, as well as those occupations identified as being in high demand for the Strategic Integrated Projects. Furthermore, 3 212 learners (7%) of the 48 942 learners funded have undergone training related to SMME and co-operative development, benefitting 816 SMMEs and co-operatives.

Also, 9 916 learners (20%) of the 48 942 learners were funded on learning programmes related to community education and training, and 725 learners (2%) of the 48 942 learners funded were workers undergoing worker education learning programmes.

The majority of the 48 942 learners funded are African 44 603 learners, 91%, followed by coloured (3 508 learners, 7%). The 48 942 learners are made up of 27 572 female learners (57%) and 21 103 male learners (43%).

During the 2019/20 financial year, 8 679 learners of the 27 142 learners funded

on learning programmes that relate to priority occupations, successfully completed their education and training programmes/qualifications with the remainder of the learners to continue with undergoing their learning programmes in the next financial year. Furthermore, 11 647 learners of the 27 713 rural learners funded successfully completed their education and training, as well as 1 356 learners benefiting through skills development initiatives for SMMEs and co-operatives.

In addition, 5 955 learners funded by NSF completed their training through community-based skills development interventions, as well as 485 workers completing their education and training through worker initiatives, with the remainder of the learners still to undergo their learning programmes in the next financial year.

The NSF remains committed towards funding these learners over their entire learning programme period. This is to ensure a maximum throughput of learners obtaining their qualifications, and preventing a high drop-out of learners due to a lack of funding to complete their learning from one year to the next.

Throughout the year, due to the lack of a mechanism that can clearly link performance and expenditure, there remained a challenge in regards to reporting on the percentage of NSF-funded projects aimed at expanding, integrating, and improving the effectiveness of the PSET system PSET system development and capacity building, skills infrastructure development, skills development research, and innovation and advocacy, where the actual project expenditure to date is required to be in line with the actual project performance.

Addressing the performance reporting challenges led the NSF to implement a mechanism in March 2020, which has sought to collect performance information for the first time in the five-year strategic period (both financial and non-financial) for projects contributing to the NSF strategic objectives related to PSET system in areas such as research, capacity building, constituency support, and infrastructure. The performance mechanisms seeks to ensure that the implementation of the business plans are concretely aligned with the financial and project objectives set in line with the theory of change and performance indicators set out in the NSF SP and APP.

The NSF funded 94% of projects aimed at expanding, integrating, and improving the effectiveness of the PSET system (excluding skills infrastructure development projects) with a clear business plan and budget breakdown. The NSF obtained 94% on funded projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excluding skills infrastructure development) where

the actual project expenditure to date is in line with the actual project performance to date. The capacity and support provided to artisan development and TVET capacity development, amongst others, provides an enabling environment to improve PSET educational institutional capacity to improve learner support, quality of planning, and provisioning in pursuit of improving completion rates of not only NSF-funded learners, but for all learners enrolled at PSET education and training institutions.

The NSF funded 90% of skills infrastructure development projects with a clear business plan and budget breakdown, and the performance was 10% below the target. This includes the refurbishment and construction of several TVET colleges.

The NSF obtained 89% performance on NSF-funded research, innovation, and advocacy projects with a clear business plan and budget breakdown. The NSF obtained 89% on NSF funded research, innovation and advocacy projects where the actual project expenditure to date is in line with the actual project performance to date.

Some of the critical skills planning functions and PSET research to inform the planning of the DHET and NSF were implemented through a coordinated research plan, including the Labour Market Intelligence project that informs the development of the occupations in high demand and the impact of Covid-19 on the SA labour market and future skills needs. In addition, the NSF funded the crucial work of the Human Resource Development Council of South Africa (HRDCSA) in defining the human resource strategy for SA, and the NSA as the skills advisory, monitoring, and evaluation body as directed by the NSDS III, as well as the constituencies of the NSA including business and labour.

The NSF evaluation study was commissioned by the DHET, NSA and NSF during the reporting period. The study commenced in April 2020 with the aim of establishing whether the NSF had achieved its outcomes and impact in the previous five-year strategic period, 2014-2019, and will inform the planning of the NSF. The evaluation study had commenced at the time of reporting as the impact could be measured after the project closure. Thus the three strategic objective performance indicators were not achieved. The results of the evaluation study will be available by March 2021.

While there is significant funding directed to theoretical learning at a university, performance in this area can be attributed to the 'No Fee Increase' as directed to the university sector, as well as established agreements with the National Student Financial Aid Scheme (NSFAS) and the National Research Foundation (NRF). On the other hand, the NSF, through the TVET occupational qualification

phase II project, has realised a higher enrollment in the TVET sector coupled with simulated and workplace-based learning. These are enablers for increasing workplace experience for learners, increasing workplace opportunities and thus creating access to workplace opportunities including employment.

PROJECT DISTRICT SUPPORT

The NSF has funded projects that supported and responded to the Presidential pilot of the district model in OR Tambo District Municipality, Waterberg District Municipality, and Ethekewini Metropolitan Municipalities. The funding is targeted at provision of education and training and infrastructure to support SMME and co-operative development in the three districts. It should be noted that the NSF funding is allocated across all nine provinces, inclusive of community level skills development support. The NSF, in the 2020/21 period, will undertake a detailed analysis and mapping of NSF-funded interventions at provincial and district levels.



Dr Sipehele Ngogodo, funded by through the NSF bursary programme from his second year, qualified as a medical practitioner with a Bachelor of Medicine in Surgery (MBChB) from the University of Pretoria in 2019. He is currently employed by Gauteng Department of Health, working at the Far East Hospital in Springs

EDUCATION AND TRAINING COURSE/PROGRAMME

Workplace-based Learning Programme - Learnership (Unit standard based qualification)	17 612	35.9%
Workplace-based Skills Programme - Other	10 641	21.7%
Bursaries - Honours Degree	1 582	3.2%
Workplace-based Learning Programme - Apprenticeship	3 825	7.8%
Workplace-based Learning Programme - Internship for the N Diploma	1 357	2.7%
Bursaries - Doctorate Degree	637	1.3%
Bursaries - Master's Degree	212	0.4%
Workplace-based Skills Programme - Student Internship	1 242	2.5%
TVET College - Occupational Qualification QCTO (Theoretical learning component)	2 225	4.5%
Workplace-based Learning Programme - Learnership (Non-unit standard based qualification)	111	0.2%
TVET College - Nated / Report 191 (Engineering) N4 to N6	482	0.9%
TVET College - National Certificate Vocational (NCV)	563	1.1%
Bursaries - Undergraduate Bachelors' Degree	459	0.9%
Bursaries - Undergraduate Diploma	162	0.3%
Workplace-based Learning Programme - Student Internship: Category A	122	0.2%
Bursaries - Post Doctorate Degree	32	0.0%
TVET College - Nated / Report 191 (Business) N4 to N6	549	1.1%
Workplace-based Skills Programme - Graduate Internship	127	0.9%
Bursaries - Postgraduate Diploma	82	0.0%
Bursaries - Undergraduate Higher Certificate	449	0.9%
Bursaries - Undergraduate Advanced Diploma	24	0.0%
TVET College - Nated / Report 191 (Engineering) N1 to N3	5	0.0%
TVET College - Nated / Report 191 (Business) N1 to N3	1	0.0%

2.2.2 ORGANISATIONAL ENVIRONMENT

The DHET has done much to reposition the NSF as an entity, since the NSF transferred from the Department of Labour (DoL) to the newly formed DHET in 2009. This is evident in the significant increase in the NSF's annual allocation towards skills development year-on-year, since it was transferred to the DHET in 2009.

To this end, a series of events during the previous MTSF have led to the NSF implementing an integrated project aimed at transforming the organisation to become more effective and efficient through the development of a new operating model. The project, subsequently named Project Siyaphambili, entailed the development of a new NSF operating model and consisted of developing and implementing new business processes, a new organisational structure, and defining the NSF's ICT model.

The NSF has realised several achievements under Project Siyaphambili by the end of the 2014-2019 strategic period, in addressing the weaknesses that were identified during the evaluation. Notably, during the previous strategic period, the NSF has subsequently been capacitated in a number of functional areas:

- The NSF appointed additional project managers, resulting in the NSF being able to fund and manage more skills development projects, and bringing the ratio down to one NSF project manager to approximately 12 to 15 projects, thereby improving project monitoring;
- Dedicated skilled financial support to NSF project managers and skills development providers were appointed in the form of fund managers, in order to improve the accuracy and completeness of project financial reports;
- The dedicated strategic planning and performance reporting function within the NSF was established with the appointment of the Chief Director: Strategy, Innovation and Organisational Performance from July 2019. This is already starting to show more strategic focus within the NSF, towards ensuring that all skills development initiatives funded realise maximum returns on investments, and that the organisational performance is optimally geared towards realising these maximum returns on investment;
- A dedicated projects initiation function in the NSF was established, resulting

in the NSF improving in the initiation of new strategic skills development initiatives;

- A dedicated legal, governance, risk, and compliance function for the NSF was established, improving legal support turnaround times;
- A dedicated ICT function for the NSF was established, supporting the implementation of the NSF's new Microsoft Dynamics ICT system;
- A dedicated supply chain management function for the NSF was established;
- A dedicated internal audit function for the NSF was established, which is already adding value in improving NSF processes;
- A dedicated public relations and communications function in the NSF was established, which is already improving the NSF's communication to stakeholders;
- Additional highly skilled financial capacity was appointed within the NSF, resulting in the NSF not having to outsource its financial reporting functions.

However, the key challenges experienced by the NSF during the rollout of Project Siyaphambili has been mainly the slow recruitment processes to fill vacancies. This was mainly as a result of an under-capacitated human resources management (HRM) function. The function shifts of the TVET colleges from the provincial education departments to the national DHET resulted in the national DHET having to perform many of the HRM functions for the 50 public TVET colleges, without additional capacity.

Throughout the previous strategic period, certain skills development providers did not report to the NSF consistently, comprising some state-owned companies, public TVET colleges and certain national government departments that are implementing skills development projects with funding from the NSF. The NSF has subsequently strengthened its consequence management processes to address the lack of reporting by these skills development providers to the NSF. As a result, the NSF will address the non-compliance of these skills development providers in accordance with provisions in the NSF's contractual agreements signed between the NSF and these skills development providers.

The Covid-19 pandemic has created profound disruptions to the South African economy and the society at large. Many South African industries are experiencing an adverse impact from the pandemic, which is consistent with other countries

fighting the disease. In its response to the crisis, the South African Government has (from 27 March 2020) placed the country under a national lockdown to reduce the spread of the virus, which resulted in government departments and respective entities within their portfolios being severely impacted. In light of this, the NSF operations, similar to other organisations, experienced interruptions towards the end of 2019/20 financial year. The lockdown restrictions, in terms of the movement of people to their workplaces, necessitated that the NSF management devise a strategy for the NSF workforce to work from a remote location other than their places of work to avoid compromising the service delivery.

2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The White Paper for Post-School Education and Training sets out a vision for a single, coherent, differentiated, and articulated post-school education and training (PSET) system. This will result in the review of all PSET and a drive towards a higher degree of integration with the post-school education and training system. The National Plan for Post-School Education and Training is currently being finalised for implementation of the White Paper. The NSF will ensure that it aligns its SP and APP with the National Plan for PSET when it is approved, as well as the NSDP 2030.

In March 2020, at the end of the NSF annual performance period, the global spread of Covid-19 had led a number of countries, including South Africa, to take measures to safe guard the health of citizens and implement measures to combat the spread of the virus. This has had an impact on NSF projects and administration.

On 15 March 2020, the President of South Africa, Mr Cyril Ramaphosa declared a national state of disaster, in terms of the Disaster Management Act, 2002, and regulations issued in terms of section 27(2) of the disaster management act, 2002 to impede the spread of the virus. Subsequently, the Minister of Higher Education, Science and Innovation, after consultation, pronounced that all education and training institutions that are part of the PSET system would close for early recess from 18 March 2020, subject to an assessment of the spread and impact of the

coronavirus. On 23 March 2020, the President of South Africa declared an escalation of measures that included a lockdown effective for 21 days from 27 March 2020 until 16 April 2020. Thus, the implementation and completion of NSF funded learning programmes and PSET system projects were affected.

The disaster management regulations of 2020, set out provisions for relevant actions and responses to be provided by the State as measures to combat the spread of the virus, while also considering interventions to provide economic and social relief during the lockdown period as stated in the National State of Disaster Declaration of 15 March 2020. Considering the above, the DHET has considered and set out a number of interventions in the PSET system during the period of the national state of disaster.

A critical component of the PSET system is the skills levy sub-system that has an important linkage to the labour market and the economy, through skills levies and its institutional entities being the 21 sector education and training authorities (SETAs), NSF, Quality Council for Trades and Occupations (QCTO), and NSA. The President, on the occasion of further economic and social measures in response to the Covid-19 Pandemic, on 21 April 2020, stated, amongst others, that "...in addition to existing tax relief measures, we will also be introducing a 4-months holiday for companies' skills development levy contributions...". The Minister of Finance issued, through the National Treasury, a number of measures such as tax relief directed at providing relief to various tax groups, including small and medium businesses.

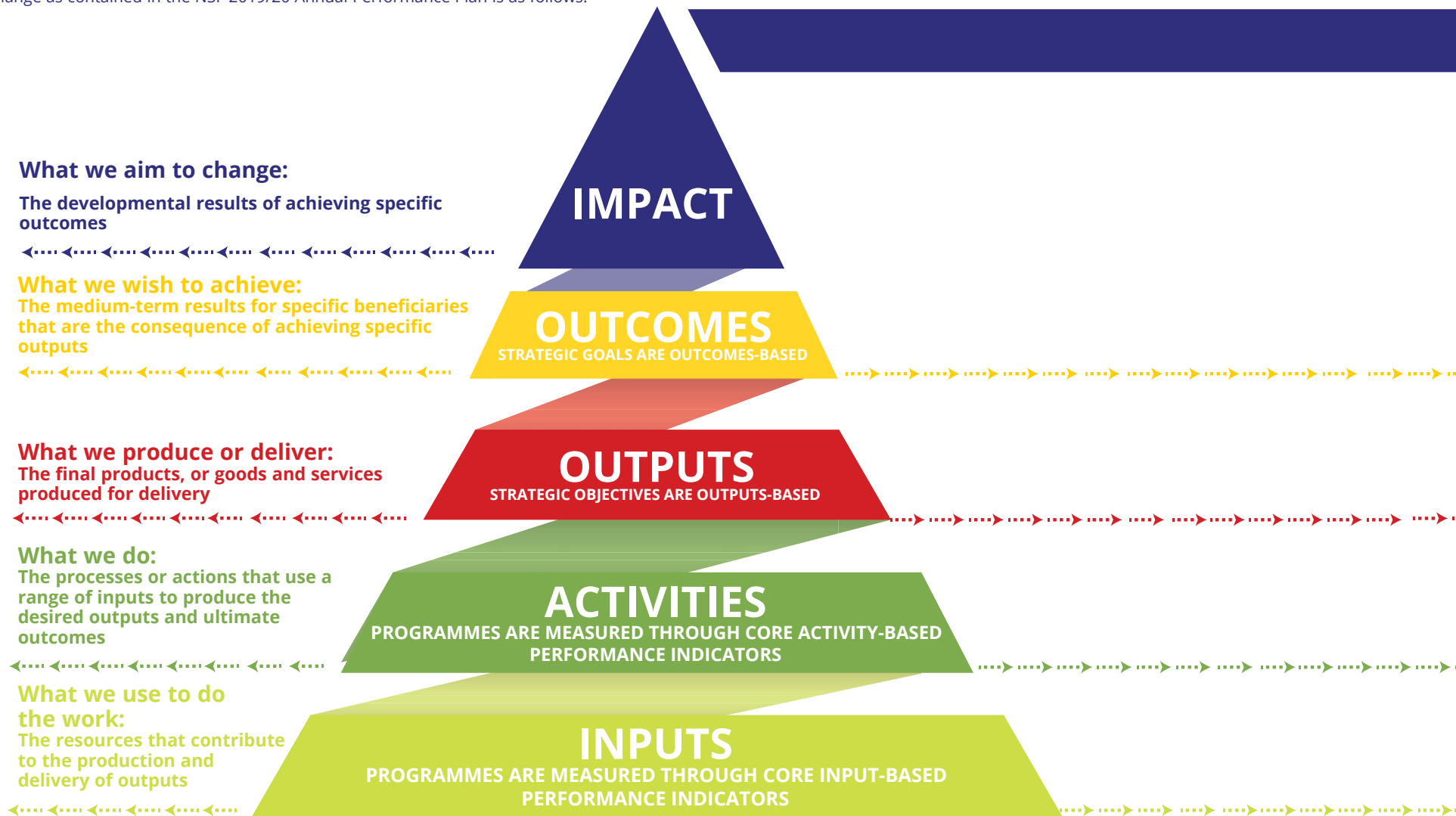
In addition to the levy relief, this is relation to the Covid-19 support funding to contractually committed projects with learners enrolled during the lockdown. This was aimed at ensuring the throughput and completion of learning. Not having this intervention would have had the NSF reporting less funded learners and completion of learning and project closures resulting in the strategic objective not being met. This would have exacerbated the social impact with more youth reported as NEET.

2.4 CHANGES TO PLANNED TARGETS

No changes were made to planned targets during the 2019/20 financial year.

2.5 NSF THEORY OF CHANGE

The NSF strategic and annual performance plans are based on the NSF's theory of change, which has been premised on the Framework for Strategic Plans and Annual Performance Plans published by the National Treasury. The aim of the theory of change is towards measuring the outputs, outcomes, and ultimate impact of skills development projects funded by the NSF. The theory of change as contained in the NSF 2019/20 Annual Performance Plan is as follows:



CONTRIBUTE TO IMPROVING THE EMPLOYABILITY OF CITIZENS AND REDUCING INEQUALITY AND POVERTY

The NSF's key beneficiaries can be categorised as follow:

- i) the learners funded by NSF for skills development; and
- ii) the PSET system through which the skills of learners are developed.

The expected consequence of achieving specific outputs due to providing funding for skills development initiatives to the benefit of the key beneficiaries are the following:

- 1. For the learners funded by NSF = The attainment of employment (or self-employment) as a result of successfully acquiring relevant skills
- 2. For the PSET system = An expanded, more effective and integrated PSET system

ALL OF THE ABOVE ARE ENCAPSULATED IN THE FOLLOWING STRATEGIC GOAL: OUTCOME 5: A SKILLED AND CAPABLE WORKFORCE TO SUPPORT AN INCLUSIVE GROWTH PATH.

Note: The PSET system produces a skilled and capable workforce for the labour market (incl. self-employment) and therefore to expand and to make the PSET system more effective and integrated directly contributes to the outcome orientated strategic goal above.

Performance measured mainly through the strategic plan on a medium to longer term basis.

The final product of the NSF is mainly the following:

- 1. Number of NSF learners that completed their education and training through the NSF's skills development initiatives;
- 2. Number of co-operatives and SMMEs that benefitted from the NSF's skills development initiatives;
- 3. Number of workers that were educated through the NSF's skills development initiatives;
- 4. A variety of outputs produced through NSF funded projects aimed at expanding, improving effectiveness, and integrating the PSET system (incl. skills infrastructure development); and
- 5. A variety of outputs produced through NSF funded skills development research, innovation, and advocacy projects.

Performance measured mainly through the strategic plan and APP on a medium term and / or annual basis.

The NSF performs the following activities to achieve the desired outputs:

The NSF plans skills development initiatives to be funded, initiates such skills development initiatives, monitors the execution thereof to achieve the outputs and evaluates the final output and outcome thereof.

Performance measured mainly through the APP and operational plan on an annual basis.

The NSF uses the following resources to produce the desired outputs:

- 1. The NSF uses funding to deliver skills development initiatives, received in the main through skills development levies;
- 2. The NSF employees' human capacity to manage and support the delivery of the desired output through the skills development initiatives; and
- 3. The NSF utilises technology (ICT systems) to deliver improve efficiency in the delivery of skills development initiatives..

Performance measured mainly through the APP, operational plan and budget on a medium term and annual basis.

2.6 PERFORMANCE HIGHLIGHTS

2.6.1 STRATEGIC OBJECTIVE

The performance highlights for Education and Training per strategic objectives.



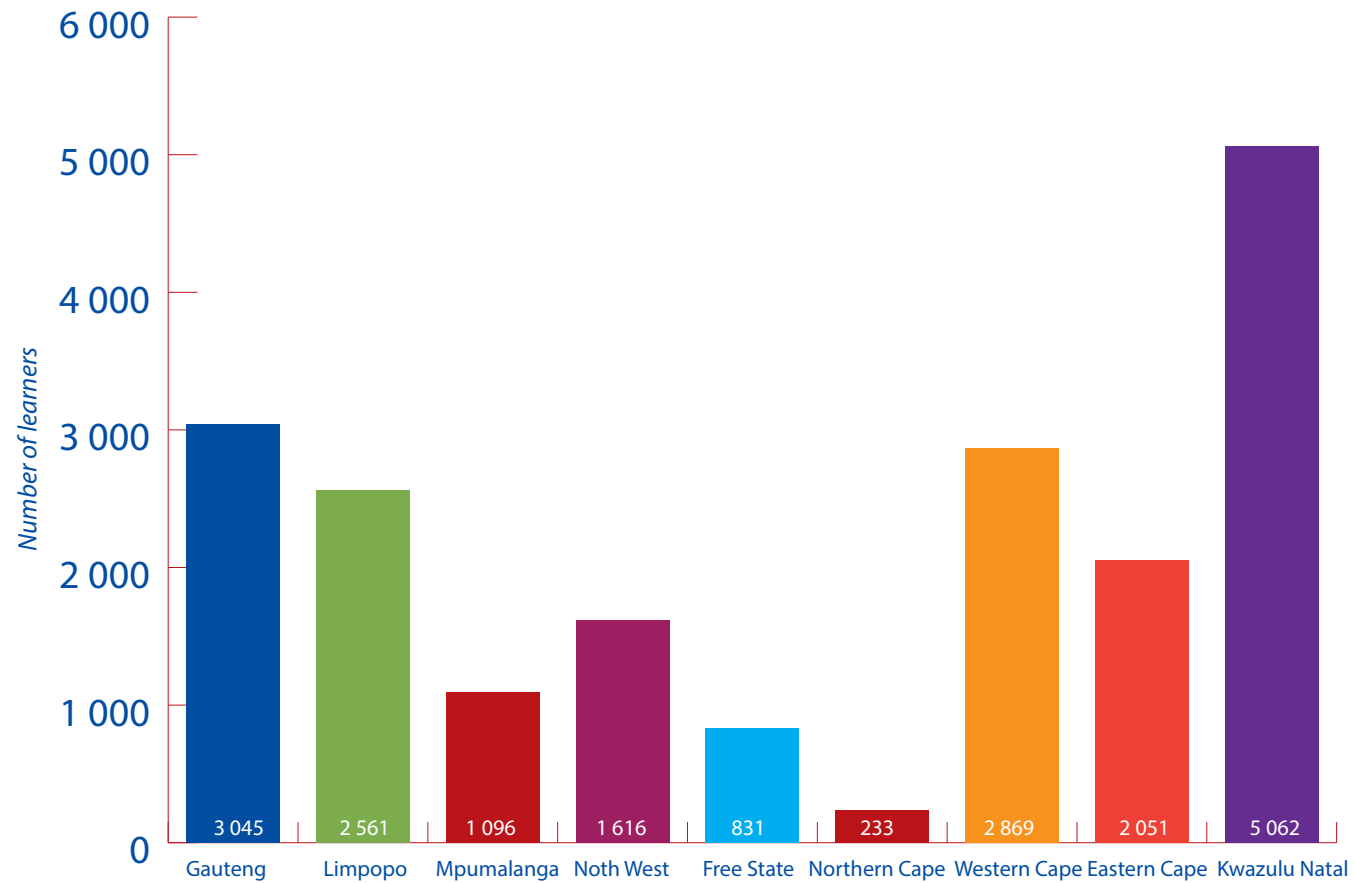


The NSF continues to support the Development Institute for Training, Support and Education for Labour (DITSELA), enabling the provision of worker education programmes to labour unions

2.6 PERFORMANCE HIGHLIGHTS

2.6.2 STRATEGIC OBJECTIVES FACTSHEET

Figure: 1 Provincial Breakdown



2.6.2 STRATEGIC OBJECTIVES FACTSHEET (CONTINUED)

FIGURE 1: Rural vs urban

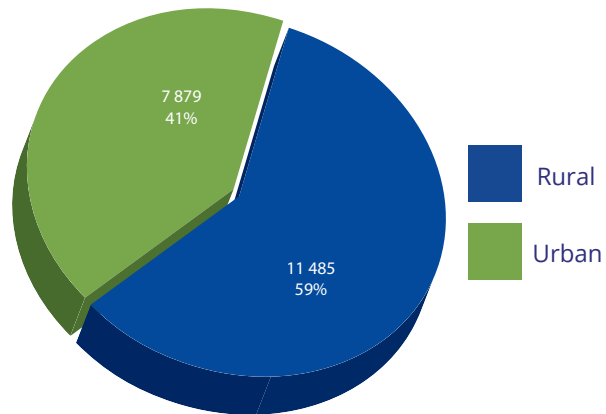


FIGURE 3 Equity/Population

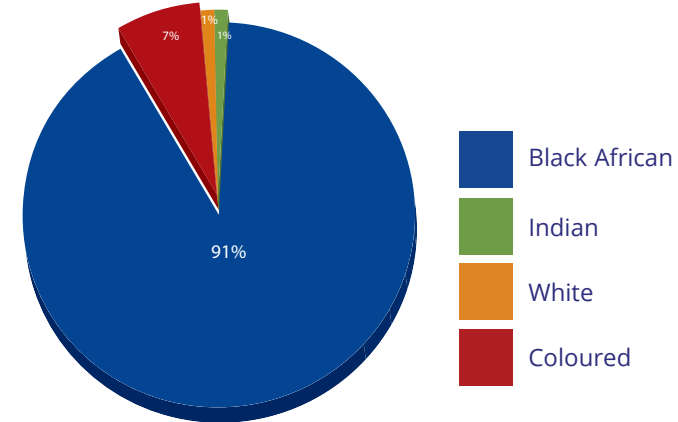


FIGURE 2: Age

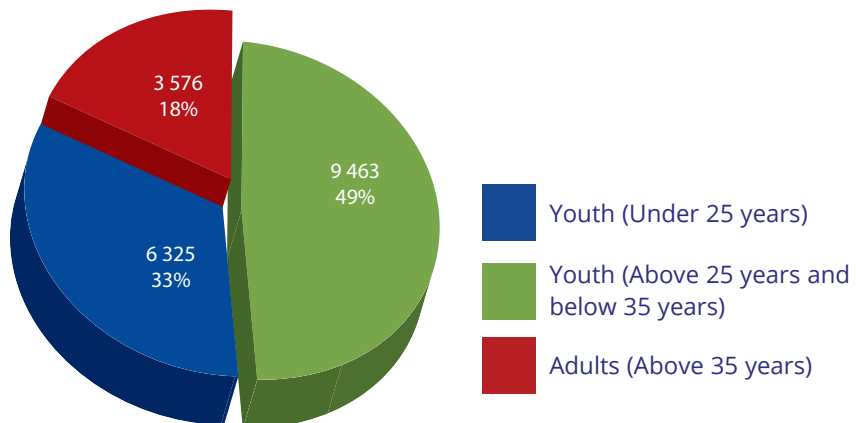
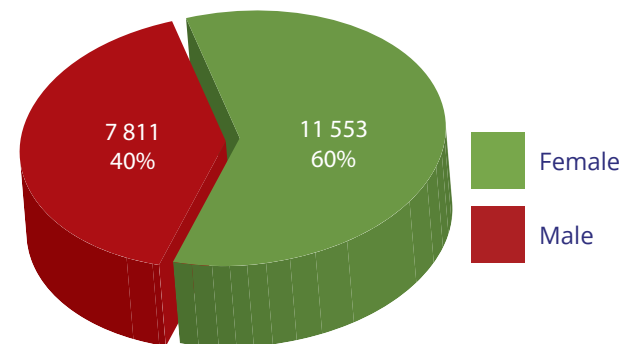
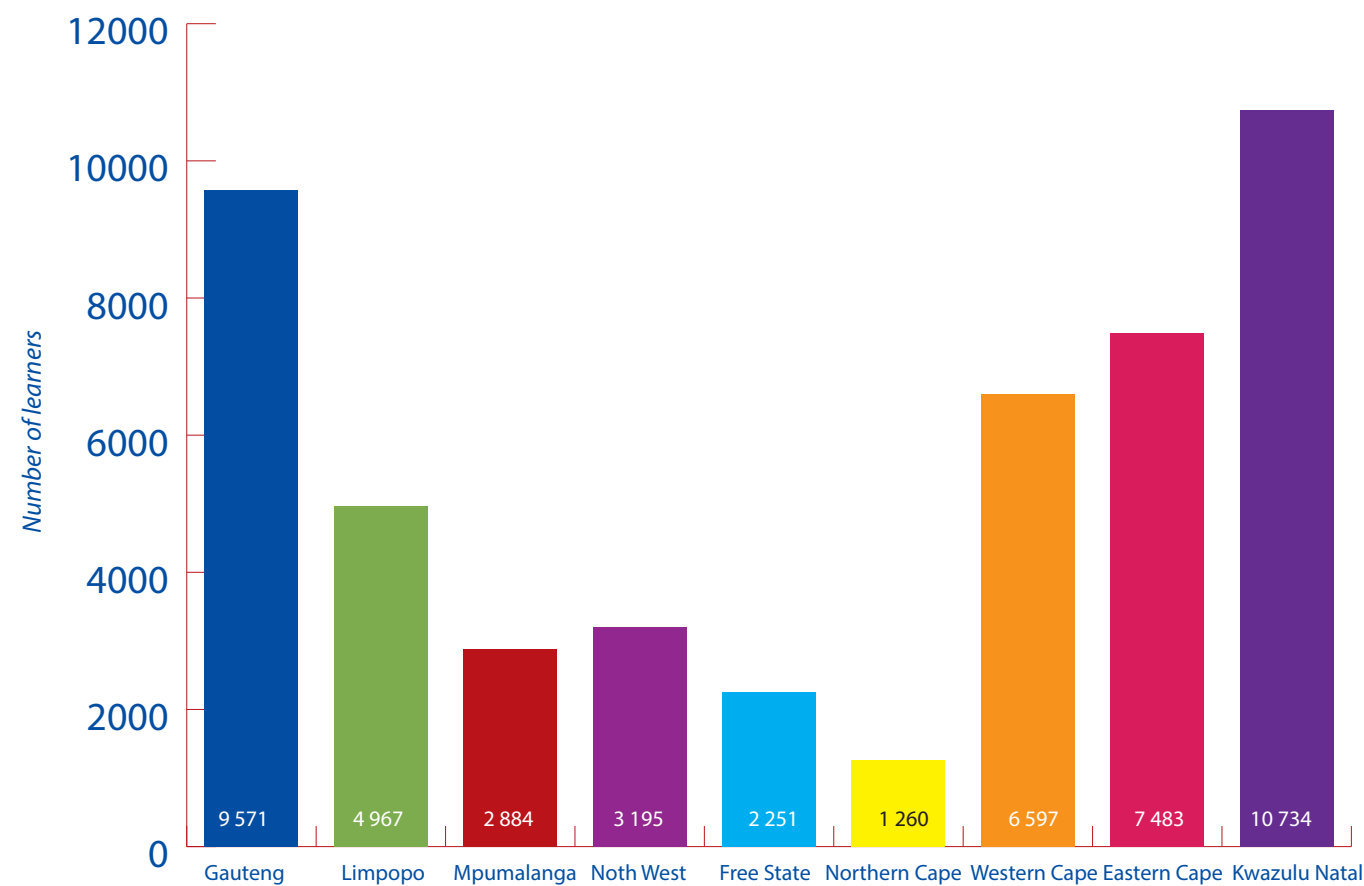


FIGURE 4: Gender



2.6.2 BUDGET PROGRAMMES: FUNDED LEARNERS FACTSHEET

Figure: 5 Provincial Breakdown



2.6.2 BUDGET PROGRAMMES: FUNDED LEARNERS FACTSHEET (CONTINUED)

FIGURE 6: Rural vs urban

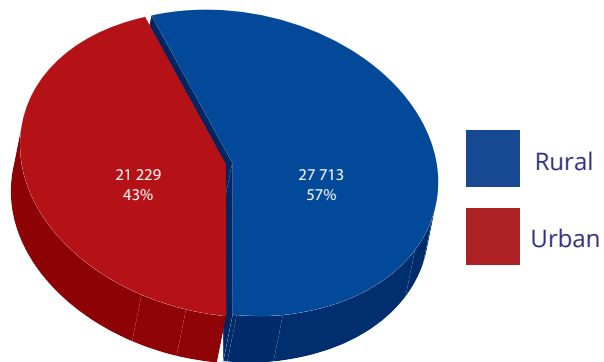


FIGURE 8 Equity/Population

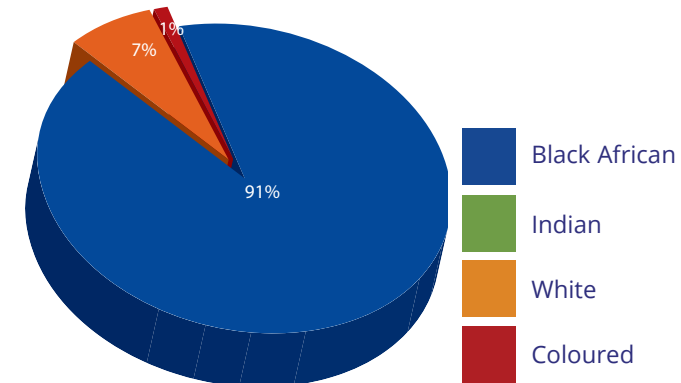


FIGURE 7: Age

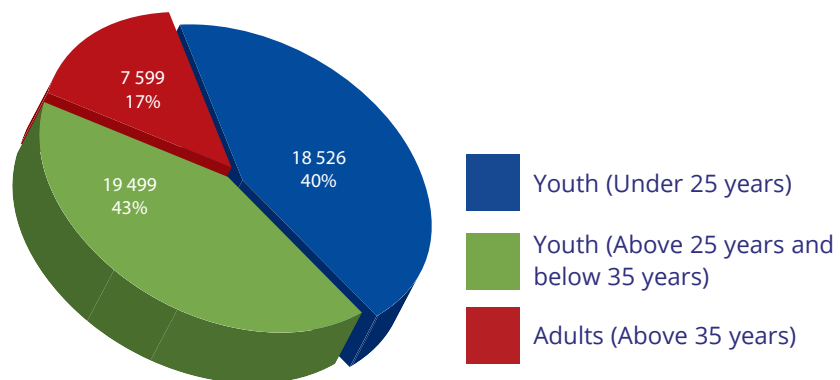
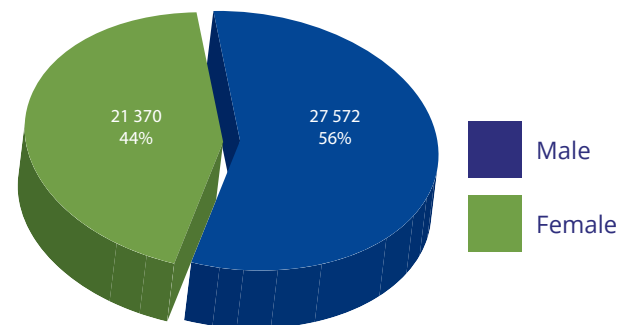
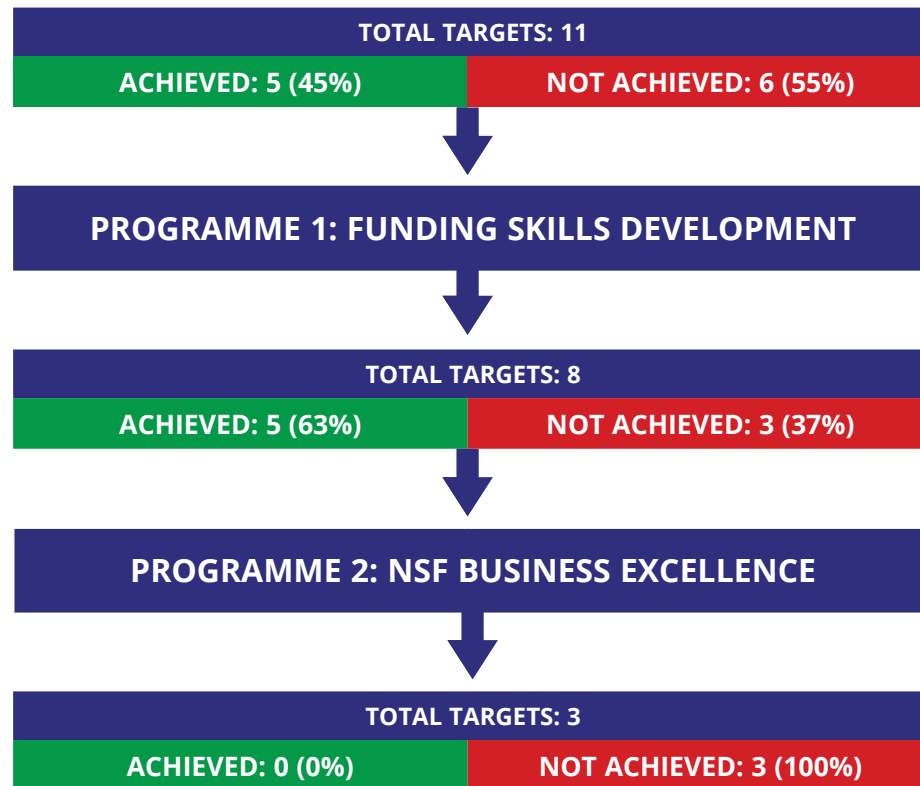


FIGURE 9: Gender

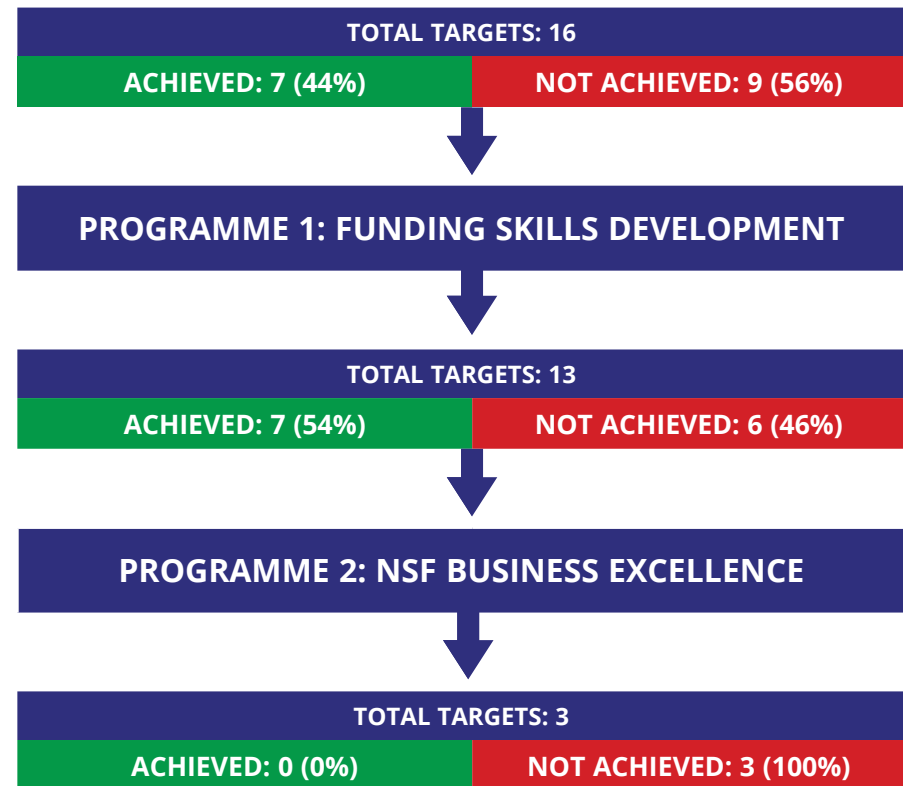


2.7 SUMMARY OF ACHIEVEMENTS

OVERALL STRATEGIC OBJECTIVE PERFORMANCE INDICATORS



OVERALL BUDGET PROGRAMME PERFORMANCE INDICATORS





From left - Philile Jessica Mngadi (electrical installations), Hannah Smith (graphic design technology), Ntsako Shidzinga (restaurant services), Nicole Thebus (hairdressing) and Melanie de Lange (cooking): the group formed part of the budding artisans from TVET colleges, universities of technology and private training centres who represented South Africa at the WorldSkills International Competition in Kazan, Russia in August 2019

2.8 PERFORMANCE INFORMATION BY PROGRAMME/SUB-PROGRAMME

PROGRAMME 1: FUNDING SKILLS DEVELOPMENT

SUB-PROGRAMME 1.1: EDUCATION AND TRAINING STRATEGIC OBJECTIVES AND ANNUAL TARGETS

Strategic Objective 1: Skills development towards priority occupations To develop skills required for priority occupations									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
1. 12 267 NSF funded learners to complete their education and training towards priority occupations over the 5-year strategic period.	Number of NSF funded learners that completed their education and training towards priority occupations. (OUTPUT-BASED)	New indicator. No data available.	3 267	8 521	5 908	3 000	8 679	5 679 over achievement	Refer to Note 1 on page 78.

Strategic Objective 2: Rural skills development To develop the skills of people from rural areas									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
2. 12 418 NSF funded learners from rural areas to complete their education and training over the 5-year strategic period.	Number of NSF funded learners from rural areas that completed their education and training. (OUTPUT-BASED)	New indicator. No data available.	3 418	6 856	6 658	3 000	11 647	8 647 over achievement	Refer to Note 2 on page 78.

Strategic Objective 3: SMME and co-operative skills development									
To support SMME and co-operative development through skills development									
To support SMME and co-operative development through skills development	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
3.1 950 SMMEs and co-operatives to benefit from NSF funded skills development initiatives over the 5-year strategic period.	Number of SMMEs and co-operatives that benefited from NSF funded skills development initiatives. (OUTPUT-BASED)	New indicator. No data available.	2 158	1 705	786	500	611	111 over-achievement	Refer to Note 3 on page 78.
3.2 700 NSF funded learners that acquired skills through SMMEs and co-operatives to benefit from NSF funded skills development initiatives over the 5-year strategic period.	Number of NSF funded learners that acquired skills through SMME and co-operative skills development initiatives. (OUTPUT-BASED)	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	475	500	1 356	856 over-achievement	Refer to Note 4 on page 79.

Strategic Objective 4: Community-based skills development									
To benefit poor, disadvantaged and/or vulnerable communities through skills development									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	201718	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
4. 7 200 NSF funded learners that acquired skills through community-based skills development initiatives over the 5-year strategic period.	Number of NSF funded learners that acquired skills through community-based skills development initiatives. (OUTPUT-BASED)	New indicator. No data available.	3 289	5 281	3 825	3 000	5 955	2 955 over-achievement	Refer to Note 5 on page 79.

Strategic Objective 5: Worker education To educate workers through worker education initiatives									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
5. 300 workers to be educated through worker education initiatives over the 5-year strategic period	Number of workers that completed their education and training through worker education initiatives. (OUTPUT-BASED)	New indicator. No data available	0	0	414	100	485	385 over-achievement	Refer to Note 6 on page 80.

Number of NSF funded learners who completed their education and training towards priority occupations.

A total of 8 679 funded learners completed their education and training towards priority occupations, significantly exceeding the target of 3 000 by 5 679 learners due to the improved working relationship between the NSF and its partners which include the NSFAS in line with the 'No Fee Increase', NRF and SEDA.

Number of NSF funded learners from rural areas who completed their education and training.

A total of 11 647 funded learners from rural areas have completed their education and training to date. The performance was above the target of 3 000 by 8 647 learners due to more bursaries being awarded to students at universities located outside the metropolitan areas and the improved partnership with SEDA and the Department of Rural Development and Land Reform (DRDLR).

Number of SMMEs and co-operatives who benefited from NSF funded skills development initiatives.

The NSF showed good performance during the year by ensuring that a total of 611 SMMEs and co-operatives benefited from the NSF-funded skills

development initiatives, exceeding the target by 111 SMMEs and co-operatives. The improved working relationship between the NSF and SEDA aimed at skills development related to SMMEs contributed to the good performance.

Number of NSF funded learners that acquired skills through SMMEs and co-operative skills development initiatives.

The NSF performed well under this indicator with 1 356 funded learners that acquired skills through SMMEs and co-operative skills development initiatives, exceeding the target by 856 learners.

Number of NSF funded learners who acquired skills through community-based skills development initiatives.

A total of 5 955 NSF funded learners acquired skills through community-based skills development initiatives, exceeding the target of 3 000 by 2 955 learners. The improved working relationship between the NSF and SEDA aimed at community-based skills development initiatives contributed to this performance.

Number of workers who completed through worker education initiatives.

A total of 485 workers completed their worker education programmes, exceeding the target by 385 workers.

SUB-PROGRAMME 1.1 EDUCATION AND TRAINING PERFORMANCE INDICATORS AND ANNUAL TARGETS

Budget Programme Target 1									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
217 000 learners (cumulative headcount) funded by NSF for education and training over the 5-year strategic period.	Number (headcount) of learners funded by NSF for education and training. (ACTIVITY-BASED)	63 903	48 169	57 238	59 051	42 000	48 942	6 942 over-achievement	Refer to Note 7 on page 80.

Budget Programme Target 2									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
101 900 learners (cumulative headcount) funded by NSF for education and training towards priority occupations over the 5-year strategic period.	Number (headcount) of learners funded by NSF for education and training towards priority occupations. (ACTIVITY-BASED)	New indicator. No data available	29 052	38 368	33 905	25 200	27 142	1 942 over-achievement	Refer to Note 8 on page 80.

Budget Programme Target 3									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
70 560 learners (cumulative headcount) from rural areas funded by NSF for education and training over the 5-year strategic period.	Number (headcount) of learners from rural areas funded by NSF for education and training. (ACTIVITY-BASED)	New indicator. No data available.	22 633	32 888	34 925	20 160	27 901	7 741 over-achievement	Refer to Note 9 on page 81.

Budget Programme Target 4.1									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
950 SMMEs and co-operatives funded by NSF for skills development over the 5-year strategic period.	Number of SMMEs and co-operatives funded by NSF for skills development. (ACTIVITY-BASED)	New indicator. No data available.	2 158	2 222	786	500	816	316 over-achievement	Refer to Note 10 on page 81.
Budget Programme Target 4.2									
700 learners funded by NSF for skills development through SMMEs and co-operatives funded by NSF for skills development over the 5-year strategic period.	Number of learners funded by NSF for skills development through SMME and co-operative skills development initiatives. (ACTIVITY-BASED)	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	4 480	500	3 212	2 712 over-achievement	Refer to Note 11 on page 82.

Budget Programme Target 5									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	201718	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
11 000 learners (cumulative headcount) funded by NSF for skills development through community-based skills development initiatives over the 5-year strategic period.	Number of learners funded by NSF for skills development through community-based skills development initiatives. (ACTIVITY-BASED	New indicator. No data available.	6 877	8 675	8 959	5 000	9 916	4 916 over-achievement	Refer to Note 12 on page 82.

Budget Programme Target 6									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019-20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
1 337 workers (cumulative headcount) funded by NSF for worker education over the 5-year strategic period.	Number of workers funded by NSF for worker education. (ACTIVITY-BASED)	New indicator. No data available	237	823	618	700	725	25 over-achievement	Refer to Note 13 on page 82.

Number (headcount) of learners funded by the NSF for education and training.

A total of 48 942 learners were funded for education and training by the NSF during the period under review. The performance significantly exceeded the target of 42 000 by 6 942 funded learners. The good performance was due to improved working relationship between the NSF and its partners, which include the NSFAS, NRF, and SEDA.

Number (headcount) of learners funded by the NSF for education and training towards priority occupations.

The NSF continued to show a good performance since the beginning of the financial year, with a total of 27 142 learners funded for education and training towards priority occupations. The annual target of 25 200 was exceeded by 1 942 learners due to improved working relationship between the NSF and its partners, which include the NSFAS, NRF and SEDA.

Headcount of learners from rural areas funded by the NSF for education and training.

During the year, the NSF funded a total of 27 901 learners from rural areas for education and training, exceeding the annual target of 20 160 learners by 7 741. This good performance was due to more bursaries being awarded to more students at universities located outside the metropolitan areas and the improved partnership with SEDA and the DRDLR.

Number of SMMEs and co-operatives funded by the NSF for skills development.

A total of 816 SMMEs and co-operatives were funded by the NSF for skills development during the period under review, exceeding the target by 316 funded SMMEs and co-operatives. The improved working relationship between the NSF and SEDA aimed at skills development related to SMMEs contributed to the good performance.

Headcount of learners funded by the NSF for skills development through SMME and co-operative skills development initiatives.

During the period under review, a total of 3 212 learners were funded by the NSF for skills development through SMMEs and co-operatives skills development initiatives, exceeding the target of 500 by 2 712 funded learners. A good performance during the year can be attributed to the improved working relationship between the NSF and SEDA aimed at skills development initiatives.

Headcount of learners funded by the NSF for skills development through community-based skills development initiatives.

A total of 9 916 learners were funded by the NSF for skills development through community-based skills development initiatives during the reporting period, significantly exceeding the target by 4 916. The good performance was due to the improved working relationship between the NSF and non-governmental organisations aimed at community-based skills development initiatives.

Number of workers funded by the NSF for worker education.

A total of 725 workers were funded for worker education during the period under review, exceeding the target of 700 by 25 funded workers by the NSF. This good performance was due to a good cooperation by the worker initiatives and commitment by shop stewards and members of unions.

SUB-PROGRAMME 1.2: PSET SYSTEM DEVELOPMENT AND CAPACITY BUILDING STRATEGIC OBJECTIVES AND ANNUAL TARGETS

Strategic Objective 6: An expanded, effective and intergrated PSET system To expand the PSET system, improve effectiveness of the PSET system and intergrated the PSET system									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
100% of priority projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excl. skills infrastructure development) have successfully achieved the envisaged outputs.	Percentage of priority projects aimed at expanding, integrating, and improving the effectiveness of the PSET system (excl. skills infrastructure development) that have successfully achieved most of the envisaged outputs. (OUTPUT-BASED)	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100%	0%	-100% under achievement	NSF evaluation study underway and an extension of time to complete. Longer term projects thus the successful completion will only be measured closer to the end of the five strategic period.

Percentage of priority projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excl. skills infrastructure development) that have successfully achieved most of the envisaged outputs

The NSF did not perform well during the reporting period in terms of priority projects aimed at expanding, integrating and improving the effectiveness of the PSET systems and the performance was 100% below the target. The contributing factor to this performance is the measurement of the longer term projects.

SUB-PROGRAMME 1.2: PSET SYSTEM DEVELOPMENT AND CAPACITY BUILDING PERFORMANCE INDICATORS AND ANNUAL TARGETS

Budget Programme Target 7									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
100% of NSF funded projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excl. skills infrastructure development) have a clear business plan and value for money budget breakdown.	Percentage of NSF funded projects aimed at expanding, integrating, and improving the effectiveness of the PSET system (excl. skills infrastructure development) with a clear business plan and value for money budget breakdown. (ACTIVITY-BASED)	New indicator. No data available.	100%	100%	97%	100%	94%	-6% under achievement	Three business plans in the process of approval or not in line with technical indicator descriptions

Budget Programme Target 8									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
100% of NSF funded projects aimed at expanding, integrating, and improving the effectiveness of the PSET system (excl. skills infrastructure development) have incurred project expenditure to date that is in line with the actual project performance to date.	Percentage of NSF funded projects aimed at expanding, integrating, and improving the effectiveness of the PSET system (excl. skills infrastructure development) where the actual project expenditure to date is in line with the actual project performance to date.	New indicator. No data available.	100%	100%	0%	100%	94%	-6% under achievement	The current reporting mechanism does not clearly link performance and expenditure.

Percentage of NSF-funded projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excluding skills infrastructure development projects) with a clear business plan and budget breakdown

During the reporting period, 94% of NSF funded projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excluding skills infrastructure development projects) had a clear business plan and budget breakdown, the performance was 6% below the target. The performance was due to the business plans which are still in the approval process.

Corrective action

The NSF has identified the institutionalisation of the performance reporting for non-learner related projects as an area that requires improvement. The NSF has undertaken and will continue to provide capacity building support on the reporting mechanisms.

Percentage of NSF-funded projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excluding skills infrastructure development) where the actual project expenditure to date is in line with the actual project performance to date

The NSF did not perform well during the year on this indicator and performance was below the target by 6% due to the current reporting mechanism which does not clearly link performance and expenditure.

Corrective action

The NSF has identified the institutionalisation of the performance reporting for non-learner related projects as an area that requires improvement. The NSF has undertaken and will continue to provide capacity building support on the reporting mechanisms.



SUB-PROGRAMME 1.3: STRATEGIC OBJECTIVES AND ANNUAL TARGETS

SUB-PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS Specifically Related to Sub-Programme 1.3: Skills Infrastructure Development									
Strategic objective 7: Skills infrastructure development To expand the PSET system, improve effectiveness of the PSET system and integrate the PSET system through infrastructure development									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
100% of priority projects aimed at expanding, integrating, and improving the effectiveness of the PSET system through skills infrastructure development have achieved the envisaged outputs.	Percentage of priority projects aimed at expanding, integrating, and improving the effectiveness of the PSET system through skills infrastructure development that have successfully achieved most of the envisaged outputs. (OUTPUT-BASED)	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100%	0%	-100% under achievement	NSF evaluation study underway and extension of time to complete. Longer term projects, thus the successful completion will only be measured closer to the end of the 5 year strategic period.

Percentage of priority projects aimed at expanding, integrating and improving the effectiveness of the PSET system through skills infrastructure development that have successfully achieved most of the envisaged outputs.

No priority projects aimed at expanding, integrating and improving the effectiveness of the PSET system through skills infrastructure development have successfully achieved most of the envisaged outputs during the period under review. The contributing factor to this performance is the measurement of the longer term projects.

SUB-PROGRAMME 1.3: SKILLS INFRASTRUCTURE DEVELOPMENT PERFORMANCE INDICATORS AND ANNUAL TARGETS

BUDGET PROGRAMMES									
Specifically Related to Sub-Programme 1.3: Skills Infrastructure Development									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
Budget Programme Target 9									
100% of NSF-funded skills infrastructure development projects have a clear business plan and value for money budget breakdown.	Percentage of NSF funded skills infrastructure development projects with a clear business plan and budget breakdown. (ACTIVITY-BASED)	New indicator. No data available.	100%	100%	94%	100%	90%	-10% under achievement	Business case not in place or not aligned.
Budget Programme Target 10									
100% of NSF-funded skills infrastructure development projects have incurred actual project expenditure to date that is in line with actual project performance to date.	Percentage of NSF funded skills infrastructure development projects where the actual project expenditure to date is in line with the actual project performance to date. (ACTIVITY-BASED)	New indicator. No data available.	100%	100%	0%	100%	90%	-10% under achievement	The current reporting mechanism does not clearly link performance with expenditure.

Percentage of NSF-funded skills infrastructure development projects with a clear business plan and budget breakdown

The NSF funded 90% of skills infrastructure development projects with a clear business plan and budget breakdown, the performance was 10% below the target. The performance was due to the non-alignment of the business case with the project.

Corrective action

The NSF has identified the institutionalisation of the performance reporting for non-learner related projects as an area that requires improvement. The NSF has undertaken and will continue to provide capacity building support on the reporting mechanisms.

Percentage of NSF funded skills infrastructure development projects where the actual project expenditure to date is in line with the actual project performance to date

90% of the NSF funded project expenditure were in line with the actual project performance to date. The current reporting mechanism which does not clearly link performance and expenditure has negatively impacted on the performance.

Corrective action

The NSF has identified the institutionalisation of the performance reporting for non-learner related projects as an area that requires improvement. The NSF has undertaken and will continue to provide capacity building support on the reporting mechanisms.



The TVET infrastructure development, funded by the NSF and SETAs, is aimed at increasing access to quality post-school training institutions in rural or semi-rural areas of the country

SUB PROGRAMME 1.4: SKILLS DEVELOPMENT RESEARCH, INNOVATION AND ADVOCACY STRATEGIC OBJECTIVES AND ANNUAL TARGETS

Strategic objective 8: Skills Development Research, Innovation, and Advocacy									
To research priority areas related to skills development (incl. areas identified for innovation) to develop national skills development and human resource development policies, strategies, and plans, to monitor the implementation thereof, and to communicate and advocate skills development.									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
100% of skills development research, innovation and advocacy projects have successfully achieved the project outputs.	Percentage of of skills development research, innovation and advocacy projects have successfully achieved most of the project outputs. (OUTPUT-BASED)	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100%	0%	-100% under achievement	NSF evaluation study underway and extension of time to complete. Longer term projects, thus the successful completion will only be measured closer to the end of the 5 year strategic period.

Percentage of skills development research, innovation and advocacy projects that have successfully achieved most of the project outputs

During the period under review, performance was 100% below target since none of the skills development research, innovation and advocacy projects successfully achieved most the projects output.

SUB PROGRAMME 1.4: SKILLS DEVELOPMENT RESEARCH, INNOVATION AND ADVOCACY PERFORMANCE INDICATORS AND ANNUAL TARGETS

Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
Budget Programme Target 11									
100% of NSF funded research, innovation and advocacy projects have a clear business plan and value for money budget breakdown.	Percentage of NSF funded research, innovation and advocacy projects with a clear business plan and budget breakdown (ACTIVITY-BASED)	New indicator. No data available.	100%	100%	100%	100%	89%	-11% under achievement	Business plan not in place or aligned.

Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
Budget Programme Target 12									
Percentage of NSF funded research, innovation and advocacy projects where the actual project expenditure to date is in line with the actual project performance to date.	Percentage of NSF funded research, innovation and advocacy projects where the actual project expenditure to date is in line with the actual project performance to date. (ACTIVITY-BASED)	New indicator. No data available.	100%	100%	0%	100%	89%	-11% under achievement	The current reporting mechanism does not clearly link performance and expenditure.

Percentage of NSF-funded research, innovation and advocacy projects with a clear business plan and budget breakdown

The NSF did not perform well during the period under review and obtained 89% performance on NSF-funded research, innovation and advocacy projects with a clear business plan and budget breakdown due to the business plans not in place or not aligned to the project.

Corrective action

The NSF has identified the institutionalisation of the performance reporting for non-learner related projects as an area that requires improvement. The NSF has undertaken and will continue to provide capacity building support on the reporting mechanisms.

Percentage of NSF-funded research, innovation and advocacy projects where the actual project expenditure to date is in line with the actual project performance to date

The NSF did not perform well during the year on this indicator and performance was below the target by 11% due to the NSF reporting mechanism which does not clearly link performance and expenditure in line with approved business plan.

Corrective action

The NSF has identified the institutionalisation of the performance reporting for non-learner related projects as an area that requires improvement. The NSF has undertaken and will continue to provide capacity building support on the reporting mechanisms.

PROGRAMME 2: NSF BUSINESS EXCELLENCE

SUB-PROGRAMME 2: NSF BUSINESS EXCELLENCE STRATEGIC OBJECTIVES AND ANNUAL TARGETS

Strategic Objective 9: Improve NSF's efficiency and effectiveness through an improved organisational structure									
To improve the planning capabilities, skills development implementation capabilities, executive office and support service functions of the NSF over the 5-year strategic period through the implementation of an improved organisational structure.									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
90% of funded SMS positions filled by the end of the strategic period.	Percentage of funded SMS positions filled by the end of each financial year. (OUTPUT-BASED)	20%	35%	57%	77%	90%	81%	-9% under achievement	The NSF is dependent upon the DHET HRM to perform its recruitment functions. Due to severe capacity constraints experienced by DHET HRM, there were significant delays in the filling positions. The NSF tried to augment the situation by availing its interns to assist with sorting of job applications, and arranging the short listing and interview panels on behalf of DHET HRM.

Strategic Objective 10: Improve NSF’s efficiency and effectiveness through an improved organisational structure									
To improve the planning capabilities, skills development implementation capabilities, executive office and support service functions of the NSF over the 5-year strategic period through the implementation of an improved organisational structure.									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
90% of funded non-SMS positions filled by the end of the strategic period.	Percentage of funded non-SMS positions filled by the end of each financial year. (OUTPUT-BASED)	20%	40%	72%	53%	90%	79%	-11% under achievement	The NSF is dependent upon the DHET HRM to perform its recruitment functions. Due to severe capacity constraints experienced by DHET HRM, there were significant delays in the filling positions. The NSF tried to augment the situation by availing its interns to assist with sorting of job applications, and arranging the short listing and interview panels on behalf of DHET HRM.

SUB-PROGRAMME 2: NSF BUSINESS EXCELLENCE STRATEGIC OBJECTIVES AND ANNUAL TARGETS

Strategic objective 11: Improve NSF's efficiency and effectiveness through TECHNOLOGY									
To improve the planning capabilities, skills development implementation capabilities, executive office and support service functions of the NSF over the 5-year strategic period through the implementation of information and technology (ICT).									
Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
Implement 80% of key ICT needs by the end of the strategic period.	Percentage of key ICT needs implemented by the end of each financial year. (OUTPUT-BASED)	70%	80%	67%	67%	80%	71%	-9% under achievement	The under achievement is mainly due to delays in the implementation of the NSF's new Microsoft Dynamics ICT system and delays in the development of NSF's new website/portal.

Percentage of funded SMS positions filled by the end of each financial year

The HRM managed to fill 81% of funded SMS positions by the end of the financial year. The performance was 9% below the target of 90%. The NSF is dependent upon the DHET HRM to perform its recruitment functions. Due to severe capacity constraints experienced by DHET HRM, there were significant delays in the filling of vacant positions.

The NSF has utilised its interns to assist DHET HRM with the sorting of job applications, and appointing service providers to capture the job applications and arranging the shortlisting and interview panels on behalf of DHET HRM.

Percentage of funded non-SMS positions filled by the end of each financial year

The HRM managed to fill 79% of funded non-SMS positions filled by the end of each financial year. The performance was 11% below the target of 90%. The NSF is dependent upon the DHET HRM to perform its recruitment functions. Due to severe capacity constraints experienced by the bDHET HRM, there were significant delays in the filling of vacant positions.

Corrective action

The NSF has utilised its interns to assist the DHET HRM with the sorting of job applications and appointing service providers to capture the job applications and arranging the shortlisting and interview panels on behalf of the DHET Human Resource Management.

Percentage of key ICT needs implemented by the end of each financial year

The NSF implemented 71% of key ICT needs during the period under review, 9% below the target of 80%. The under achievement is mainly due to delays in the implementation of the NSF's Microsoft Dynamics ICT system and delays in the development of NSF's new website/portal.

Corrective action

The NSF will, in the upcoming financial year, align the shared services with the DHET, and also utilise the services of the available interns to address the challenges during the period under review.

SUB-PROGRAMME 2: NSF BUSINESS EXCELLENCE PERFORMANCE INDICATORS AND ANNUAL TARGETS

Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
Budget Programme Target 13									
90% of vacant funded SMS positions advertised by the end of the strategic period.	Percentage (%) of vacant funded SMS positions advertised by the end of the financial year. (ACTIVITY-BASED)	20%	35%	57%	100%	90%	75%	-15% under achievement	The NSF is dependent upon the DHET HRM to perform its recruitment functions. Due to severe capacity constraints experienced by DHET HRM, there were significant delays in the filling positions. The NSF tried to augment the situation by availing its interns to assist with sorting of job applications, and arranging the short listing and interview panels on behalf of DHET HRM.
Budget Programme Target 14									
90% of vacant funded non-SMS positions advertised by the end of the strategic period.	Percentage (%) of vacant funded non-SMS positions advertised by the end of the financial year. (ACTIVITY-BASED)	45%	40%	72%	72%	90%	31%	-59% under achievement	

Strategic target for the 5-year strategic period 2015/16 to 2019/20	Performance Indicator	Audited /Actual performance			Baseline	Annual (All quarters)		Difference for the Year-to-Date	Comment on deviations
		2015/16	2016/17	2017/18	2018/19	2019/20			
		Actual Achievement	Actual Achievement	Actual Achievement	Actual Achievement	Annual Planned Target	Year-to-date Actual Achievement		
Budget Programme Target 15									
95% of key ICT needs addressed or in the process of being addressed by the end of the strategic period.	Percentage (%) of key ICT needs addressed or in the process of being addressed by the end of each financial year. (ACTIVITY-BASED)	70%	80%	67%	100%	95%	82%	-13% under achievement	Variance in line with shared ICT services with the DHET and dependency on State Information Technology Agency (SITA) procurement impacted the performance.

Percentage of vacant funded SMS positions advertised by the end of the financial year

Seventy-five per cent (75%) of vacant funded SMS positions were advertised during the year. The performance was 15% below the target. The performance was affected by the dependence of the NSF on DHET Human Resource Management for the recruitment processes.

Corrective action

The NSF will utilise the services of its interns to assist the DHET HRM with the sorting of job applications, and appointing service providers to capture the job applications and arranging the shortlisting and interview panels on behalf of DHET HRM.

Percentage of vacant funded non-SMS positions advertised by the end of the financial year

Thirty-one per cent (31%) of vacant funded non-SMS positions were advertised during the year. Performance was 59% below the target. The performance was affected by the dependence of the NSF on the DHET HRM for the recruitment processes.

Corrective action

The NSF will utilise the services of its interns to assist DHET Human Resource Management with sorting of job applications, appointing service providers to capture the job applications and arranging the shortlisting and interview panels on behalf of DHET Human Resource Management.

Percentage of key ICT needs addressed or in the process of being addressed by the end of the financial year

Eighty-two per cent (82%) of key ICT needs were addressed during the year or in the process of being addressed, 13% below the annual target of 95%. Variance in line with shared ICT services with the DHET and the on SITA procurement impacted the performance.

Corrective action

The NSF will, in the upcoming financial year, align the shared services with the DHET and also utilise the services of the available interns to address the challenges during the period under review.

2.7 NOTES TO THE ANNUAL REPORT: REASONS FOR VARIANCES

NOTE 1

Variance explained	
Reason 1	5 679
Total variance explained	5 679

The reasons for the variance are the following:

1. The actual performance for the projects significantly exceeded the baseline figures available for these projects at the time of planning. The NSF based its target for 2019/20 on the 2017/18 audited figures, since it was the best available information as at 28 February 2018. This was also the date at which the final version of the NSF 2019/20 APP had to be submitted to the Minister for approval. The final 2018/19 performance figures were not available as at 28 February 2019, since the 2018/19 financial year was only due for completion on 31 March 2019. Furthermore, the performance figures were only finalised by 30 April 2019 (a month after the year had ended) for reporting to the Minister, and by 31 May 2019 (two months after the year had ended) for submission for audit purposes. Furthermore, should the NSF at the time have based its performance target on the unaudited performance figures as per the quarter 3 report for 2018/19, it would have come to the same result.
2. Due to the NSF being required to fund the 'No Fees Increase' for the 2017 and 2018 academic years, it initially halted funding to all new projects in order to ensure that the NSF remained a going concern. As a result, at the time that the NSF finalised the 2019/20 APP, the NSF did not take into account funding for new projects contracted after 28 February 2019 into the performance target set. The new projects contracted were mainly as a result of the Rural Request for Proposal (RFP) and Work-integrated Learning (WIL).

NOTE 2

Variance explained	
Reason 1	8 647
Total variance explained	8 647

The reasons for the variance are the following:

1. The actual performance for the projects listed below significantly exceeded the baseline figures available for these projects at the time of planning. The NSF based its target for 2019/20 on the 2017/18 audited figures, since it was the best available information as at 28 February 2019. This was also the date at which the final version of the NSF 2019/20 APP had to be submitted to the Minister for approval. The final 2018/19 performance figures were not available as at 28 February 2019, since the 2018/19 financial year is only due for completion on 31 March 2019. Furthermore, the performance figures were only finalised by 30 April 2019 (a month after the year has ended) for reporting to the Minister, and by 31 May 2019 (two months after the year has ended) for submission for audit purposes. Furthermore, should NSF at the time have based its performance target on the unaudited performance figures as per the quarter 3 report for 2018/19, it would have come to the same result.
2. Due to the NSF being required to fund the 'No Fees Increase' for the 2017 and 2018 academic years, it initially halted funding to all new projects in order to ensure that it remained a going concern. As a result, at the time that the NSF finalised the 2019/20 APP, the NSF did not take into account funding for new projects contracted after 28 February 2019 into the performance target set. The new projects contracted were mainly as a result of the Rural RFP and WIL.

NOTE 3

Reason 1	111
Total variance explained	111

The reasons for the variance are the following:

1. The over-achievement relates to the Small Enterprise Development Agency SEDA project. The baseline used to determine the planned target for the SEDA project was set at 200 SMMEs and co-operatives, which is significantly lower than the actual audited figure for SEDA reported during 2016/17 of 2 127 SMMEs and co-operatives. The reason why the baseline was set lower was due to the fact that the SEDA project was due to expire at the end of June 2018,

which meant the last three months were meant to wrap up the project and finalise the close-out report. However, the project was extended during the 2018/19 financial year (in October 2018) to 31 December 2019, resulting in additional time being provided for the project to achieve a higher number of SMMs and co-operatives. It is important to note that the contract extension was granted after the performance information was submitted and thus could not be considered at the time of preparing the plan. The NSF based its target for 2019/20 on the 2017/18 audited figures, since it was the best available information as at 28 February 2019. This was the date at which the final version of the NSF 2019/20 APP had to be submitted to the Minister for approval. The final 2018/19 performance figures were not available as at 28 February 2019, since the 2018/19 financial year was only due for completion on 31 March 2019. Furthermore, the performance figures had only finalised by 30 April 2019 (a month after the year had ended) for reporting to the Minister, and by 31 May 2019 (two months after the year had ended) for submission for audit purposes. Furthermore, should the NSF at the time have based its performance target on the unaudited performance figures as per the quarter 3 report for 2018/19, it would have come to the same result. The SEDA contract was also still due to expire on 31 December 2019 as at the end of the 2018/19 financial year.

- Due to the NSF being required to fund the 'No Fees Increase' for the 2017 and 2018 academic years, it initially halted funding to all new projects in order to ensure that it remained a going concern. As a result, at the time that the NSF finalised the 2019/20 APP, the NSF did not take into account funding to new projects contracted after 28 February 2019 into the performance target set. The new projects contracted were mainly as a result of the Rural RFP and WIL.

NOTE 4

Variance explained	
Reason 1	856
Total variance explained	856

The reasons for the variance are the following:

This is a new performance indicator with effect from 2018/19 and there was no baseline available at the time of setting the target. The NSF therefore set its target

in line with that of strategic performance indicator 3.1, as the two performance indicators are related. Subsequently, the NSF's performance has exceeded the target set, which now provides a baseline for the NSF. The over-achievement was mainly as a result of new projects contracted after submission of the APP on 28 February 2018. The new projects contracted were mainly as a result of the Rural RFP and WIL.

NOTE 5

Variance explained	
Reason 1	2 955
Total variance explained	2 955

The reasons for the variance are the following:

- The actual performance for the projects significantly exceeded the baseline figures available for these projects at the time of planning. The NSF based its target for 2019/20 on the 2017/18 audited figures, since it was the best available information as at 28 February 2019. This was also the date at which the final version of the NSF 2019/20 APP had to be submitted to the Minister for approval. The final 2018/19 performance figures were not available as at 28 February 2019, since the 2018/19 financial year had only due for completion on 31 March 2019. Furthermore, the performance figures were only finalised by 30 April 2019 (a month after the year had ended) for reporting to the Minister, and by 31 May 2019 (two months after the year had ended) for submission for audit purposes. Furthermore, should NSF at the time have based its performance target on the unaudited performance figures as per the quarter 3 report for 2018/19, it would have come to the same result.
- Due to the NSF being required to fund the 'No Fees Increase' for the 2017 and 2018 academic years, the NSF initially halted funding to all new projects in order to ensure that it remained a going concern. As a result, at the time it finalised the 2019/20 APP, it did not take into account funding for new projects contracted after 28 February 2019 into the performance target set. The new projects contracted were mainly as a result of the Rural RFP and WIL.

NOTE 6

Variance explained	
Reason 1	385
Total variance explained	385

The reasons for the variance are the following:

The NSF based its target for 2019/20 on the 2017/18 audited figures, since it was the best available information as at 28 February 2019. This was also the date at which the final version of the NSF 2019/20 APP had to be submitted to the Minister for approval. The final 2018/19 performance figures were not available as at 28 February 2019, since the 2018/19 financial year was only due for completion on 31 March 2019. Furthermore, the performance figures are only finalised by 30 April 2019 (a month after the year has ended) for reporting to the Minister, and by 31 May 2019 (two months after the year has ended) for submission for audit purposes. However, the actual audited performance figures for the 2017/18 financial year was zero workers, and thus the NSF did not have a baseline figure other than zero workers to set a target by the time NSF drafted the APPs. However, NSF cannot set a target of zero workers, since one cannot set a target that requires no performance, and therefore, the NSF set a target of 100 workers to start off with for the 2019/20 financial year. Furthermore, should the NSF at the time have based its performance target on the unaudited performance figures as per the quarter 3 report for 2018/19, it would have come to the same result. Subsequently, the target was over-achieved due to the NSF's funding of the worker education projects and improved coordination with worker education initiatives to improve planning and take up education and training by members.

NOTE 7

Reason 1	6 942
Total variance explained	6 942

The reasons for the variance are the following:

1. The actual performance for the projects significantly exceeded the baseline figures available for these projects at the time of planning. The NSF based its target for 2019/20 on the 2017/18 audited figures, since it was the best available information as at 28 February 2019. This was also the date at which the final version of the NSF 2019/20 APP had to be submitted to the Minister for approval. The final 2018/19 performance figures were not available as at 28 February 2019, since the 2018/19 financial year was only due for completion on 31 March 2019. Furthermore, the performance figures were only finalised by 30 April 2019 (a month after the year had ended) for reporting to the Minister, and by 31 May 2019 (two months after the year had ended) for submission for audit purposes. Furthermore, should NSF at the time have based its performance target on the unaudited performance figures as per the quarter 3 report for 2018/19, it would have come to the same result.
2. Due to the NSF being required to fund the 'No Fees Increase' for the 2017 and 2018 academic years, the NSF initially halted funding to all new projects in order to ensure that it remained a going concern. As a result, at the time that the NSF finalised the 2019/20 APP, it did not take into account funding to new projects contracted after 28 February 2019 into the performance target set. The new projects contracted were mainly as a result of the Rural RFP and WIL.

NOTE 8

Variance explained	
Reason 1	1 942
Total variance explained	1 942

The reasons for the variance are the following:

1. The actual performance for the projects significantly exceeded the baseline figures available for these projects at the time of planning. The NSF based its target for 2019/20 on the 2017/18 audited figures, since it was the best available information as at 28 February 2019. This was also the date at which the final version of the NSF 2019/20 APP had to be submitted to the Minister for approval. The final 2018/19 performance figures were not available as at 28

February 2019, since the 2018/19 financial year is only due for completion on 31 March 2019. Furthermore, the performance figures are only finalised by 30 April 2019 (a month after the year had ended) for reporting to the Minister, and by 31 May 2019 (two months after the year had ended) for submission for audit purposes. Furthermore, should NSF at the time have based its performance target on the unaudited performance figures as per the quarter 3 report for 2018/19, it would have come to the same result.

- Due to the NSF being required to fund the 'No Fees Increase' for the 2017 and 2018 academic years, the NSF initially halted funding to all new projects in order to ensure that it remained a going concern. As a result, at the time the NSF finalised the 2019/20 APP, it did not take into account funding for new projects contracted after 28 February 2019 into the performance target set. The new projects contracted were mainly as a result of the Rural RFP and WIL.

NOTE 9

Variance explained	
Reason 1	7 741
Total variance explained	7 741

The reasons for the variance are the following:

- The actual performance for the projects significantly exceeded the baseline figures available for these projects at the time of planning. The NSF based its target for 2019/20 on the 2017/18 audited figures, since it was the best available information as at 28 February 2019. This was also the date at which the final version of the NSF's 2019/20 APP had to be submitted to the Minister for approval. The final 2018/19 performance figures were not available as at 28 February 2019, since the 2018/19 financial year was only due for completion on 31 March 2019. Furthermore, the performance figures were only finalised by 30 April 2019 (a month after the year had ended) for reporting to the Minister, and by 31 May 2019 (two months after the year has ended) for submission for audit purposes. Furthermore, should NSF at the time have based its performance target on the unaudited performance figures as per the quarter 3 report for 2018/19, it would have come to the same result.

- Due to the NSF being required to fund the 'No Fees Increase' for the 2017 and 2018 academic years, the NSF initially halted funding for all new projects in order to ensure that it remained a going concern. As a result, at the time that the NSF finalised the 2019/20 APP, it did not take into account funding to new projects contracted after 28 February 2019 into the performance target set. The new projects contracted were mainly as a result of the Rural RFP and WIL.

NOTE 10

Variance explained	
Reason 1	316
Total variance explained	316

The reasons for the variance are the following:

- The over-achievement relates to the SEDA project. The baseline used to determine the planned target for the SEDA project was set at 500 SMMs and co-operatives, which is lower than the actual audited figure for SEDA reported during 2017/18 of 786 SMMs and co-operatives. The reason why the baseline was set lower was due to the fact that the SEDA project was due for expiry at the end of June 2018, which meant the last three months were meant to wrap up the project and finalise the close-out report. However, the project was extended during the 2018/19 financial year (in October 2018) to 31 December 2019, resulting in additional time being provided for the project to achieve a higher number of SMMs and co-operatives. The contract extension was after final submission of the APP and thus could not be considered at the time of preparing the plan. The actual performance for the projects listed below significantly exceeded the baseline figures available for these projects at the time of planning. The NSF based its target for 2019/20 on the 2017/18 audited figures, since it was the best available information as at 28 February 2019.

This was also the date at which the final version of the NSF 2019/20 APP had to be submitted to the Minister for approval. The final 2018/19 performance figures were not available as at 28 February 2019, since the 2018/19 financial year was only due for completion on 31 March 2019. Furthermore, the performance figures were only finalised by 30 April 2019 (a month after the year had ended) for reporting to the Minister, and by 31 May 2019 (two months

after the year had ended) for submission for audit purposes. Furthermore, should NSF at the time have based its performance target on the unaudited performance figures as per the quarter 3 report for 2018/19, NSF would have come to the same result. The SEDA contract was also still due to expire on 30 June 2018 as at the end of the 2017/18 financial year.

2. Due to the NSF being required to fund the 'No Fees Increase' for the 2017 and 2018 academic years, the NSF initially halted funding to all new projects in order to ensure that the NSF remained a going concern. As a result, at the time that the NSF finalised the 2019/20 APP, the NSF did not take into account funding for new projects contracted after 28 February 2019 into the performance target set.

NOTE 11

Variance explained	
Reason 1	2 712
Total variance explained	2 712

The reasons for the variance are the following:

1. This is a new performance indicator with effect from 2018/19. The performance for 2018/19 was exceeded by 4 480. However, the performance information was not available at the time of finalising the 2019/20 APP. Thus there was no baseline available at the time of setting the target. Therefore, the NSF set its target in line with that of budget programme performance indicator 4.1, as the two performance indicators are related. Subsequently, the NSF's performance has exceeded the target set, which now provides a baseline for the NSF. The over-achievement was mainly as a result of new projects contracted after submission of the APP on 28 February 2018. The new projects contracted were mainly as a result of the Rural RFP and WIL.

NOTE 12

Variance explained	
Reason 1	4 916
Total variance explained	4 916

The reasons for the variance are the following:

1. The actual performance for the projects significantly exceeded the baseline figures available for these projects at the time of planning. The NSF based its target for 2019/20 on the 2017/18 audited figures, since it was the best available information as at 28 February 2019. This was also the date at which the final version of the NSF's 2019/20 APP had to be submitted to the Minister for approval. The final 2018/19 performance figures were not available as at 28 February 2019, since the 2018/19 financial year was only due for completion on 31 March 2019. Furthermore, the performance figures were only finalised by 30 April 2019 (a month after the year had ended) for reporting to the Minister, and by 31 May 2019 (two months after the year had ended) for submission for audit purposes. Furthermore, should the NSF at the time have based its performance target on the unaudited performance figures as per the quarter 3 report for 2018/19, the NSF would have come to the same result.
2. Due to the NSF being required to fund the 'No Fees Increase' for the 2017 and 2018 academic years, the NSF initially halted funding to all new projects in order to ensure that the NSF remained a going concern. As a result, at the time the NSF finalised the 2019/20 APP, it did not take into account funding for new projects contracted after 28 February 2018 into the performance target set. The new projects contracted were mainly as a result of the Rural RFP and WIL.

NOTE 13

Variance explained	
Reason 1	25
Total variance explained	25

The reasons for the variance are the following:

1. The NSF based its target for 2019/20 on the 2017/18 audited figures, since it was the best available information as at 28 February 2019. This was also the date at which the final version of the NSF 2019/20 APP had to be submitted to the Minister for approval. The final 2018/19 performance figures were not available as at 28 February 2019, since the 2018/19 financial year is only due for completion on 31 March 2019. Furthermore, the performance figures are only finalised by 30 April 2019 (a month after the year had ended) for reporting to the Minister, and by 31 May 2019 (two months after the year had ended) for submission for audit purposes.

However, the actual audited performance figures for the 2017/18 financial year was 823 workers, which is slightly above the planned target set by the NSF of 700 workers. Furthermore, should it at the time have based its performance target on the unaudited performance figure as per the quarter 3 report for 2018/19, NSF would have set a lower target, since the quarter 3 report reflected 618 workers. Subsequently, the target was over-achieved due to the NSF's funding of the worker education projects.



Ngqungqusho March 2020: The TVET infrastructure development, funded by the NSF and SETAs, is aimed at increasing access to quality post-school training institutions in rural or semi-rural areas of the country.





PART C

Governance

GOVERNANCE

3.1 Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled, and held to account. In addition to legislative requirements based on a public entity's enabling legislation, corporate governance with regards to public entities is applied through the precepts of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), as amended and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the executive, and the accounting authority of the public entity are responsible for corporate governance.

3.2 Portfolio Committees

For the year under review, eight portfolio committees' meetings on the DHET were attended by the NSF.

3.3 Executive Authority

As per the requirements of the PFMA, the NSF reported quarterly to the Minister of Higher Education, Science and Innovation as the executive authority of the NSF. The quarterly reports entail the reporting on the NSF's financial status, performance information, compliance with the PFMA and Treasury Regulations.

3.4 The Accounting Authority

Introduction

The Director-General of Higher Education and Training is the accounting authority of the NSF, as stipulated in section 29(1) of the Skills Development Act, 1998 (Act No. 97 of 1998) (SDA) as amended.

The Director-General is responsible for the control of the NSF, and ultimately accountable to the Minister and Parliament for the NSF's performance, strategic direction and money spent by the NSF.

Within the framework of the Director-General's delegations of authority, the day-to-day operations of the NSF are managed by the Executive Officer.

The NSF further reports through the governance structures set by the DHET, these include the Skills Development Branch Management meetings, the Senior Management meetings, and the Ministerial Management meetings.

The role of the accounting authority is as follows:

As accounting authority of the NSF, the Director-General has amongst others the following responsibilities:

1. To manage the NSF in accordance with the PFMA;
2. Keep a proper record of all financial transactions, assets, and liabilities of the NSF;
3. Prepare annual financial statements for the NSF in the prescribed form;
4. Subject to the laws governing the public service, appoint the executive officer of the NSF who, upon such appointment, will be in the employ of the public service;
5. To ensure that the prescribed limitation of the amount that can be used in the administration of the NSF is adhered to; and
6. To submit the annual financial statements to the NSA for information as soon as possible, after they have been prepared.

Composition of the accounting authority

The Director-General, Mr Gwebinkundla Felix Qonde, is the accounting authority of the NSF as per section 29(1) of the Skills Development Act, 1998 (Act No. 97 of 1998) as amended.

Remuneration of accounting authority

The Director-General does not receive any remuneration in his capacity as the accounting authority of the NSF.

3.5 Risk Management

The risk management activities of the NSF are covered in the NSF's comprehensive risk assessment process facilitated by the Legal, Governance, Risk, and Compliance Directorate while the NSF Internal Audit provides an oversight. Risk management workshops were conducted to review and update the strategic risks for the 2019/20 financial year emanating from the approved NSF SP, APP, and the new Microsoft Dynamics ICT system. The process resulted in augmenting the existing Strategic Risk Register, which was noted by the NSF Audit Committee members. The NSF Combined Assurance Framework developed by the Legal, Governance, Risk and Compliance Directorate in the 2019/20 financial year was presented to the Audit Committee members in 2020/21 financial year. The Combined Assurance Framework will ensure that a co-ordinated approach is applied in receiving assurance on whether key risks are being managed appropriately within the NSF. The Combined Assurance Framework, Strategic and Project Risk Registers will be reviewed to incorporate new emerging risks as identified in the SP 2020-25.

3.6 Internal Control

Management has focused on improving internal control through its partnership with the DHET, in terms of the Memorandum of Agreement with the latter, as well as with assistance from internal audit. However, the progress was hindered due to human capacity constraints within the organisation.

3.7 Internal Audit and Audit Committees

Key activities and objectives of internal audit

The objective of the internal audit function is to provide independent, objective assurance and consulting services designed to add value and improve the NSF operations. It assists the NSF to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal controls, risk management, and governance processes.

The main activities of internal audit are:

- Compile a three-year rolling strategic and annual internal audit plan
- Performing internal audits based on the internal audit plan, including ad-hoc assignments and investigations as required by the Audit Committee and accounting authority.
- Report the outcome of internal audits to management and the Audit Committee.
- Perform follow-up reviews on previous reported internal audit findings to evaluate if management implemented corrective actions.

Audit work

The following activities were undertaken in accordance with the 2019/20 internal audit plan:

- High level Financial Statement review for 2018/19
- High level Annual Performance Report review for 2018/19
- Review of the annual performance plan for 2020/21
- Grant allocation / initiation processes – review of the Request for Proposals (RFPs) for specific programmes
- Change request process reviews
- Project life cycle and project site visit review (interrupted as result of Covid-19 pandemic)
- Project monitoring and reporting review, with focus on close-out processes
- Policies and procedure reviews (new and/or amended policies)
- Ongoing probity review of procurement processes implemented by grant recipient for the TVET Connectivity project as it progressed through various stages.
- Predetermined objective review

- Action plan review on Auditor-General findings, with specific focus on review of the interim financial statements for 2019/20
- Follow up on internal audit findings (limited to audit areas under review)
- Human resource management review (focus on appointment processes)
- Ad-hoc requests received from management
- Ongoing programme assurance over information technology system under development.
- IT General Controls Review (including Disaster Recovery plan review)
- Network architecture review
- Cybersecurity – follow-up review

Key activities and objectives of the Audit Committee

The objective of the Audit Committee is to assist the accounting authority in fulfilling oversight responsibilities regarding the financial and performance reporting processes, the system of internal control, and management of risks, the audit process, and the monitoring of compliance with laws and regulations.

The main activities are:

- Consider the effectiveness of the internal control systems, including information technology and security;
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations together with management's responses;
- Assess whether the NSF's assets have been properly safeguarded and used;
- Review the NSF's risk profile on an annual basis and ensure management is effectively managing the risks;
- Review the effectiveness of the system for monitoring compliance with laws and regulations, and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- Review the adequacy, reliability, and accuracy of the financial information provided to management and other users of such information, and annually

review the Annual Financial Statements and recommend its approval to the Director-General; and

- Review the performance information of the NSF.

3.8 Compliance with Laws and Regulations

The NSF aims to embed compliance with laws and regulations throughout its organisation as an integral part of all relevant processes.

To assist with compliance monitoring, the NSF uses the DHET's Compliance Calendar to ensure compliance with all required documentation, in terms of the PFMA and Treasury Regulations, within legislated deadlines.

The NSF also uses the National Treasury template to assess compliance with PFMA and Treasury Regulations on a quarterly basis, as part of the quarterly reporting process to the executive authority.

Action plans to address non-compliance are developed, and the implementation thereof monitored regularly. However, due to human capacity constraints, it was monitored as and when human capacity was available.

The NSF also attends various other committee meetings to keep abreast of laws and regulations that need to be complied with.

The NSF also drafted the Compliance Policy which was approved by the Director-General on 2 June 2020. The Compliance Policy will convene on a quarterly basis to consider all compliance matters, which will ensure vigorous compliance culture within the organisation.

3.9 Fraud and Corruption

The activities of the NSF are covered within the Good Governance Policy, which includes fraud prevention. The NSF uses the whistle blowing policy of the Department. No fraud cases have been reported to the NSF during the financial year under review.

3.10 Minimising Conflict of Interest

Through the Memorandum of Agreement with the Department for shared services, the NSF has permission from the Department to use its bid committees,

which follow the Department's Supply chain management prescripts. To date there are no conflict of interest identified.

3.11 Code of Conduct

The NSF employees are bound by the Code of Conduct of the Public Service, as all NSF employees are currently employed by the Department.

3.12 Health Safety and Environmental Issues

The NSF is situated in Ndinaye House, 178 Francis Baard Street, Pretoria, 0002. The building complies with the necessary Health Safety and Environmental prescripts.

3.13 Social Responsibility

Not applicable to the NSF for the 2019/20 financial year.

3.14 Materiality and Significance Framework

The NSF prepared its Materiality and Significance Framework which has been approved by the Director-General and the Minister.

AUDIT COMMITTEE REPORT



From left to right: Mr. Sipho Makhubu, Prof DP van der Nest (Chairperson) and Ms. Subathree Padayachy

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51(1)(a)(ii) of the Public Finance Management Act (PFMA) and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference, as its committee charter has conducted its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Audit Committee Members and Attendance

The Committee is made up of the following members, all of whom are independent and financially literate. The terms of reference require the Committee to meet at least twice a year. For the year under review the Committee held 3 formal and 2 special meetings as indicated below:

Members	Designation	Date of appointment	No. of Formal meetings	No. of Special Meetings
Prof DP van der Nest	Chairperson	19 May 2017	3	2
Ms S Padayachy	Member	19 May 2017	2	2
Mr S Makhubu	Member	19 May 2017	3	2

The effectiveness of internal control

The system of internal control is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the PFMA requirements, Internal Audit, and the Auditor-General South Africa (AGSA) provide the Audit Committee and management with assurance whether the internal controls are adequate and effective. This is achieved by means of evaluating the effectiveness of the management of identified risks, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The NSF is still in process to implement new systems and processes as part of its transition phase, which is based on initiatives implemented as part of a structured

project rolled out in prior years to map the way forward for the NSF. This project includes a revised organisational structure, re-aligned business processes and an integrated information technology system. The audit committee receives regular updates on the progress with the project but has raised concern about the delay in implementation. One of the most significant challenges experienced in the NSF is the slow turn-around times in the filling of vacancies, resulting in capacity challenges in the organisation which had impact on the NSF's operations. This has also contributed to the fact that the system of internal control was not entirely effective during the year under review and has contributed to the disclaimer audit opinion received. As reported by assurance providers to the Audit Committee, there have been significant internal control deficiencies noted in the NSF. This has resulted in the NSF receiving a disclaimer for the 2019/20 financial year. The audit committee recommended that additional capacity should be obtained in financial and project management to assist in the improvement of the system of internal control.

There were also material control deficiencies identified in the system of internal control over performance information. Reporting on performance information is still a manual process subject to human error. It is anticipated that the implementation of the integrated information system will assist in improving the quality of performance reports.

The Audit Committee will continue to monitor progress against the corrective action plans implemented by management.

The quality of in-year management and monthly / quarterly reports submitted in terms of the PFMA

The Audit Committee noted weaknesses reported by assurance providers in preparation of quarterly performance reports and interim financial statements. Improvement is therefore required in the content and quality of quarterly financial and performance reports prepared and issued to the Accounting Authority of the NSF.

The Audit Committee will continue to monitor quarterly reporting of performance information against set objectives.

Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the AGSA and the Accounting Authority;
- reviewed the AGSA's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the NSF compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit; and
- reviewed information on predetermined objectives to be included in the annual report.

The Audit Committee notes the AGSA's conclusions on the annual financial statements. The disclaimer audit opinion was unexpected and is a significant concern for the Audit Committee. The audit approach with an increased focus on the review of supporting documentation contributed to the disclaimer audit opinion. This was necessitated to address risks noted by the AGSA during their audit processes. Although the NSF has implemented more controls compared to prior years, this was not effective to avoid the significant audit findings. Action plans to address prior year audit findings were not effectively implemented during the year to avoid recurring findings.

The implementation of an integrated financial management system and additional capacity will assist in improving the quality of financial and performance reporting.

Internal audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the NSF in its audits. The effectiveness of internal audit is however affected by management's ability to address internal audit findings on a timely basis. Co-sourced capacity was obtained for internal audit, and they were able to complete the audits approved in the coverage plan by the Audit Committee, subject to minor adjustments to the plan, which was approved by the Audit Committee and delays as result of COVID-19.

Auditor-General South Africa

The Audit Committee has met with the AGSA to ensure that there are no unresolved issues.

Conclusion

Our appreciation is also extended to management, the Chief Financial Officer and staff for their efforts regarding the financial statements for the year. The Audit Committee will monitor the improvements made by management in addressing control deficiencies identified by external and internal audit.



Prof DP van der Nest
Audit Committee Chairperson
14 December 2020



Trust Ramaru holds a BTech: Engineering Metallurgy following a full bursary from the NSF he secured with the assistance of Thusanani Foundation. He is pictured running a test on a geyser in his current role as lab technician at Electrolux South Africa





PART D

Human Resource Management

HUMAN RESOURCE MANAGEMENT

1. Introduction

The NSF has a funded staff establishment of 155 posts, of which 38 posts were vacant at the end of the review period. All NSF employees remain employed by the DHET, since the NSF operated as a programme under the department prior to its listing as a public entity on 12 October 2012. The NSF refunds the DHET for the employee costs incurred by the department on behalf of the NSF.

All employees are required to sign performance agreements with their immediate supervisors, which are reviewed bi-annually and assessed annually. The NSF's performance management framework will be reviewed as part of improving the organisation's operations.

2. Human Resource Oversight Statistics

Personnel cost by programme

Programme	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure (R'000)	No. of employees	Average personnel cost per employee (R'000)
Skills Development	2 530 232	81 825	3.23%	172 ¹	476

¹172 includes 117 permanent employees, 34 interns, 7 resignations, 1 dismissal, and 13 ends-of-contract.

Personnel cost by salary band

Salary band	Total expenditure for the entity (R'000)	Personnel expenditure per level as % of personnel expenditure	No. of employees	Average personnel cost per employee (R'000)
Top Management	21 917	27%	18	1 218
Senior Management	29 502	36%	41	720
Skilled	30 406	37%	113 ²	269
Semi-skilled	0	0%	0	0
TOTAL	81 825	100%	172	476

²113 includes 59 permanent employees, 34 interns, and 20 resignations/end-of-contract.

Performance rewards

Salary band	Performance rewards per level (R'000)	Total Personnel expenditure per level (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	356	21 917	1.62%
Senior Management	816	29 502	2.77%
Skilled	1 100	30 406	3.62%
Semi-skilled	0	0	0.00%
TOTAL	2 272	81 825	2.78%

Training costs

Directorate	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of Personnel Cost
NSF staff establishment	81 825	138	0.17%

Employment and vacancies

Approved posts exclude interns and WIL

Programme	2018/19 No. of employees	2019/20 Approved posts	2019/20	2019/20	% of vacancies
			No. of employees	Vacancies	
Skills Development	94	155	117	38	25%

Employment and vacancies (continued)

Salary band	2018/19 No. of employees	2019/20 Approved budgeted posts	2019/20	2019/20	% of vacancies
			No. of employees	Vacancies	
Top Management	17	23	17 ³	6	26.1%
Senior Management	28	46	41	5	10.9%
Professional qualified	0	0	0	0	0.0%
Skilled	49	86	59	27	31.4%
Semi-skilled	0	0	0	0	0.0%
Unskilled	0	0	0	0	0.0%
TOTAL	94	155	117	38	24.5%

³Top Management (17) includes 1 Executive Officer, 3 Chief Directors and 13 Directors

Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	17	1	1	17
Senior Management	28	13	0	41
Professional qualified	0	0	0	0
Skilled	83	30	20	93 ⁴
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	128	44	21	151

⁴93 includes 59 Permanent Employees and 34 Interns

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	7 ⁵	33%
Dismissal	1	5%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	13	62%
Other	0	0%
TOTAL	21	100%

⁵7 Resignations include 1 Permanent Employee and 6 Interns

Labour relations

Nature of disciplinary action	Number
Verbal Warning	0
Written Warning	1
Final Written Warning	0
Dismissal	1

Equity Target and Employment Equity Status (Male)

Salary band	Male			
	African	Coloured	Indian	White
	Current	Current	Current	Current
Top Management	3	1	0	2
Senior Management	22	1	1	0
Professional qualified	0	0	0	0
Skilled	36	0	0	1
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	61	2	1	3

Disabled staff

Salary band	Disabled staff	
	Male	Female
	Current	Current
Top Management	0	0
Senior Management	0	0
Professional qualified	0	0
Skilled	0	0
Semi-skilled	0	0
Unskilled	0	0
TOTAL	0	0

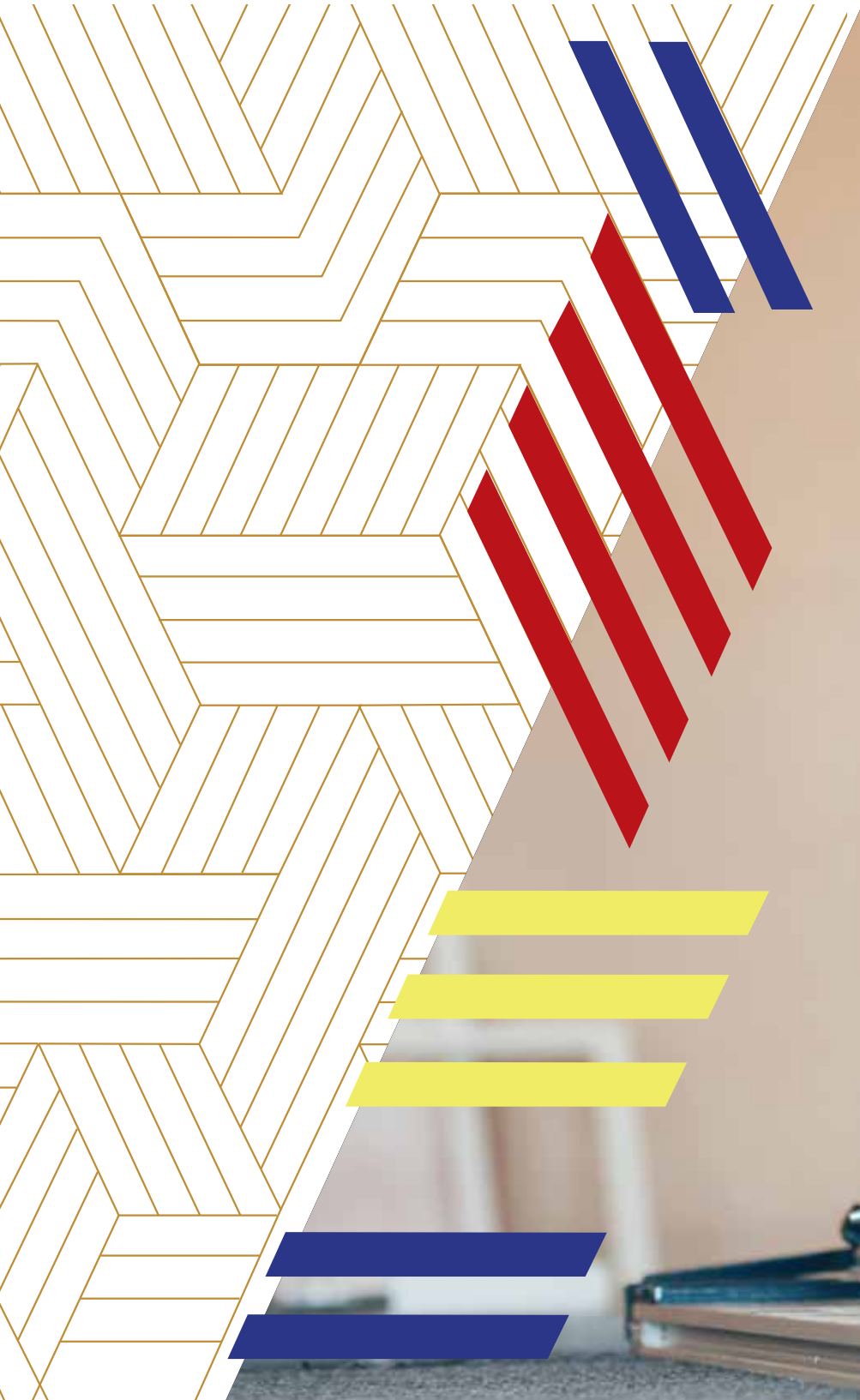
Equity Target and Employment Equity Status (Female)

Salary band	Female			
	African	Coloured	Indian	White
	Current	Current	Current	Current
Top Management	9	0	1	1
Senior Management	14	1	1	1
Professional qualified	0	0	0	0
Skilled	51	0	0	5
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	74	1	2	7



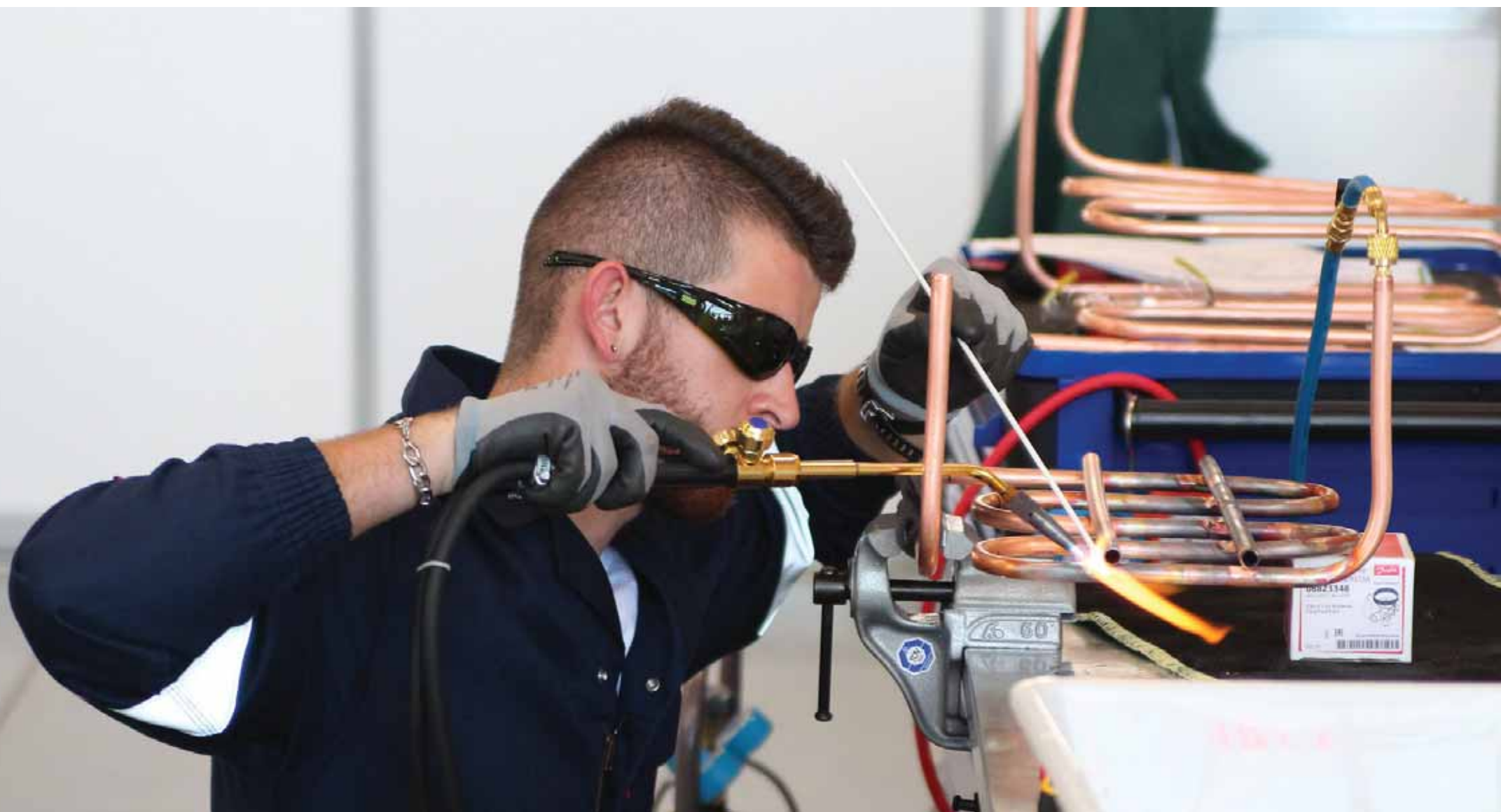
Graaff-Reinet February 2020: The TVET infrastructure development, funded by the NSF and SETAs, is aimed at increasing access to quality post-school training institutions in rural or semi-rural areas of the country.





PART E

Financial Information



Stefan Lottering won the Medallion of Excellence at the 45th WorldSkills Competition held in Kazan, Russia in 2019



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GENERAL INFORMATION

REGISTERED NAME:	National Skills Fund
PHYSICAL ADDRESS:	Ndinaye House 178 Francis Baard Street Pretoria, 0002
POSTAL ADDRESS:	Private Bag X174 Pretoria, 0001
TELEPHONE NUMBER:	+27 (0)12 943 3101
WEBSITE ADDRESS:	http://www.dhet.gov.za/SitePages/NSF.aspx
EXTERNAL AUDITORS:	The Auditor-General of South Africa Lefika House 300 Middel Street New Muckleneuk Pretoria, 0001
EXECUTIVE OFFICER:	Mr Mvuyisi Macikama
CHIEF FINANCIAL OFFICER:	Mr Wean Minnie CA(SA) – From 1 February 2020 to 31 March 2020 Ms Nyawa Dikwayo CA(SA) – From 1 June 2019 to 31 January 2020
ACCOUNTING AUTHORITY:	Mr Gwebinkundla Fellix Qonde Director-General of Higher Education and Training Accounting Authority of the National Skills Fund
REGISTERED OFFICE:	178 Francis Baard Street Pretoria, 0002
REPORTING FRAMEWORK:	General Recognised Accounting Practice (GRAP)

LEGISLATIVE FRAMEWORK

Public Finance Management Act, 1999 (Act No.1 of 1999) (PFMA)
Skills Development Act, 1998 (Act No. 97 of 1998) (SDA)
Skills Development Levies Act, 1999 (Act No. 9 of 1999) (SDL Act)
Public Service Act, 1994 (Act No. 38 of 1994)
Employment Equity Act, 1999 (Act No. 9 of 1999)
Unemployment Insurance Act, 1966 (Act No. 30 of 1966)
Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON NATIONAL SKILLS FUND

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the National Skills Fund (NSF) set out on pages 116 to 224, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, and statement of cash flows and the statement of comparison of budget with actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the public entity. Because of the significance of the matters described in the 'basis for disclaimer of opinion' section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Skills development funding expenses

3. I was unable to obtain sufficient appropriate audit evidence that skills development funding expenses for the current and previous year had been properly accounted for, as evidence that the services had been received could not be provided. This was due to inadequate project monitoring and expenditure approval processes. In addition, the public entity did not correctly account for some of the skills development expenditure due to inadequate system to record transactions, it was not possible to determine the value of the misstatement.
4. I was unable to confirm the skills development funding expenses by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the skills development funding expenses stated at R2,5 billion (2019: R2,4 billion) in the financial statements.

TVET college infrastructure assets

5. The public entity did not perform an impairment assessment for all the TVET college infrastructure assets as required by the Standards of Generally Recognised Accounting Practice (Standards of GRAP) 21, *Impairment of non-cash generating assets*, despite indicators that the infrastructure assets are impaired. Furthermore, the impairment assessment of the other TVET college infrastructure assets was not adequately performed as the outcome of the assessment could not be corroborated by evidence.
6. In addition, the public entity did not disclose some of the reasons for the delays in completing the TVET college infrastructure assets as required by GRAP17, *Property, plant and equipment*, and the reasons disclosed in note 4 to the financial statement could not be corroborated by supporting evidence. I have not included the omitted information in this auditor's report as it was impracticable to do so.
7. I was unable to quantify the resultant misstatement amount of the TVET infrastructure assets as it was impractical to do so. Consequently, I was unable to determine whether any adjustment was necessary to the TVET college infrastructure assets, stated at R1 billion (2019: R839 million) respectively in the financial statements.

Accruals from non-exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence that the accruals from non-exchange transactions for the current and previous year had been properly accounted for, as evidence that the services had been received could not be provided. This was due to inadequate project monitoring and expenditure approval processes at the public entity.
9. I was unable to confirm the accruals from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the accruals from non-exchange transactions stated at R665,1 million (2019: R954,3 million) in the statement of financial position and in note 12 to the financial statements.

Trade and other receivables from non-exchange

10. The public entity did not correctly account for the receivables from non-exchange transactions and the connected deferred expenditure related to skills development funding for the current and previous year, due to an incorrect change to the accounting policy, which constitutes a departure from GRAP 104, *Financial instruments*. Furthermore, the ageing of these receivables is incorrect, and this has resulted in inadequate impairment assessment and discounting assessment.
11. Additionally, I was unable to obtain sufficient appropriate audit evidence that the restatements to trade and other receivables from non-exchange had been properly accounted for, as evidence that the services had been received could not be provided. This was due to inadequate project monitoring and expenditure approval processes at the public entity.
12. I was unable to quantify the misstatement amount as it was impractical to do so. Consequently, I was unable to determine whether any adjustment was necessary to trade and other receivables from non-exchange transactions and deferred expenditure related to skills development funding stated at R4,3 million (2019: R31 thousand), and R1,1 billion (2019: R1 billion) respectively in the statement of financial position and in notes 7 and 8 to the financial statements. This also has an impact on the financial instrument disclosure in note 26 to the financial statement, the surpluses for the for the current and previous year and respective accumulated surplus.

Commitments and earmarked funds

13. The public entity did not have adequate systems to maintain records of commitments and earmarked funds. This resulted in misstatements to the commitments and earmarked funds. It was impracticable to determine the value of the misstatement.
14. In addition, I was unable to obtain sufficient appropriate audit evidence that the commitments for the current and previous year relating to the skills development funding expenses had been properly accounted for, as evidence that the services had been received could not be provided. This was due to inadequate project monitoring and expenditure approval processes at the public entity.

15. I was unable to confirm the commitments and earmarked funds by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the commitments and earmarked funds stated at R17,7 billion (2019: R20,4 billion) in note 25 to the financial statements.

Net cash flows from operating activities

16. The public entity's cash paid to stakeholders, suppliers and employees was incorrectly calculated as the disclosed cash paid for skills development funding disbursements did not agree to the actual payments made on the payment system. Consequently, cash paid to stakeholders, suppliers and employees as disclosed in the Statement of Cash flow was overstated by R348,7 million (2019: R56,1 million).

Net cash flows from investing activities

17. The public entity's net cash flows from investing activities were incorrectly calculated as non-cash disposals of TVET college infrastructure assets were netted off against additions to TVET college infrastructure assets amount. Consequently, net cash flows from investing activities as disclosed in the Statement of Cash flow was understated by R300 million.

Related parties

18. The public entity did not have adequate systems to maintain records of transactions with related parties. This resulted in related party disclosure being overstated by R 87,6 million as a result of errors in the amount in note 29 to the financial statements.

Prior period errors corrected

19. The nature of the prior period error correction for skills development funding expenses and commitments and earmarked funds was not disclosed in note 24 to the financial statements as required by GRAP 3, *Accounting policies, changes in accounting estimates and errors*.
20. In addition, I was unable to obtain sufficient appropriate audit evidence for prior period errors corrected, as the restatement made in commitments and earmarked funds was not supported.

21. I was unable to confirm the prior period errors corrected note by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the prior period errors disclosure.

Principle Agent arrangements

22. The public entity did not adequately evaluate the arrangement with the South African Revenue Services (SARS), in accordance with GRAP 109, *Accounting by principals and agents*, to determine the appropriateness of the principal agent disclosure. As a result, note 36 to the financial statements is not in line with the accounting standard for the current and previous period.

Emphasis of matters

23. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Events after reporting period

24. We draw attention to note 32.1 in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of Covid-19 on the public entity's future prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances.
25. We further draw attention to note 32.2 in the financial statements, which deals with subsequent events and possible impairment of the investment with Land Bank of R172,5 million, because of non-payment of maturities by Land Bank subsequent to year-end.

Under spending of the budget

26. As disclosed in the statement of comparison of budget and actual amounts and note 33 to the financial statements, the public entity materially underspent on the budget by R1,8 billion.

Responsibilities of accounting authority for the financial statements

27. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA), and for such internal control as the accounting authority determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.
28. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

29. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
30. I am independent of the public entity in accordance with sections 290 and 291 of the *Code of ethics for Professional Accountants (including International Independence Standards)* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants* of the International Ethics Standards Board for Accountants' (IESBA codes) as well as the ethical requirements that are relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

31. In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I was engaged to perform procedures to identify findings but not to gather evidence to express assurance.
32. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 1: Funding Skills Development	44-84

33. The material findings in respect of the usefulness and reliability of the selected programme are as follows:

Programme 1: Funding Skills Development

34. I was unable to obtain sufficient appropriate audit evidence to support the reason for the variance between the planned target and achievement reported in the annual performance report. This was due to limitations placed on the scope of my work. I was unable to confirm the reported reason for the variance by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported reason for the variance.

Indicator description	Planned targets	Reported actual achievement
Number of NSF funded learners that completed their education and training towards priority occupations. (OUTPUT-BASED)	3 000	8 679
Number of NSF funded learners from rural areas that completed their education and training. (OUTPUT-BASED)	3 000	11 647
Number of SMMEs and co-operatives that benefited from NSF funded skills development initiatives. (OUTPUT-BASED)	500	611
Number of NSF funded learners that acquired skills through SMME and co-operative skills development initiatives. (OUTPUT-BASED)	500	1 356
Number of NSF funded learners that acquired skills through community-based skills development initiatives. (OUTPUT-BASED)	3 000	5 955

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON NATIONAL SKILLS FUND

Indicator description	Planned targets	Reported actual achievement
Number of workers educated through worker education initiatives. (OUTPUT-BASED)	100	585
Number (headcount) of learners funded by NSF for education and training. (ACTIVITY-BASED)	42 000	48 942
Number (headcount) of learners funded by NSF for education and training towards priority occupations. (ACTIVITY-BASED)	25 200	27 142
Number (headcount) of learners from rural areas funded by NSF for education and training. (ACTIVITY-BASED)	20 160	27 901
Number of SMMEs and co-operatives funded by NSF for skills development. (ACTIVITY-BASED)	500	816

Indicator description	Planned targets	Reported actual achievement
Number (headcount) of learners funded by NSF for skills development through SMME and co-operative skills development initiatives. (ACTIVITY-BASED)	500	3 212
Number (headcount) of learners funded by NSF for skills development through community-based skills development initiatives. (ACTIVITY-BASED)	5 000	9 916
Number (headcount) of workers funded by NSF for worker education. (ACTIVITY-BASED)	700	725

35. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 13 of the 22 indicators relating to this programme. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed on page 110:

Indicator number	Indicator description
Strategic Objective Target 1	Number of NSF funded learners that completed their education and training towards priority occupations. (OUTPUT-BASED)
Strategic Objective Target 2	Number of NSF funded learners from rural areas that completed their education and training. (OUTPUT-BASED)
Strategic Objective Target 3.1	Number of SMMEs and co-operatives that benefitted from NSF funded skills development initiatives. (OUTPUT-BASED)
Strategic Objective Target 3.2	Number of NSF funded learners that acquired skills through SMME and co-operative skills development initiatives. (OUTPUT-BASED)
Strategic Objective Target 4	Number of NSF funded learners that acquired skills through community-based skills development initiatives. (OUTPUT-BASED)
Strategic Objective Target 5	Number of workers educated through worker education initiatives. (OUTPUT-BASED)

Indicator number	Indicator description
Budget Programme Target 1	Number (headcount) of learners funded by NSF for education and training. (ACTIVITY-BASED)
Budget Programme Target 2	Number (headcount) of learners funded by NSF for education and training towards priority occupations. (ACTIVITY-BASED)
Budget Programme Target 3	Number (headcount) of learners from rural areas funded by NSF for education and training. (ACTIVITY-BASED)
Budget Programme Target 4.1	Number of SMMEs and co-operatives funded by NSF for skills development. (ACTIVITY-BASED)
Budget Programme Target 5	Number (headcount) of learners funded by NSF for skills development through community-based skills development initiatives. (ACTIVITY-BASED)
Budget Programme Target 6	Number (headcount) of workers funded by NSF for worker education. (ACTIVITY-BASED)

36. The achievement of the indicators below were reported against their targets in the annual performance report. However, some supporting evidence provided materially differed from the reported achievements, while in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to further confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievement.

Strategic objective	Indicator description	Reported achievement
1.2 PSET System Development and Capacity Building	Percentage of NSF funded projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excl. skills infrastructure development projects) with a clear business plan and budget breakdown. (ACTIVITY-BASED)	94%
1.2 PSET System Development and Capacity Building	Percentage of NSF funded skills infrastructure development projects where the actual project expenditure to date is in line with the actual project performance to date. (ACTIVITY-BASED)	94%
1.4 Skills Development Research, Innovation and Advocacy	Percentage of NSF funded research, innovation and advocacy projects with a clear business plan and budget breakdown. (ACTIVITY-BASED)	89%

Strategic objective	Indicator description	Reported achievement
1.4 Skills Development Research, Innovation and Advocacy	Percentage of NSF funded research, innovation and advocacy projects where the actual project expenditure to date is in line with the actual project performance to date. (ACTIVITY-BASED)	89%
1.3 Skills Infrastructure Development	Percentage of NSF funded skills infrastructure development projects with a clear business plan and budget breakdown. (ACTIVITY-BASED)	90%
1.3 Skills Infrastructure Development	Percentage of NSF funded skills infrastructure development projects where the actual project expenditure to date is in line with the actual project performance to date. (ACTIVITY-BASED)	90%

Other matters

37. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Achievement of planned targets

38. Refer to the annual performance report on pages 44 to 83 for information on the achievement of planned targets for the year and explanations provided for the under or overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) 34 to 36 of this report.

Adjustment of material misstatements

39. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 1: Funding Skills Development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

40. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

41. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

42. 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.

43. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and/or the supporting records could not be provided.

Consequence management

44. I 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 due to the prior year irregular expenditure investigations not being conducted.

Expenditure management

45. I was unable to obtain sufficient appropriate audit evidence that the resources of the public entity were utilised economically, as required by section 57(b) of the PFMA. I could not confirm that the assessment of the cost effectiveness for the skills development projects was adequately performed prior to the contracts being awarded to service providers. As such, economic use of resources by public entity could not be confirmed.

Internal control deficiencies

46. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

47. Leadership did not ensure adequate oversight over financial and performance reporting by ensuring that an environment of accountability and adherence

to controls exists within the entity. The financial statements and the annual performance report submitted for auditing contained various misstatements identified by the audit process.

48. The entity did not have an adequate system of records management, as supporting documentation was not readily available for audit. This resulted in significant delays in the submission of audit evidence and in some instances evidence was not submitted for audit.
49. The implementation of action plans to address the prior year audit findings was not adequately monitored, as repeat findings were identified and prior period qualification areas were adequately not addressed.
50. Management did not adequately address the findings from the reviews performed by internal audit and audit committee on the financial statements and the annual performance report.

Auditor-General

Pretoria

01 December 2020



AUDITOR-GENERAL
SOUTH AFRICA

Annexure – Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programme and on the entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
 - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the National Skills Fund to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the

material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

As the Accounting Authority I am required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), to maintain adequate accounting records and I am responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is my responsibility as the Accounting Authority to ensure that the

Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period that ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and in accordance with the PFMA.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. As the Accounting Authority I acknowledge that I am ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable me as the Accounting Authority to meet these responsibilities, I as the Accounting Authority ensure that standards for internal control aimed at reducing the risk of error in a cost effective manner are set. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

As the Accounting Authority I am of the opinion, based on the information and explanations given by management that the system of internal control provides

reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

As the Accounting Authority I have reviewed the entity's cash flow forecast for the year to 31 March 2021 and in the light of this review and the current financial position, I am satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for the independent audit of the entity's Annual Financial Statements and subsequently providing an audit opinion on the entity's Annual Financial Statements.

As the Accounting Authority, I hereby approve the Annual Financial Statements set out in pages 116 to 223 which have been prepared on the going concern basis.



Mr GF Qonde

**Director-General of Higher Education and Training
Accounting Authority of the National Skills Fund
30 October 2020**

STATEMENT OF FINANCIAL POSITION

	Notes	2019/20 R'000	2018/19 Restated R'000
ASSETS			
Non-current assets		1,066,292	863,712
Property, plant and equipment	2	2,563	3,047
Intangible assets	3	22,052	21,664
TVET college infrastructure assets	4	1,041,677	839,001
Current assets		9,471,231	8,414,042
Investments	5	8,064,321	6,658,826
Trade and other receivables from exchange transactions	6	2,093	262
Trade and other receivables from non-exchange transactions	7	4,310	31
Deferred expenditure related to skills development funding	8	1,105,344	1,013,664
Cash and cash equivalents	9	295,163	741,259
Total assets		10,537,523	9,277,754
LIABILITIES			
Current liabilities		(743,872)	(1,021,682)
Trade and other payables from non-exchange transactions	10	(12,999)	(31,499)
Trade and other payables from exchange transactions	11	(57,147)	(29,113)
Accruals from non-exchange transactions	12	(665,141)	(954,336)
Accruals from exchange transactions	13	(5,939)	(4,895)
Provisions	14	(2,646)	(1,839)
Total liabilities		(743,872)	(1,021,682)
Total net assets		9,793,651	8,256,072

STATEMENT OF FINANCIAL POSITION

	Notes	2019/20 R'000	2018/19 Restated R'000
FUNDS CONTRIBUTED BY:			
Capital and reserves		9,793,651	8,256,072
TVET college infrastructure development reserve		2,054,918	2,354,943
Accumulated surplus		7,738,733	5,901,129
Total capital and reserves		9,793,651	8,256,072

The NSF's mandate is to fund skills development as outlined in the Skills Development Act, 1998 (Act No. 97 of 1998) (SDA). Hence, the nature of the NSF is developmental and not profit-driven. The NSF's purpose is not to accumulate large reserves for investment, but to utilise its funds towards skills development and thereby contribute towards unlocking the human potential of South Africa's citizens. Since the dawn of the NSDS III, the NSF's performance with regards to the disbursement of skills development funds has increased consistently and significantly. The NSF started to utilise both its annual income and accumulated reserves to effective use towards funding skills development. The NSF's improved funding performance can be clearly noted through its high level of commitments towards skills development.

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2019/20 R'000	2018/19 Restated R'000
REVENUE			
Revenue from non-exchange transactions		3,660,340	3,504,195
Skills development levies	15	3,656,840	3,496,140
Income from SETAs	16	3,500	8,055
Revenue from exchange transactions		600,420	505,359
Finance income	17	551,744	445,263
Finance income from advance payments to skills development programmes and projects	18	48,676	60,096
TOTAL REVENUE		4,260,760	4,009,554
EXPENSES			
Skills development funding expenses		(2,530,232)	(2,410,267)
Skills development funding	19	(2,517,313)	(2,410,267)
Provision for impairment	7	(12,919)	-
Administrative expenses		(144,570)	(156,636)
Employee costs	20	(81,825)	(70,474)
Operating expenses	21	(57,071)	(80,596)
Management fees and bank charges	22	(2,266)	(1,813)
Depreciation and amortisation	2&3	(3,408)	(3,753)
Levy collection costs		(48,386)	(48,578)
Total expenses		(2,723,188)	(2,615,481)

STATEMENT OF FINANCIAL PERFORMANCE

		2019/20	2018/19
	Notes	R'000	Restated R'000
OTHER INCOME / (EXPENDITURE)			
Loss on disposal of assets	2	(3)	(35)
Fair value adjustments on financial instruments at fair value	5	10	-
Total other income / (expenditure)		7	(35)
Net (deficit) / surplus for the year		1,537,579	1,394,038

The NSF's mandate is to fund skills development as outlined in the SDA. Hence, the nature of the NSF is developmental and not profit-driven. The NSF's purpose is not to accumulate large reserves for investment, but to utilise its funds towards skills development and thereby contribute towards unlocking the human potential of South Africa's citizens. Since the dawn of the NSDS III, the NSF's performance with regards to the disbursement of skills development funds has increased consistently and significantly. The NSF started to utilise both its annual income and accumulated reserves to effective use towards funding skills development. The NSF's improved funding performance can be clearly noted through its high level of commitments towards skills development.

STATEMENT OF CHANGES IN NET ASSETS

	TVET college infrastructure development reserve R'000	Accumulated surplus R'000	Total R'000
Balance as at 1 April 2018	2,354,943	4,507,091	6,862,034
As originally stated	2,354,943	4,463,672	6,818,615
Prior period correction (Note 25)	-	43,419	43,419
Net restated surplus per Statement of Financial Performance	-	1,394,038	1,394,038
Total revenue and other income	-	4,007,653	4,007,653
Total expenses	-	(2,494,266)	(2,494,266)
Prior period correction (Note 25)	-	(119,349)	(119,349)
Balance at 31 March 2019	2,354,943	5,901,129	8,256,072
Balance at 1 April 2019	2,354,943	5,901,129	8,256,072
Net surplus per Statement of Financial Performance	(300,025)	1,837,604	1,537,579
Total revenue and other income		4,260,770	4,260,770
Total expenses	(300,025)	(2,423,166)	(2,723,191)
Balance at 31 March 2020	2,054,918	7,738,733	9,793,651

The NSF's mandate is to fund skills development as outlined in the SDA, 1998 (Act No. 97 of 1998). Hence, the nature of the NSF is developmental and not profit-driven. The NSF's purpose is not to accumulate large reserves for investment, but to utilise its funds towards skills development and thereby contribute towards unlocking the human potential of South Africa's citizens. Since the dawn of the NSDS III, the NSF's performance with regards to the disbursement of skills development funds has increased consistently and significantly. The NSF started to utilise both its annual income and accumulated reserves to effective use towards funding skills development. The NSF's improved funding performance can be clearly noted through its high level of commitments towards skills development.

STATEMENT OF CASH FLOW

	Notes	2019/20 R'000	2018/19 Restated R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from stakeholders and suppliers		3,680,962	3,998,865
Levies, interest and penalties received		3,656,768	3,495,979
Other cash receipts from stakeholders and suppliers		24,194	502,886
Cash paid to stakeholders, suppliers and employees		(3,116,002)	(3,103,681)
Skills development funding disbursements		(2,954,458)	(2,889,698)
Employee costs		(80,024)	(69,438)
Payments to suppliers and other		(81,520)	(144,545)
Cash (utilised)/generated from operations	23	564,960	895,184
Finance income		600,420	505,359
Net cash from operating activities		1,165,380	1,400,543
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	2	(1,551)	(1,098)
Additions to intangible assets	3	(1,764)	(5,272)
Additions to TVET college infrastructure assets	4	(202,676)	(324,423)
Utilisation of/(Additions to) investments		(1,405,485)	(338,095)
Net cash flows from investing activities		(1,611,476)	(668,888)
Increase/(Decrease) in cash and cash equivalents		(446,096)	731,655
Cash and cash equivalents at beginning of the year		741,259	9,604
Cash and cash equivalents at end of the year	9	295,163	741,259

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Notes	Approved and final budget R'000	Actual amounts on accrual basis R'000	(Under) / Over budget R'000	(Under) / Over budget %
REVENUE					
Revenue from non-exchange transactions	33.1	3,715,261	3,660,340	(54,921)	-1.5%
Skills development levies		3,715,261	3,656,840	(58,421)	-1.6%
Income from SETAs		-	3,500	3,500	100.0%
Revenue from exchange transactions	33.2	589,759	600,420	10,661	1.8%
Finance income		531,564	551,744	20,180	3.8%
Finance income from advance payments to skills development programmes and projects		58,195	48,676	(9,519)	-16.4%
Total revenue		4,305,020	4,260,760	(44,260)	-1.0%
EXPENSES					
Skills development funding expenditure	33.3	(4,270,583)	(2,517,313)	(1,753,270)	41.1%
Education and Training		(2,654,751)	(1,923,186)	(731,565)	-27.6%
PSET System Development and Capacity Building		(583,310)	(205,626)	(377,684)	-64.7%
Skills Infrastructure Development		(970,004)	(383,477)	(586,527)	-60.5%
Skills Development Research, Innovation and Advocacy		(62,518)	(5,024)	(57,494)	-92.0%
Provision for impairment		-	(12,919)	12,919	100.0%
Total skills development funding expenses		(4,270,583)	(2,530,232)	(1,740,351)	-40.8%

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Notes	Approved and final budget R'000	Actual amounts on accrual basis R'000	(Under)/Over budget R'000	(Under)/Over budget %
ADMINISTRATIVE EXPENSES					
Employee costs	33.4	(129,847)	(81,825)	(48,022)	-37.0%
Operating expenses	33.5	(139,874)	(57,071)	(82,803)	-59.2%
Management fees and bank charges	33.6	(1,919)	(2,266)	347	18.1%
Depreciation		(8,146)	(3,408)	(4,738)	-58.2%
Total administrative expenses		(279,786)	(144,570)	(135,216)	-48.3%
Levy collection costs	33.7	(54,000)	(48,386)	(5,614)	10.4%
Total expenses		(4,604,369)	(2,723,188)	(1,881,181)	-40.9%
Total other income/(expenditure)		-	7	7	0.0%
Net (defecit)/surplus for the year		(299,349)	1,537,579	1,836,928	-613.6%

ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The financial statements are presented in South African rand which is the functional reporting currency for the NSF and all values are rounded off to the nearest thousands (R'000). The financial statements have been prepared on the accrual basis and assets are revalued. The financial statements have been prepared on the going concern basis and the accounting policies have been consistently applied to all the years presented.

The Accounting Framework of the entity, based on the preceding paragraph is, therefore, as follows:

- GRAP 1: Presentation of financial statements
- GRAP 2: Cash flow statements
- GRAP 3: Accounting policies, changes in accounting estimates and errors
- GRAP 4: The effects in changes in foreign exchange rates
- GRAP 9: Revenue from exchange transactions
- GRAP 13: Leases
- GRAP 14: Events after reporting date
- GRAP 17: Property, plant and equipment
- GRAP 19: Provisions, contingent liabilities and contingent assets
- GRAP 20: Related party disclosures
- GRAP 21: Impairment of non-cash-generating assets
- GRAP 23: Revenue from non-exchange transactions
- GRAP 24: Presentation of budget information in the financial statements
- GRAP 25: Employee benefits
- GRAP 26: Impairment of cash-generating assets
- GRAP 31: Intangible assets
- GRAP 104: Financial instruments
- GRAP 108: Statutory receivables
- GRAP 109: Accounting by principals and agents.

Directives issued and effective:

- Directive 1: Repeal of existing transitional provisions in, and consequential amendments to, standards of GRAP
- Directive 2: Transitional provisions for the adoption of standards of GRAP by public entities, trading entities, municipal entities and constitutional institutions
- Directive 5: Determining the GRAP reporting framework.
- Directive 7: The application of deemed cost on the adoption of standards of GRAP
- Directive 10: Application of the standards of GRAP by public further education and training colleges
- Directive 11: Changes in measurement bases following initial adoption of standards of GRAP
- Directive 12: The selection of an appropriate reporting framework by public entities.

Interpretations of the Standards of GRAP approved:

- IGRAP 1: Applying the probability test on the initial recognition of exchange revenue
- IGRAP 2: Changes in existing decommissioning, restoration and similar liabilities
- IGRAP 3: Determining whether an arrangement contains a lease
- IGRAP 4: Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds
- IGRAP 5: Applying the restatement approach under the standard of GRAP on financial reporting in hyper inflationary economies
- IGRAP 6: Loyalty programmes
- IGRAP 8: Agreements for the construction of assets from exchange transactions
- IGRAP 9: Distributions of non-cash assets to owners
- IGRAP 10: Assets received from customers
- IGRAP 13: Operating leases – incentives
- IGRAP 14: Evaluating the substance of transactions involving the legal form of a lease
- IGRAP 16: Intangible assets – website costs.

ACCOUNTING POLICIES *(continued)*

Approved guidelines of standard of GRAP but not yet effective:

- Guideline on the application of materiality to financial statements 2019

Guidelines of standard of GRAP withdrawn by Accounting Standards Board (ASB):

- Guideline on accounting for public-private partnerships 2019

Effective accrual based on International Public Sector Accounting Standards (IPSAS):

- IPSAS 20: Related parties disclosure

Effective IFRSs and IFRICs that are applied:

- IAS 19 (AC 116): Employee benefits

1.2 Changes in accounting policies, estimates and errors

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise.

The entity changes an accounting policy only if the change:

- Is required by a standard of GRAP; or
- Results in the annual financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions, on the performance or cash flow.

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases, the entity restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases, the entity shall restate the opening balances of assets,

liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Management has taken into account the impact of the Covid-19 pandemic and the national lockdown in South Africa that came into effect from the 27th March 2020. Management has reviewed the accounting policies in determining the appropriateness of the policies in light of the Covid-19 crisis. Management has also taken into account the prescribed legislative reporting requirements for Covid-19. Item or class of item affected by the Covid-19 that management deems to be material either quantitatively or qualitatively have been disclosed in the annual financial statements. Changes in accounting estimates arising from Covid-19 are applied prospectively in accordance with GRAP 3 requirements.

1.3 Critical judgments, estimations and assumptions

In the application of the NSF accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Property, plant and equipment

Management has made certain estimations and judgments with regards to the determination of estimated useful lives, residual values and impairment assessments of items of property, plant and equipment, as discussed further in note 1.10.1.

Intangible assets

Management has made certain estimations with regards to the determination of estimated useful lives, residual values and impairment assessments of items of intangible assets, as discussed further in note 1.10.2.

ACCOUNTING POLICIES *(continued)*

Investments

Management has made certain estimations and judgments with regards to the fair value adjustments and impairment assessment conducted on investments, as discussed further in note 1.12 (including sub-notes).

Deferred expenditure related to skills development funding

Management has made certain estimations with regards to the impairment assessments conducted on deferred expenditure related to skills development funding, as discussed further in note 1.10.5.

Trade and other receivables related to skills development funding

Management has made certain estimations with regards to the impairment assessments conducted on deferred trade and other receivables related to skills development funding, as discussed further in note 1.10.6.

Provisions related to skills development funding

Management has made certain estimations with regards to the calculation of provisions related to skills development funding as discussed further in note 1.11.3.3.

Leases

Management has applied its judgment to classify all lease agreements that the company is party to as operating leases, as they do not transfer substantially all the risks and rewards of ownership to the company. Furthermore, as the operating lease in respect of office equipment is only for a relatively short period of time, management has made a judgment that it would classify the agreement in its entirety as an operating lease.

Management estimations and underlying assumptions were reviewed to take into account the impact of Covid-19 and government interventions where management deems to affect the estimations and assumptions about the carrying amounts of assets and liabilities.

1.4 Going concern assumption

These financial statements have been prepared on the going concern basis. In assessing whether the NSF is a going concern, the Accounting Authority has considered the power to collect skills development levies and impact of Covid-19 on the skills development levies. Covid-19 has resulted in a decline in NSF's revenue mainly due to the impact of the four months skills development levies "tax holiday" and reduction of the investment income. Due to the loss of income as outlined above, the NSF's income will not suffice to service its committed expenditures and as a result thereof the NSF will need to utilise its accumulated surpluses to service its current committed expenditures. Management's assumption on the going concern is based on NSF's ability to honour financial obligations that will arise in the next twelve months from the accumulated surpluses. The NSF surplus reserves will enable it to continue operating as a going concern.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by the standard.

1.6 Comparative information

Budget information in accordance with GRAP 1 has been provided in the notes to the financial statements for the current financial year only, and forms part of the audited interim financial statements.

When the presentation or classification of items in the annual financial statements is amended, the prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Budget information in accordance with GRAP 1 has been provided in the notes to the financial statements for the current financial year only, and forms part of the annual financial statements. Management assessed impact of Covid-19 on

ACCOUNTING POLICIES *(continued)*

the current year budget and the reprioritisation of skills development interventions.

1.7 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Events after reporting date that are classified as adjusting events have been accounted for in the interim financial statements. Events after reporting date that have been classified as non-adjusting events have been disclosed in the disclosure notes to the annual financial statements.

Management has assessed events both favourable and unfavourable that have occurred after the reporting date as result of Covid-19. Management disclosed in the annual financial statement which are adjusting events and events which are non-adjusting have not been disclosed.

1.8 Revenue recognition

Revenue is recognised when its probable that future economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

Accounting policy 1.8.1 on revenue from non-exchange transactions and accounting policy 1.8.2 on revenue from exchange transactions describes the conditions under which revenue will be recorded by the management of the entity.

In making their judgment, the management considered the detailed criteria for recognition of revenue as set out in GRAP 9 (revenue from exchange transactions). The management of the entity is satisfied that recognition of the revenue in the current year is appropriate.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of value added tax.

1.8.1 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no obligation or condition to repay the amount.

1.8.1.1 Skills development levy (SDL) income

Skills development levy (SDL) transfers are recognised when it is probable that future economic benefits can be measured reliably, and occurs when the Department of Higher Education and Training (DHET) makes the allocation or the payment, whichever event comes first, to the NSF as required by section 8 of the Skills Development Levies Act, 1999 (Act No. 9 of 1999). SDL income is measured at fair value of the consideration received and is based on the information supplied by the DHET.

ACCOUNTING POLICIES *(continued)*

In terms of section 3(1) and 3(4) of the SDL Act, registered member companies pay a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS), that collects the levies on behalf of the DHET. Twenty per cent (20%) of the skills development levies are paid over to the NSF and 80% to the SETAs.

The NSF's SDL income is set aside in terms of the SDA as amended for the purpose of:

	2020	2019
Other operating expenditure of the NSF	10%	10%

According to section 28(2) of the SDA, the Accounting Authority approved the utilisation of 10% of the money allocated to the fund in terms of section 8(3)(a) of the SDL Act to administer the fund. The utilisation of the 10% allocation may be applied for short term employee benefits as well as other operating expenses.

1.8.1.2 State contributions

State contributions represents unconditional grants received from the DHET and are measured at fair value of the consideration received.

1.8.1.3 Income from SETAs towards TVET college infrastructure development

Skills Development Circular No. 08/2013 stipulates the role of SETAs with regards to the TVET college infrastructure development. In terms of the circular, each SETA contribution towards the TVET college infrastructure development is a fixed amount, which was based on 4.8% of the SETAs estimated Discretionary Grant.

Income from SETAs towards the TVET college infrastructure development is recognised at fair value of the consideration received in the TVET college infrastructure development reserve. As such funding is specifically received for use towards the TVET college infrastructure development. The related TVET college infrastructure development expenditure is also recognised against the TVET college infrastructure development reserve.

1.8.1.4 Finance income from SETA receivables for TVET college infrastructure development

Finance income represents interest earned on SETA receivables for TVET college infrastructure development and is accrued on a time proportion basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

1.8.1.5 Income from SETAs towards INDLELA development and recapitalisation

Income from SETAs towards the INDLELA development and recapitalisation is recognised at fair value of the consideration received.

1.8.1.6 Finance income on discounted trade receivables from non-exchange transactions

Finance income represent interest earned on discounted trade receivables from non-exchange transaction and debtors is accrued on amortised basis, using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

1.8.2 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

1.8.2.1 Finance income (from exchange transactions)

Finance income represents interest earned on investments and is accrued on a time proportion basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

1.8.2.2 Other income

Other income represents interest received by the training providers on the advance payments affected by NSF based on the approved memorandum of agreement entered into between the parties. This interest received by the training providers is utilised to incur project expenditure on behalf of the NSF.

ACCOUNTING POLICIES *(continued)*

Other income is accrued on a time proportion basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

1.9 Expenditure

1.9.1 Collection costs paid to SARS

In terms of section 10(2) of the SDL Act, the Accounting Authority must, on a monthly basis as may agreed between SARS and the Accounting Authority, settle the costs of collection by SARS from the levies paid into the NSF. The total amount of the collection costs, may not exceed 2% of the total amount of the levies collected by SARS.

1.9.2 NSF 10% employee costs and other operating expenses

According to section 28(2) of the SDA, the Accounting Authority approved the utilisation of 10% of the money allocated to the fund in terms of section 8(3)(a) of the SDL Act to administer the fund. The utilisation of the 10% allocation may be applied for short term employee benefits as well as other operating expenses.

1.9.3 Short term employee benefits

Short term employee benefits comprise salaries, paid annual leave, paid sick leave, thirteenth cheques, performance bonuses and non-monetary benefits such as medical care, housing and car allowances. The cost of short term employee benefits is charged to the Statement of Financial Performance as employee cost in the year to which they relate, except for non-accumulating benefits which are only recognised when the specific event occurs.

Short term employee benefits that give rise to a present legal or constructive obligation are included in the Statement of Financial Position as accruals in the year to which they relate.

1.9.4 Skills development funding expenditure

Skills development funding expenditure comprise:

- costs that relate directly to the specific contract with the skills development provider;
- costs that are attributable to contract activity in general and can be allocated to the project; and

- such other costs as are specifically chargeable to the NSF under the terms of the contract.

Skills development funding expenditure is recognised as expenses in the period in which they are incurred.

The NSF allocates funds in respect of skills development to training providers in terms of approved memorandums of agreements entered into between the parties. Funds not spend by the training providers at year-end are accounted for as deferred expenditure in the financial statements of the NSF until the related eligible project expenses are incurred by the training providers and the relating expenditure recognised. If eligible expenses are not incurred, the amount allocated to the training providers should be refunded to the NSF including any accrued interest upon finalisation of the close-out report or upon termination of the contractual agreement by the NSF due to non-compliance by the provider.

1.9.5 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is recognised as expenditure in the Statement of Financial Performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable, it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

1.9.6 Irregular expenditure

Irregular expenditure comprises expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including: the PFMA, the State tender Board Act, 1968 (Act No. 86 of 1968, or any regulation made in terms of that Act), or any provincial legislation providing for the procurement procedures in that provincial government.

Irregular expenditure is recognised as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as an asset until it is recovered or written off as irrecoverable.

ACCOUNTING POLICIES *(continued)*

If irregular expenditure is not condoned by the relevant authority, it must be recorded appropriately in the relevant note to the financial statements. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is legally liable. Immediate steps must thereafter be taken to recover the amount from the person concerned.

1.10 Assets

1.10.1 Property, plant and equipment

The Director-General of Higher Education and Training is the Accounting Authority of the NSF in terms of the PFMA and must control the fund.

Property, plant and equipment are tangible non-current assets that are held for use in the supply of goods and services and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the NSF; and
- The cost or fair value of the item can be measured reliably.

Depreciation of an asset begins when it is available for use, that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the NSF. Depreciation of an asset ends when it has reached its useful life.

Subsequent to initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment.

Property, plant and equipment comprise mainly of computer equipment, office equipment, office furniture and office appliances.

The carrying amount of an item of property, plant and equipment shall be derecognised:

- On disposal (including disposal through a non-exchange transaction); or
- When no future economic benefits or service potential is expected from its used or disposal.

Property, plant and equipment is stated at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using the straight-line method to allocate the cost to the residual values over their estimated useful lives, as follows:

- Computer equipment: 3 years
- Office equipment: 5 years
- Office furniture: 5 years
- Office appliances: 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset can reach full depreciation when its useful life expires.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the surplus/deficit.

1.10.2 Property, plant and equipment acquired by project implementing agencies for NSF special projects

Property, plant and equipment acquired by project implementing agencies for NSF special projects are capitalised in the financial statements of the respective agencies, as the agencies control such assets for the duration of the project.

1.10.3 Intangible assets

The Director-General of Higher Education and Training is the Accounting Authority of the fund in terms of the PFMA and must control the fund.

ACCOUNTING POLICIES *(continued)*

Intangible assets comprise mainly of computer software. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- a) It is technically feasible to complete the asset so that it will be available for use or sale.
- b) There is an intention to complete and use or sell it.
- c) There is an ability to use or sell it.
- d) It will generate probable future economic benefits or service potential.
- e) There are available technical, financial and other resources to complete the development and to use or sell the asset.
- f) The expenditure attributable to the asset during its development can be measured reliably.

Amortisation of the intangible asset will begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation will end when the intangible assets has reached its useful life.

Amortisation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Computer software: 3 years
- Microsoft Dynamics ICT system: 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An intangible asset shall be derecognised:

- On disposal (including disposal through a non-exchange transaction); or
- When no future economic benefits or service potential are expected from its use or disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the surplus/deficit.

1.10.4 TVET college infrastructure assets

TVET college infrastructure assets comprise of TVET college campuses developed on behalf of the respective colleges.

The TVET college infrastructure development is financed by the NSF and is centrally implemented by the DHET as the implementing agency for the NSF. The ultimate beneficiaries of the TVET college infrastructure assets are the respective colleges to whom the assets will be transferred upon completion thereof.

The NSF shall recognise the cost of the TVET college infrastructure assets as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the NSF; and
- (b) the cost or fair value of the item can be measured reliably.

The NSF shall derecognise the TVET college infrastructure asset upon transfer thereof to the respective colleges.

The TVET college infrastructure assets are stated at cost less accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items, which includes site preparation costs.

1.10.5 Deferred expenditure related to skills development funding expenditure

Deferred expenditure on skills development funding consists of funds (resources) prepaid to the SDPs, but controlled by the NSF via the contractual agreements with the SDPs. The funds were received in the past from the NSF's revenue streams (mainly SDL income and investment income). It is expected to generate future service potential for the NSF by enabling the NSF to fund future skills development provided to the intended beneficiaries as it is mandated to do.

Deferred expenditure is initially recognised at cost and subsequently measured at fair value less any provision for impairment.

Deferred expenditure on skills development funding is initially recognised at the following dates:

- a) Date at which the funds for future skills development activities is paid by the NSF to the SDP; and

ACCOUNTING POLICIES *(continued)*

- b) Date at which interest on these funds advanced accrues to the SDP, but should be utilised for purposes of the programme or project in accordance with the contractual agreement and approved scope, budget and implementation plan for the programme or project.

Any subsequent interest that is earned on advances or prepayments is recognised as part of the deferred expenditure on skills development funding balance. In terms of the contractual agreement, interest earned on the dedicated project bank account or cost centre must be used for the sole purpose of the programme or project as per the approved programme or project scope, budget and implementation plan.

Deferred expenditure on skills development funding is derecognised as an asset in the Statement of Financial Position by recognition of the skills development funding expense in the Statement of Financial Performance once the funds advanced or prepaid has been verified by the NSF as used for valid skills development activities that are aligned to the contractual agreement and approved scope, budget and implementation plan. This is at the date at which the financial drawdown report was checked and approved by the responsible NSF project director.

Any advance or prepayment, incl. accrued interest thereon, or portion thereof that have not yet been used for skills development activities aligned to the contractual agreement and approved scope, budget and implementation plan, during the verification of the financial drawdown report above, shall not be derecognised as deferred expenditure on skills development funding. It shall remain as such until the advance or prepayment has been verified as used towards skills development activities that are aligned the contractual agreement and approved scope, budget and implementation plan.

1.10.6 Trade and other receivables from non-exchange transactions

Receivables from non-exchange transactions consists of funds previously advanced to SDPs, including accrued interest, which becomes refundable back to the NSF upon finalisation of the close-out report or termination of the contractual agreement, as outlined in the terms and conditions of the contractual agreements with the SDPs.

It is a receivable and meets the definition of an asset in terms of GRAP 1 (par.5) as result of the following past events:

- a) The programme or the project ended with the finalisation of the close-out report; or
- b) The programme or project was cancelled and the contract terminated because of non-compliance by the SDP to the contractual agreement, which is evidenced by the NSF issuing a signed-off letter to the SDP as a notification of cancellation of the programme or project and demand to the SDP to refund the balance owing to the NSF.

Receivables related to the skills development funding are initially recognised at the following trade dates in accordance with GRAP 104 (par. 24):

- a) At the end of the programme or project, and upon finalisation and sign-off of the close-out report by the NSF; or b) Upon issuing of the termination letter to the SDP, due to non-compliance to the contractual agreement.

The receivables from SDPs are subsequently measured at amortised cost less provision from impairment in accordance with GRAP 104 (par. 45 and 46). The receivable from skills development funding has a short duration, the amount owed by the SDP is refundable within 30 days of recognition with no stated interest rate, which is usually measured at original invoice amount.

GRAP 104's Application Guide paragraph AG114. states that often it will not be necessary to undertake a formal effective interest rate calculation. This may be because the instrument is a short duration receivable with no stated interest rate (which is usually measured at original invoice amount).

Furthermore, the receivables related to skills development funding is subsequently measured at the original amount as per the following supporting documents (regarded as the original invoice) in accordance with GRAP 104's Application Guidance paragraph AG114:

- a) The close-out report; or
- b) The notification letter issued by the NSF to SDPs for cancellation of the programme or project and termination of the contract due to non-compliance by the SDP with the contractual agreement.

Receivables relating to skills development funding in terms of GRAP 104 par. 68, shall be derecognised when those receivables are settled by SDPs and also when the debt is uncollectable after following the legal process. The debt will then be written off.

Receivables from Skills Development Funding are recognised as a financial asset

ACCOUNTING POLICIES *(continued)*

in the Statement of Financial Position and also as the NSF is party to the contractual provisions of the instrument.

1.10.7 Statutory Receivables

Statutory receivables are receivables that arise from the operation of a legal statute and are settled in cash or another financial asset. These arise from both exchange and non-exchange transactions. These are initially recognised at their transaction amount and subsequently measured according to the cost method.

Statutory receivables to NSF relates to the SDL income collected by SARS through the National Revenue Fund and owed to the NSF at the reporting date. The amount due to the NSF is calculated as required by section 8 of the SDL Act. The Director-General must within 14 days after receipt of notification from SARS authorise the transfer of 20% of the SDL to the NSF.

Statutory receivables are recognised as a receivable in the Statement of Financial Position. If the rights to the cash flows from the receivable are settled, the receivable is then derecognised.

1.10.8 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

In terms of section 29(2) of the SDA any money in the fund not required for immediate use should be invested with the Public Investment Corporation (PIC). Cash and cash equivalents are measured at fair value.

For purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in financial instruments.

1.11 Liabilities

1.11.1 Leave and bonus accruals

The entity has opted to treat its provision for leave and bonus pay as an accrual.

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. An accrual is recognised for the estimated liability as a result of services rendered by employees up to the reporting date. Accruals related to employee benefits included in the Statement of Financial Position includes annual leave, capped leave, thirteenth cheque as well as performance bonus commitments at year end (based on current salary rates).

The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. The entity recognises the expected cost of performance bonuses only when the entity has a present legal or constructive obligation to make such payment and a reliable estimate can be made. No accrual is made for post retirement benefits, as the NSF does not provide for such benefits for its employees.

1.11.2 Accruals and payables related to skills development funding

In terms of GRAP 19 paragraph 18(b) which states that accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay).

Accruals related to skills development funding meets the definition of a liability as per GRAP 1 paragraph .5 as follows:

Present obligation:

The NSF has a present legal obligation to fund the valid skills development activities provided by the SDP in accordance with the signed contractual agreement and approved scope, budget and implementation plan. The legal obligation is derived from the signed contractual agreement between the NSF and the SDP. The NSF does not have a legal obligation to fund invalid activities that have not been provided in accordance with the signed contractual agreement and approved scope, budget and implementation plan.

Past events:

The obligation arises from the valid skills development activities provided by the SDP in the past, that was provided in accordance with the signed contractual

ACCOUNTING POLICIES *(continued)*

agreement and approved scope, budget and implementation plan.

Outflow of resources:

It is expected that the liability will be settled via the outflow of cash once it has been formally verified and agreed upon through the financial drawdown report or close-out report process.

The accruals related skills development funding meets the definition of an accrual based on the following basis:

- a) The skills development activities provided by the SDP was provided before year-end;
- b) But the SDP has not yet formally been claimed the expenditure from the NSF via a financial drawdown report or close-out report at year-end (in other words invoiced the NSF); and
- c) The expenditure has thus not yet formally been agreed upon between the NSF and SDP at year-end. Formal agreement between the NSF and SDP only occurs at the point when the financial drawdown report or close-out report is signed-off by the NSF project director. Before the financial drawdown report or close-out report is signed-off by the NSF project director, the financial drawdown report or close-out report is prepared by the SDP project manager and submitted to the NSF project manager who then first verifies the expenditure claimed. Once the NSF project manager is satisfied, the report is submitted to the NSF fund manager to check general financial reconciliations on the report before it is submitted to the SDP executive and NSF project director for approval and sign-off. Thus, there is not a formal agreement until this process has been completed. Only once this processes has been completed is there a formal agreement and thus payable to be recognised.

Accruals related to skills development funding are initially recognised at cost, which represent the fair value thereof and subsequently recognised at cost.

- a) The financial drawdown report is signed-off by the NSF project director;
- b) The close-out report is signed-off by the NSF project director; or
- c) The notification letter to cancel the programme or project is issued by the NSF.

The payable related to skills development funding shall be derecognised upon sign -off the financial drawdown report or close-out report. Any activity (goods

and services) undertaken by the SDP that is not aligned to the contractual agreement and approved scope, budget and implementation plan, during the verification of the financial drawdown report above, shall not be recognised as a liability, neither an accrual related skills development funding, nor a payable related to skills development funding. The NSF does not have a liability to fund or pay for invalid activities undertaken by SDP. Payables and accruals related to skills development funding are recognised as a liability in the Statement of Financial Position because of skills development activities provided by the SDPs to the intended beneficiaries or for the benefit of the intended beneficiaries (goods and services) before year-end, which have not yet been paid, invoiced or formally agreed upon between the NSF and the SDPs. The skills development activities provided by the SDPs are for the benefit of the intended beneficiaries and not to the benefit of the NSF, but relates to the NSF's service potential.

1.11.3 Provisions

In terms of GRAP 19 a provision is defined as a liability of uncertain timing or amount. Provisions can be distinguished from other liabilities such as payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement.

1.11.3.1 Provision for levies less than threshold

Section 4(b) of the SDL Act, stipulates that employers with a total yearly remuneration expense of below R500,000 are exempt from contributing skills development levies. In practice it does happen that some of these exempted employers contribute skills development levies. As a result, they are entitled to claim their contributions back. There is uncertainty over the timing and amount of the provision for levies paid below threshold, as the NSF does not know the amount or time of contributions that will be claimed back in the future. For purposes of calculating the provision, management expects the future claims to be in line with the historic levies less than the threshold claimed back. The historic levies less than the threshold claimed back in comparison with total skills development levies received is used as a basis for estimating the provision.

ACCOUNTING POLICIES *(continued)*

1.11.3.2 Provision for performance bonuses

Performance bonuses are provided for based on the NSF's past practice to pay annual performance bonuses. Uncertainty exists over the amount and the timing of the performance bonuses as the NSF has not yet completed the performance assessments at year-end and determined the performance bonus payable. Management estimates the performance bonus payable to be in line with the prior period's performance bonus paid with an average increase for inflation.

1.11.3.3 Provisions related to skills development funding

GRAP 19 defines a provision as a liability of uncertain timing or amount. Provisions can be distinguished from other liabilities such as payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. A legal obligation is an obligation that derives from: (a) a contract (through its explicit or implicit terms); (b) legislation; or (c) other operation of law. Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Provisions related to skills development funding are provided on skills development programmes and projects for skills development activities that have not yet been verified from the last verified date up to financial year-end or contract end date, whichever occurs first.

Uncertainty exists over the amount and timing of these skills development activities as the NSF has not yet received and verified the reports related to those skills development programmes and projects to determine the skills development activities undertaken and the expenditure incurred therefore. Provisions from skills development programmes and projects are estimated on an annual basis. These estimates and underlying assumptions are reviewed on an ongoing basis. For purposes of the provision calculations, management deems the skills development activities be rendered equally over the original contract term, while taking into consideration historical performance trends on each contract. These estimates are based on the remaining portion of the contract for a specific year that has not been invoiced or claimed by the training providers. Actual results may differ from these estimates. Provision recognised for the relevant financial year is deducted from the remaining contract commitment.

The estimate for the provision is made for projects for the period after the last quarterly report verified and the reporting date. The estimation is based on the contract value, start date and end date of the project, as well as the reporting date. A daily contract value is calculated, as well as the number of days from the last quarter verified until the reporting date. This is multiplied by the average pay-out ratio for that group of projects. The provision is limited to the amount raised as deferred expenditure.

Management estimates the provision related to skills development funding on the following assumptions: It is assumed that the skills development project or programme will continue with skills development activities after the last verified date up to the end of the contract.

It is assumed that the skills development project or programme's actual expenditure trend for the period after the last verified date will be in line with the actual expenditure trend for the historic verified period. If no historic verified period for the specific project exists yet, it is assumed that the project's actual expenditure trend for the period after the last verified date will be in line with the average actual expenditure trend for the historic verified period for similar projects.

It is assumed that the skills development project or programme's expenditure incurred for the period after the last verified date will not exceed the prepayment made to the project or programme. This assumption is on the basis that a programme or project will only undertake skills development activities if the programme or project is able to pay for those activities as and when it happens or shortly thereafter. Skills development activities will therefore only be undertaken if the project or programme has the cash on hand for those activities.

1.12 Financial instruments

The entity has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities. The classification of financial assets and liabilities, into categories, is based on judgment by management.

Financial assets and financial liabilities are recognised on the NSF Statement of Financial Position when the NSF becomes a party to the contractual provisions of the instrument.

ACCOUNTING POLICIES *(continued)*

Financial instruments are initially measured at fair value. Subsequent to initial recognition these instruments are measured as set out below.

1.12.1 Financial assets – classification

A financial asset is any asset that is a cash or contractual right to receive cash. The entities principle financial assets as reflected on the face of the Statement of Financial Position are classified as follows:

- Cash and cash equivalents;
- Financial assets at fair value; and
- Trade and other receivables.

In accordance with GRAP 104, the financial assets of the entity are classified as follows into the categories as allowed by the standard:

Type of financial asset	Classification in terms of GRAP 104
Cash and cash equivalents	Financial assets at fair value
Financial assets at fair value through surplus or deficit	Financial assets at amortised cost
Trade and other receivables	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in financial instruments. The entity categorises cash and cash equivalents as financial assets: loans and receivables.

Financial assets at fair value are financial assets that meet either of the following conditions:

- They are classified as held for trading; or
- Upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months, which are classified as non-current assets. Loans and receivables are initially measured at cost which represents fair value. After initial recognition financial assets are measured at amortised cost, using the effective interest method less provision for impairment.

1.12.2 Financial liabilities – classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity, or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity. The entities principal financial liabilities relates to accounts payable which are classified as follows on the face of the Statement of Financial Position:

- Trade and other payables.

There are two main categories of financial liabilities, the classification based on how they are measured. Financial liabilities may be measured at:

- Fair value through surplus or deficit; or
- At amortised cost using the effective interest method.

Financial liabilities at fair value are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through surplus or deficit are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as other financial liabilities and are initially measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with GRAP 104, the financial liabilities of the entity are all classified as “other financial liabilities”.

ACCOUNTING POLICIES *(continued)*

1.12.3 Initial and subsequent measurement

1.12.3.1 Financial assets: Financial assets at fair value through surplus/deficit

Money market financial instruments are initially and subsequently measured at fair value. It is the policy of the NSF to account for changes in the fair value of monetary securities classified at fair value, through the Statement of Financial Performance. The fair value adjustment is calculated between the difference of the market value at the end of the reporting period and the cost of the investment. These investments are revaluated once a year at the end of the reporting period.

1.12.3.2 Financial assets

Trade and other receivables from exchange transactions

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade and other receivable from non-exchange transaction

Trade and other receivable from non-exchange are initially recognised at trade date and subsequently measured at amortised costs less provision for impairment. The receivable from skills development funding has a short duration, the amount owed by the SDP is refundable within 30 days of recognition with no stated interest rate, which is usually measured at original invoice amount.

1.12.3.3 Financial liabilities: Trade and other payables

Trade and other payable financial instruments are measured at amortised cost using the effective interest rate method. Accruals represent goods/services that have been received together with an accompanied invoice but final authorisation to affect payment has not been effected. Accruals are recognised in the Statement of Financial Position as trade and other payables.

1.12.4 Impairment of financial assets

Financial assets, other than those at fair value through surplus or deficit, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence, the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Accounts receivable are initially valued at cost, which represents fair value, and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for a provision for impairment based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

Unless the NSF has observable data to its disposal that indicates otherwise, receivables related skills development funding balances that passed the 30 days age is considered as an indication of impairment, since the balances has to be settled within 30 days. The policy of the entity as at reporting date is described below:

- ageing of 31 to 60 days: 100% of these receivables balances are still regarded as recoverable;
- ageing of 61 to 90 days: 75% of these receivables balances as recoverable;
- ageing of 91 to 120 days: 50% of these receivables balances are still regarded as recoverable;
- ageing of 121 to 150 days: 25% of these receivables balances are still regarded as recoverable; and
- ageing of over 150 days: 0% of these receivables balances are still regarded as recoverable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes

ACCOUNTING POLICIES *(continued)*

in the carrying amount of the allowance account are recognised in the Statement of Financial Performance. When the receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the Statement of Financial Performance.

1.12.5 Impairment and gains and losses from subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value shall be recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.12.6 Derecognition of financial assets

A financial asset or a portion thereof is derecognised when the NSF realises the contractual rights to the benefits specified in the contract, the rights expire, the NSF surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in capital and reserves is included in net surplus or deficit for the period.

If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.12.7 Derecognition of financial liabilities

A financial liability or a part thereof is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in net surplus or deficit for the period.

1.12.8 Fair value considerations

The fair values at which financial instruments are carried at the reporting date have been determined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the NSF could realise in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair value due to the short-term trading cycle of these items.

1.12.9 Risk management of financial assets and liabilities

It is the policy of the entity to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed on the reporting date.

Risks and exposure are disclosed as follows:

1.12.9.1 Credit risk:

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

1.12.9.2 Liquidity risk:

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 27 to the annual financial statements.

ACCOUNTING POLICIES *(continued)*

1.13 Related parties

1.13.1 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related party transactions are classified by the entity as those transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.13.2 Key management personnel

Key management personnel is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The Executive Officer (EO) of NSF on post level 15 is currently regarded as being at key management level including employees on levels 14 and 13 or below acting in the position of the EO. Transactions conducted with key management, as well as with close family members of key management, is regarded as related party transactions. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.14 Commitments and earmarked funds

1.14.1 Commitments

Commitments only include funds that have been committed contractually at year-end. Funds committed contractually are commitments where the NSF has a contractual obligation to fund the skills development programme/project or

administrative projects. With a contractual obligation, there is a written agreement with specific terms between the NSF and third party, whereby the third party undertakes to perform certain deliverables as outlined in the agreement. Performance on these deliverables will obligate the NSF to make payment.

1.14.2 Earmarked funds

Earmarked funds includes the following:

i. Funds earmarked towards skills development programmes and projects, that have been approved at year-end, but not yet contracted

Funds earmarked towards skills development programmes/projects, that have been approved at year-end, but not yet contracted are skills development programmes/projects that have been approved by the Director-General of Higher Education and Training as at year-end, but have not yet been contracted as contracting is still in process as at year-end and will be concluded after year-end.

ii. Funds earmarked towards skills development programmes and projects, that have been recommended for approval at year-end, but have not yet been approved or contracted

Funds earmarked towards skills development programmes and projects, that have been recommended for approval at year-end, but have not been approved and contracted are skills development programmes/projects that have been recommended to the Director-General of Higher Education and Training for approval before year-end for which approval and contracting will take place after year-end.

iii. Funds earmarked towards constructive commitments arising from annual allocations to ongoing skills development programmes and projects

Funds earmarked towards constructive commitments are funds that the NSF commits on an annual basis towards ongoing skills development programmes and projects. Due to the established pattern of past practice, the NSF has created a valid expectation on the part of the third parties, that it will continue to fund these skills development programmes and projects on an annual basis.

ACCOUNTING POLICIES *(continued)*

iv. Funds earmarked towards constructive commitments, which contractual agreements expired as at financial year-end, but are likely to be extended due to the projects not being completed yet

Funds earmarked towards constructive commitments, which contractual agreements expired as at financial year-end, but is likely to be extended due to the projects not being completed yet consists of contracts that have expired as at financial year-end, but the NSF has a constructive obligation to ensure those projects are still completed and therefore the balances for these contracts are recognised as a constructive contractual commitment.

1.15 Contingent assets and contingent liabilities

Management judgement is obtained through the services of legal counsel when disclosing contingent assets and liabilities. The probability that an inflow or outflow of economic resources will occur due to past events, which will only be confirmed by the occurrence or non-occurrence of one or more future events as well as any possible financial impact is disclosed based on management estimation in the disclosure notes.

1.16 Defined contribution plans

A defined contribution plan is a plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The NSF provides for retirement benefits for all its permanent employees through a defined contribution scheme that is subject to the Pension Funds Act, 1956 as amended. In terms of the Pension Funds Act, the fund is not required to be actuarially valued. Contributions are at a rate of 13% of pensionable emoluments. The entity's contributions to the defined benefit contribution scheme are established in terms of the rules governing the scheme.

Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The entity has no further payment obligations once the contributions have been paid.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Property, plant and equipment

Reconciliation of cost to net book value

Owned assets	2019/20 R'000			2018/19 R'000		
	Cost	Accumulated depreciation	Carrying Value	Cost	Accumulated depreciation	Carrying Value
Computer equipment	17,976	(16,880)	1,096	17,268	(15,773)	1,495
Office furniture	4,978	(3,761)	1,217	4,280	(3,128)	1,152
Office appliance	239	(191)	48	220	(149)	71
Office equipment	1,128	(926)	202	1,054	(725)	329
Total	24,321	(21,758)	2,563	22,822	(19,775)	3,047

Reconciliation of opening to closing net book value

Owned assets	Carrying value at beginning of year	2019/20 R'000			Carrying value at end of year
		Additions	Disposals	Depreciation	
Computer equipment	1,495	760	(3)	(1,156)	1,096
Office furniture	1,152	698	-	(633)	1,217
Office appliance	71	19	-	(42)	48
Office equipment	329	74	-	(201)	202
Total	3,047	1,551	(3)	(2,032)	2,563

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

Reconciliation of opening to closing net book value

Owned assets	Carrying value at beginning of year	Additions	2018/19 R'000		Carrying value at end of year
			Disposals	Depreciation	
Computer equipment	3,069	616	(35)	(2,155)	1,495
Office furniture	1,526	428	-	(802)	1,152
Office appliance	91	20	-	(40)	71
Office equipment	501	34	-	(206)	329
Total	5,187	1,098	(35)	(3,203)	3,047

3. Intangible assets

Reconciliation of cost to net book value

Owned assets	2019/20 R'000			2018/19 R'000		
	Cost	Accumulated amortisation	Carrying	Cost	Accumulated amortisation	Carrying
Computer software	2,527	(2,527)	-	2,527	(2,527)	-
Integrated Microsoft Dynamics ERP system	23,910	(1,858)	22,052	22,146	(482)	21,664
Total	26,437	(4,385)	22,052	24,673	(3,009)	21,664

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

Reconciliation of opening to closing net book value

Owned assets	Carrying value at beginning of year	Additions	2019/20 R'000		Carrying value at end of year
			Disposals	Depreciation	
Computer software	-	-	-	-	-
Integrated Microsoft Dynamics ERP system	21,665	1,764	-	(1,376)	22,053
Total	21,665	1,764	-	(1,376)	22,053

During the 2019/20 financial year, the NSF has started to deploy its integrated Microsoft Dynamics ERP system. This system will integrate all NSF functions with regards to the funding of skills development programmes and projects into the financial and performance reporting system to allow for more effective and efficient monitoring and reporting on skills development programmes and projects. Skills development programmes and projects will progressively go live on the SDP App (part of the integrated system) to become fully operational during the 2020/21 financial year.

Reconciliation of opening to closing net book value

Owned assets	Carrying value at beginning of year	Additions	2018/19 R'000		Carrying value at end of year
			Disposals	Amortisation	
Computer software	68	-	-	(68)	-
Integrated Microsoft Dynamics ERP system	16,875	5,272	-	(482)	21,665
Total	16,943	5,272	-	(550)	21,665

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

4. TVET college infrastructure assets

Reconciliation of cost to net book value

TVET college infrastructure assets		2019/20 R'000			2018/19 R'000		
Site	TVET College	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Aliwal North	Ikhala	104,951	-	104,951	50,572	-	50,572
Balfour	Gert Sibande	26,639	-	26,639	11,947	-	11,947
Bhambanana	Umfoloji	138,301	-	138,301	173,310	-	173,310
Giyani	Letaba	-	-	-	10,362	-	10,362
Graaff-Reinet	Eastern Cape Midlands	96,735	-	96,735	48,491	-	48,491
Greytown	Umgungundlovu	63,533	-	63,533	17,357	-	17,357
Kwagqikazi	Mthashana	50,577	-	50,577	18,756	-	18,756
Msinga	Umgun-gundlovu	94,134	-	94,134	40,131	-	40,131
Ngqungqushe (Lusikisiki)	Ingwe	85,894	-	85,894	31,818	-	31,818
Nkandla A	Umfoloji	-	-	-	211,667	-	211,667
Nkandla B	Umfoloji	-	-	-	10,338	-	10,338
Nongoma	Mthashana	115,251	-	115,251	36,031	-	36,031
Sterkspruit	Ikhala	110,736	-	110,736	51,119	-	51,119
Umzimkhulu	Esayidi	102,515	-	102,515	64,353	-	64,353
Vryheid	Mthashana	-	-	-	10,338	-	10,338
Mount Frere	Ingwe	17,776	-	17,776	17,776	-	17,776
Siteto Mbizana	Ingwe	18,553	-	18,553	18,553	-	18,553
Maluti	Ingwe	8,602	-	8,602	8,602	-	8,602
Mount Fletcher	Ingwe	7,480	-	7,480	7,480	-	7,480
Total		1,041,677	-	1,041,677	839,001	-	839,001

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

4. TVET college infrastructure assets reconciliation of cost to net book value *(continued)*

TVET college infrastructure assets comprise the TVET college campuses noted on page 144 that are still in development as at year end. The TVET college campuses are being developed on behalf of the respective TVET colleges. The ultimate beneficiaries of the TVET infrastructure assets are the respective TVET colleges as to whom the assets will be transferred upon completion. The NSF recognises the assets while under construction until completion and transfer thereof to the respective TVET colleges.

Skills Development Circular No. 08/2013 calls on the NSF and SETAs to contribute towards funding the TVET college infrastructure development in support of Goal 4.3 of the National Skills Development Strategy (NSDS) III, which promotes growth of the public TVET college system that is responsive to sector, local, regional and national skills needs and priorities.

The SETAs contribution of R1 billion was paid over to the NSF as an unconditional grant. The TVET college infrastructure development is financed by the NSF and is centrally implemented by the DHET as the implementing agency for the NSF.

The impact of the Covid-19 pandemic on the TVET infrastructure has resulted in delays at the eleven construction sites and revision of the completion dates of the projects. Furthermore, the health and safety plans of the construction sites have also been revised to cater for Covid-19 requirements, which is likely to have further financial implications. The plans were approved after year-end for the resumption of activities on sites to adhere to the required regulations.

Initial costs for design of the sites have been completed and construction commenced at most sites during the 2018/19 financial year. The TVET college campuses were still in development as at year-end.

The disposal of the Nkandla A site and certain portions of the Bhambanana site is due to these being put into use by the respective TVET colleges during the 2019/20 financial year. The disposal of the Vryheid site, Giyani site and Nkandla B site is due to these sites no longer being managed by the DHET under the agency agreement with the NSF. These are now funded and managed by the DHET on behalf of the respective TVET colleges and is funded directly by the respective colleges. Thus, the initial costs capitalised towards these sites are derecognised as they no longer forms part of the principal-agent arrangement between the NSF and DHET.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

4. TVET college infrastructure assets

Reconciliation of cost to net book value (continued)

TVET college infrastructure assets		2019/20 R'000				
Site	TVET College	Carrying value at beginning of year	Additions	Disposals	Impairment	Carrying value at end
Aliwal North	Ikhala	50,572	54,378	-	-	104,950
Balfour	Gert Sibande	11,947	14,692	-	-	26,639
Bhambanana	Umfolozi	173,310	8,169	(43,178)	-	138,301
Giyani	Letaba	10,362	-	(10,362)	-	-
Graaff-Reinet	Eastern Cape Midlands	48,491	48,243	-	-	96,734
Greytown	Umgungundlovu	17,357	46,176	-	-	63,533
Kwagqikazi	Mthashana	18,756	31,821	-	-	50,577
Msinga	Umgungundlovu	40,131	54,004	-	-	94,135
Ngqungqushe (Lusikisiki)	Ingwe	31,818	54,076	-	-	85,894
Nkandla A	Umfolozi	211,667	14,142	(225,809)	-	-
Nkandla B	Umfolozi	10,338	-	(10,338)	-	-
Nongoma	Mthashana	36,031	79,220	-	-	115,251
Sterkspruit	Ikhala	51,119	59,618	-	-	110,737
Umzimkhulu	Esayidi	64,353	38,162	-	-	102,515
Vryheid	Mthashana	10,338	-	(10,338)	-	-
Mount Frere	Ingwe	17,776	-	-	-	17,776
Siteto Mbizana	Ingwe	18,553	-	-	-	18,553
Maluti	Ingwe	8,602	-	-	-	8,602
Mount Fletcher	Ingwe	7,480	-	-	-	7,480
Total		839,001	502,701	(300,025)	-	1,041,677

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

4. TVET college infrastructure assets

Reconciliation of cost to net book value (continued)

TVET college infrastructure assets		2018/19 R'000				
Site	TVET College	Carrying value at beginning of year	Additions	Disposals	Impairment	Carrying value at end
Aliwal North	Ikhala	10,338	40,234	-	-	50,572
Balfour	Gert Sibande	10,513	1,434	-	-	11,947
Bhambanana	Umfolozi	171,987	1,323	-	-	173,310
Giyani	Letaba	10,362	-	-	-	10,362
Graaff-Reinet	Eastern Cape Midlands	10,338	38,153	-	-	48,491
Greytown	Umgungundlovu	10,338	7,019	-	-	17,357
Kwagqikazi	Mthashana	10,369	8,387	-	-	18,756
Msinga	Umgungundlovu	10,338	29,793	-	-	40,131
Ngqungqushe (Lusikisiki)	Ingwe	10,338	21,480	-	-	31,818
Nkandla A	Umfolozi	207,887	3,780	-	-	211,667
Nkandla B	Umfolozi	10,338	-	-	-	10,338
Nongoma	Mthashana	10,351	25,680	-	-	36,031
Sterkspruit	Ikhala	10,365	40,754	-	-	51,119
Umzimkhulu	Esayidi	10,378	53,975	-	-	64,353
Vryheid	Mthashana	10,338	-	-	-	10,338
Mount Frere	Ingwe	-	17,776	-	-	17,776
Siteto Mbizana	Ingwe	-	18,553	-	-	18,553
Maluti	Ingwe	-	8,602	-	-	8,602
Mount Fletcher	Ingwe	-	7,480	-	-	7,480
Total		514,578	324,423	-	-	839,001

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

5. Investments

It is the policy of the NSF to account for changes in the fair value of monetary securities classified as held for trading through the Statement of Financial Performance. The fair value adjustment is calculated as the difference between the market value at the end of the reporting period and the cost of the investment. These investments are revalued once a year at the end of the reporting period by the Public Investment Corporation (PIC). The latest revaluation was performed on 31 March 2020.

	Notes	2019/20 R'000	2018/19 R'000
Composition at fair value			
Investments with the PIC		8,064,321	6,658,826
Balance at the beginning of the year		6,658,826	6,320,731
Invested during the year		3,656,769	3,495,979
Interest received and capitalised	17	550,913	443,873
Management fees and expenses	22	(2,197)	(1,757)
Withdrawal		(2,800,000)	(3,600,000)
Fair value adjustment		10	-
Closing balance end of year (None of the financial assets are impaired)		8,064,321	6,658,826

The NSF assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. None of the financial assets at fair value through surplus/(deficit) are impaired on reporting date.

On 23 April 2020, after year-end, the Land and Agricultural Development Bank of South Africa (Land Bank) has not been able to pay their maturities and have defaulted on their obligations. As at year-end, the NSF's total investments in instruments of the Land bank amounted to R172.501 million, which had a credit rating of Aa3.za as at year-end. Following the default by the Land bank on 23 April 2020, the credit rating of the Land bank was downgraded to Baa2.za effective from 24 April 2020. Since the default and related downgrade occurred after year-end, the balance as at year-end will not be adjusted. The NSF's investment in the Land bank of R172.501 million is however at risk of being impaired subsequent to year-end.

Section 29(2) of the SDA stipulates that any money in the NSF not required for immediate use may be invested in accordance with the investment policy approved by the Director-General that complies with the requirements of the PFMA.

Treasury Regulation 31.3 requires that, unless exempted by the National Treasury, the NSF as a public entity that is listed in Schedule 3A of the PFMA must invest surplus funds with the Corporation for Public Deposits. The NSF obtained exemption from National Treasury to invest surplus funds with the PIC in accordance the NSF's investment policy.

The NSF assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. None of the financial assets at fair value through surplus/(deficit) are impaired on reporting date. The NSF assessment included also the impact of the Covid-19 pandemic on the financial assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

6. Trade and other receivables from exchange transactions

	2019/20	2018/19
Notes	R'000	Restated R'000
The carrying and fair value of trade and other receivables from exchange transactions are as follows:		
Receivables from administrative expenditure	2,093	262
Closing balance end of year	2,093	262

The balance of the R2 093 million is relating to the DHET employees paid by the NSF, which is to be refunded to the NSF, a deposit on parking space as well as employees with credit leave balances. Employees with credit leave balances relate to employees who have taken leave days more than the accrued number of leave days as at 31 March 2020. These credit balances should reduce during the course of the 2020 calendar year.

7. Trade and other receivables from non-exchange transactions

	2019/20	2018/19
Notes	R'000	Restated R'000
CURRENT		
The carrying and fair value of current trade and other receivables from non-exchange transactions are as follows:		
Receivables related to skills development funding	4,310	31
Carrying amount	17,229	31
Less: Provision for impairment	(12,919)	-
Closing balance end of year	4,310	31

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

7. Trade and other receivables from non-exchange transactions *(continued)*

Trade and other receivables from non-exchange transactions are reflected at fair value as at 31 March 2020.

Trade and other receivables are individually impaired when there is objective evidence that the asset is impaired. The creation and release of the provision for impaired receivables has been included in skills development funding expenses in the Statement of Financial Performance as the impaired receivables are related to skills development funds provided for skills development programmes and projects. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as mentioned above. The impact of Covid-19 on the skills development providers' ability to refund back monies due to the NSF was considered. It was found that Covid-19 has an insignificant impact on skills development providers' ability to refund back monies due to the NSF.

	2019/20 R'000				
	Current R'000	31-180 days R'000	181 to 270 R'000	Over 270 days R'000	Total R'000
Receivables related skills development funding	9,417	7,796	16	-	17,229
	9,417	7,796	16	-	17,229

	2018/19 Restated R'000				
	Current R'000	31-180 days R'000	181 to 270 R'000	Over 270 days R'000	Total R'000
Receivables related skills development funding	21	-	-	10	31
	21	0	0	10	31

Not all of the above financial assets are of good credit quality and hence a provision for impairment thereof was recognised. The maximum exposure to credit risk at reporting date is the fair value of each class of receivables as mentioned above.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

8. Deferred expenditure related to skills development funding

	2019/20	2018/19
Notes	R'000	Restated R'000
Education and Training	988,288	838,705
PSET System Development and Capacity Building	52,457	127,848
Skills Infrastructure Development	41,695	30,493
Skills Development Research, Innovation and Advocacy	22,904	16,618
Closing balance end of year	1,105,344	1,013,664

Deferred expenditure represents skills development funds paid or payable in advance to skills development providers based on the signed contractual agreement between the parties. In terms of the signed contractual agreement between the NSF and skills development providers, the NSF disburses funds monthly, quarterly or annually in advance, subject to verification of the expenditure incurred related to previous advances.

Deferred expenditure reflects the outstanding capital amounts, including accrued interest received by skills development providers on the advance payments at financial year-end. The NSF will only be entitled to the unspent funds, including any unspent accrued interest, at the end of the programme or project upon finalisation of the close-out report or upon termination of the contract due to non-compliance by the skills development provider.

The decrease in deferred expenditure was due to delays in implementing new projects and the close-out of existing projects. The impact of the Covid-19 pandemic on deferred expenditure is not deemed significant as the national lockdown came into effect on 26 March 2020, close to financial year-end, and the related regulations were only issued thereafter. Thus, the skills development activities were not significantly impacted during the 2019/20 financial year. However, delays in the implementation of skills development programmes and projects is estimated at between two to three months subsequent to year-end due to the national lockdown.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

9. Cash and cash equivalents

	Notes	2019/20 R'000	2018/19 R'000
Favourable cash balances:			
Cash in bank		295,163	741,259
Closing balance end of year		295,163	741,259

Credit quality of cash at bank and short term deposits, excluding cash on hand:

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counter party default rates.

As required in Treasury Regulation 31.2, National Treasury approved the banks where the NSF bank accounts are held. The weighted average interest rate on short term bank deposits was 4.54% for the reporting period (2018/19: 5.79%).

Cash includes cash with commercial banks. Cash equivalents are short term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to an insignificant risk of change in value.

For purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and net of bank overdrafts.

10. Trade and other payables from non-exchange transactions

	Notes	2019/20 R'000	2018/19 Restated R'000
Payables related to skills development funding	10.1	(12,999)	(31,499)
Closing balance end of year		(12,999)	(31,499)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

10. Trade and other payables from non-exchange transactions *(continued)*

Payables related to skills development funding

	Notes	2019/20 R'000	2018/19 Restated R'000
Education and Training		(12,405)	(31,499)
PSET System Development and Capacity Building		-	-
Skills Infrastructure Development		-	-
Skills Development Research, Innovation and Advocacy		(594)	-
Closing balance end of year		(12,999)	(31,499)

11. Trade and other payables from exchange transactions

	Notes	2019/20 R'000	2018/19 Restated R'000
Administrative payables due to the DHET		(49,963)	(23,040)
Other administrative payables		(7,184)	(6,073)
Closing balance end of year		(57,147)	(29,113)

12. Accruals from non-exchange transactions

	Notes	2019/20 R'000	2018/19 Restated R'000
Accruals related to skills funding	12.1	(479,763)	(768,958)
Other accruals	12.2	(185,378)	(185,378)
Closing balance end of year		(665,141)	(954,336)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

12. Accruals from non-exchange transactions *(continued)*

12.1 Accruals related to skills development funding

	2019/20	2018/19
Notes	R'000	Restated R'000
Education and Training	(173,591)	(213,118)
PSET System Development and Capacity Building	(260,540)	(436,921)
Skills Infrastructure Development	(44,655)	(118,616)
Skills Development Research, Innovation and Advocacy	(977)	(303)
Closing balance end of year	(479,763)	(768,958)

As at 31 March 2020, accruals related to skills development funding amounting to R479.763 million (2018/19: R768.958 million) was recognised. Accruals related to skills development funding includes accruals that are estimated on an annual basis. For purposes of the estimation of accruals, the skills development activities to be rendered are deemed rendered equally over the contract term of the skills development programme or project, while taking into consideration historical trends on the specific skills development programme or project. These estimates are based on the remaining portion of the contract for a specific year which has not been invoiced/claimed by the skills development providers. The accruals recognised for the relevant financial year are deducted from the remaining contractual commitments.

The impact of the Covid-19 pandemic on accruals related to skills development funding is not deemed significant as the national lockdown came into effect on 26 March 2020, close to financial year-end, and the related regulations were only issued thereafter. Thus, the skills development activities were not significantly impacted during the 2019/20 financial year. However, delays in implementation of skills development programmes and projects is estimated at between two to three months subsequent to year-end due to the national lockdown.

12.2 Other accruals

Other accruals from non-exchange transactions includes the following:

	2019/20	2018/19
Notes	R'000	R'000
Accrual for overpayment of SETA uncommitted surplus by the Services SETA	(185 378)	(185 378)
	(185,378)	(185,378)

Overpayment of SETA uncommitted surplus by Services SETA has been earmarked for the establishment of South African Institute for Vocational and Continuing Education and Training (SAIVET). Contractual agreements to this effect are being finalised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

13. Accruals from exchange transactions

		2019/20	2018/19
	Notes	R'000	Restated R'000
Leave and bonus accruals	13.1	(5,939)	(4,895)
Closing balance end of year		(5,939)	(4,895)

Leave and bonus accrual

		2019/20	2018/19
	Notes	R'000	Restated R'000
Balance at the beginning of the year		(4,895)	(3,881)
Amounts utilised during the year		4,895	3,881
Amount recognised during the year		(5,939)	(4,895)
Closing carrying amount		(5,939)	(4,895)
Leave and bonus accrual composition:			
Current			
Leave accrual		(3,681)	(3,136)
Bonus accrual (thirteenth cheque)		(2,258)	(1,759)
Closing balance end of year		(5,939)	(4,895)

Leave is calculated based on leave days outstanding at reporting date and quantified in terms of total cost of employment per employee. The bonus accrual relates to thirteenth cheque commitments owed to NSF employees at reporting date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

14. Provisions

		2019/20	2018/19
	Notes	R'000	Restated R'000
Provision for levies less than threshold	14.1	(106)	(178)
Performance bonus provision	14.2	(1,739)	(982)
Provisions related to skills development funding	14.3	(801)	(679)
Closing balance end of year		(2,646)	1,839

14.1 Provision for levies less than threshold

		2019/20	2018/19
	Notes	R'000	Restated R'000
Balance at the beginning of the year		(178)	(339)
Levies less than threshold provision raised/(utilised) for the year		72	161
Closing balance end of year		(106)	(178)

14.2 Performance bonus provision

		2019/20	2018/19
	Notes	R'000	R'000
Balance at the beginning of the year		(982)	(960)
Performance bonus provision unutilised		-	130
Performance bonus additional provision for prior year performance bonuses		(1,291)	-
Performance bonus paid (utilisation of provision)		2,273	830
Performance bonus provision for the current year performance bonuses		(1,739)	(982)
Closing balance end of year		(1,739)	(982)

As at 31 March 2020, the performance bonus provision amounting to R1.739 million (2018/19: R982 thousand) was recognised. Performance bonuses accrue to staff on an annual basis subject to the achievement of predetermined performance standards. The provision is an estimate of the amount due to staff in the service of the NSF at the reporting date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

14.2 Performance bonus provision *(continued)*

	Notes	2019/20 R'000	2018/19 R'000
Carrying value at the beginning of the year		(679)	(489,281)
Additional provision		(801)	(679)
Reduction due to payments/outflow of economic benefits		679	489,281
Balance at the end of the year		(801)	(679)

As at 31 March 2020, a provision related to skills development funding amounting to R0.801 million (2019: R0.679 million) was recognised. Provision related to skills development funding is estimated on an annual basis. For purposes of the provision calculations, management deems the skills development activities to be rendered equally over the original contract term. These estimates are based on the remaining portion of the contract for a specific year which has not been invoiced/claimed by the skills development providers. The provisions recognised for the relevant financial year are deducted from the remaining contractual commitments.

There are assumptions and estimates made with the determination of the "Estimated provision from date of the latest verified quarterly reports to year-end". The estimated provision consists of the expenditure incurred related to skills development activities that have taken place from the quarter end-date of the last verified quarterly report to the end of the financial year, which have not yet been reported on, invoiced/claimed and as a result not yet been verified. Once reported on by the skills development provider through submission of the next quarterly report, will the NSF verify the expenditure incurred for the quarter under review.

Since the exact value of the expenses for the skills development activities after the last verified quarterly report to financial year-end is thus not yet known, the expenditure incurred is estimated based on historical verified expenditure trends for the programme or project.

The assumptions used for the estimate are as follow:

1. It is assumed that the programme or project will continue with skills development activities after the last verified quarter-end date up to the end of the contract.
2. It is assumed that the programme or project's actual expenditure trend for the period after the last verified quarter-end will be in line with the actual expenditure trend for the historic verified period up to the last quarterly report for the specific programme or project. If no historic verified period for the specific programme or project exists yet, it is assumed that the programme or project's actual expenditure trend for the period after the last quarterly report will be in line with the actual average expenditure trend for the historic verified period for similar programmes or projects.
3. It is assumed that the programme or project's expenditure incurred for the period after the last quarterly report will not exceed the prepayment made to the programme or project. This assumption is on the basis that a programme or project will only undertake skills development activities if the programme or project is able to pay for those activities as and when it happens or shortly thereafter (e.g. stipends must be paid to learners at the end of every month), in other words skills development activities will only take place if the programme or project has the cash on hand for those activities.

The impact of the Covid-19 pandemic on provisions related to skills development funding is not deemed significant as the national lockdown came into effect on 26 March 2020, close to year-end, and the related regulations were only issued thereafter. Thus, the skills development activities were not significantly impacted during the 2019/20 financial year. However, delays in implementation of skills development programmes and projects is estimated at between two to three months subsequent to year-end due to the national lockdown.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

15. Skills development levies (non-exchange revenue)

	Notes	2019/20 R'000	2018/19 R'000
In terms of the SDA and the SDL Act, the total levy income per the Statement of Financial Performance is as follows:			
Percentage of payroll payable as skills development levy		1%	1%
Skills development levies received from SARS (20%):			
Skills development levies received		3,656,768	3,495,979
Skills development levies collected by SARS		18,283,839	17,479,896
Less: Amount withheld by the Department of Higher Education and Training and paid to the SETAs (80%)		(14,627,071)	(13,983,917)
Movement in provision for levies less than threshold	14.1	72	161
Total		3,656,840	3,496,140

16. Income from SETAs (non-exchange revenue)

	Notes	2019/20 R'000	2018/19 R'000
Income from SETAs towards INDLELA development and recapitalisation		3,500	8,055
Total		3,500	8,055

17. Finance income (exchange revenue)

	Notes	2019/20 R'000	2018/19 R'000
Finance income from investments at the PIC	5	550,913	443,874
Finance income from other commercial banks		831	1,389
Total		551,744	445,263

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

18. Finance income from advance payments to skills development programmes and projects

	Notes	2019/20 R'000	2018/19 R'000
Finance income from advance payments to skills development programmes and projects		48,676	60,096
Total		48,676	60,096

Interest received is from advance payments made by the NSF to skills development providers in terms of the agreed contractual agreements between the parties. In terms of these agreements the interest may be utilised towards the skills development activities as contained in the contract. Upon finalisation of the close-out report for the specific skills development programme or project or upon termination of the contract, any unutilised funds (inclusive of accrued interest) should be refunded to the NSF.

19. Skills development funding expenses

	Notes	2019/20 R'000	2018/19 R'000
Education and Training		(1,923,186)	(2,352,239)
PSET System Development and Capacity Building		(205,626)	56,005
Skills Infrastructure Development		(383,477)	(69,110)
Skills Development Research, Innovation and Advocacy		(5,024)	(44,923)
Total		(2,517,313)	(2,410,267)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

20. Employee costs

	Notes	2019/20 R'000	2018/19 Restated R'000
Salaries and wages		(72,815)	(62,405)
Basic salaries		(57,052)	(50,256)
Performance awards		(2,272)	(851)
Service bonuses		(3,755)	(3,295)
Other non-pensionable allowances		(8,146)	(6,697)
Overtime		(558)	(243)
Service benefits		(91)	(11)
Net movement: Leave accrual		(441)	(770)
Net movement: Service bonus accrual		(500)	(282)
Social contributions		(8,817)	(7,527)
Pension fund contributions: defined contribution plans		(7,127)	(5,908)
Medical aid contributions		(1,680)	(1,611)
Bargaining council		(10)	(8)
Bursaries to employees		(193)	(542)
Total		(81,825)	(70,474)
Average number of employees		151	128
Average number of employees:			
– Permanent employees		117	94
– Internships/WIL		34	34
– Contract employees		-	-
Employees beginning of the financial year		128	214
Movement during the year:		23	(86)
Resignations/pensions/internships ended		(21)	(117)
Appointments/internships		44	31
Employees end of the financial year		151	128

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

21. Operating expenses

	Notes	2019/20 R'000	2018/19 Restated R'000
Advertising and marketing		(127)	-
Catering		(358)	(155)
Cleaning services		(231)	(202)
Computer services and consumables		(1,720)	(1,872)
Consultancy and service provider fees*		(218)	(3,125)
Consumables		(508)	(439)
Courier and delivery		(2)	(2)
DHET shared services charge		(13,336)	(12,125)
External auditor's remuneration		(5,165)	(3,317)
Internal auditor's remuneration		(4,170)	(3,818)
Audit Committee – meeting fees		(547)	(242)
Operating leases		(557)	(534)
Other		(197)	(181)
Printing and publications		(675)	(313)
Repairs and maintenance		(63)	(74)
Resettlement cost		(314)	(180)
Security		(1,301)	(1,117)
Software expenses	21.1	(12,114)	(6,308)
Stationery		(663)	(733)
Telephone and fax		(1,129)	(684)
Training and development		(138)	(1,350)
Travel and subsistence		(13,476)	(10,861)
Venues and facilities		(62)	(104)
Warranty costs		-	-
Information security services – IT systems		-	(30,409)
Bad debts written off		-	(2,451)
Total		(57,071)	(80,596)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

21. Operating expenses *(continued)*

Software expenses

The software expenses relate to the following:

1. Cloud, hosting and maintenance services on the integrated MS Dynamics ERP system
2. License fees and hosting services for usage of the SmartHET system
3. Hosting and archiving services for the email network.

Included in the software expenses are donations in kind provided to the DHET for the usage of the SmartHET system (R3.238 million) and usage of the email network (R1.912 million).

22. Management fees and bank charges

	Notes	2019/20 R'000	2018/19 R'000
Bank charges paid to banks		(69)	(56)
Management fees and expenses paid to PIC	5	(2,197)	(1,757)
Total		(2,266)	(1,813)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

23. Cash generated from operations

	Notes	2019/20 R'000	2018/19 R'000
Net surplus / (deficit) as per Statement of Financial Performance		1,537,579	1,394,038
Adjustment for non-cash items:			
Amortisation	3	1,376	550
Depreciation	2	2,032	3,203
Fair value adjustments to investments	5	(10)	-
Loss on disposal of asset	2	3	35
Increase/(decrease) in provisions:			
Relating to employment	14.2	757	22
Relating to skills development funding		122	(488,602)
Relating to levy provisions		(72)	(161)
Adjustment for items disclosed separately:			
Finance income	17	(600,420)	(505,359)
		941,367	403,726
		(376,407)	491,458
Movements in working capital:			
(Increase)/decrease in trade and other receivables		(6,110)	175,238
(Increase)/decrease in deferred expenditure		(91,680)	246,810
Increase/(decrease) in trade and other payables and accruals		(278,617)	69,410
Cash generated from operations		564,960	895,184

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

24. Prior period errors corrected

The following prior period errors occurred:

1. Due to long outstanding skills development programme and project reports, the NSF received a qualification in the 2018/19 financial year. These long outstanding reports were subsequently obtained and the following were subsequently corrected:
 - i) Deferred expenditure related to skills development funding
 - ii) Receivables related to skills development funding
 - iii) Accruals related to skills development funding
 - iv) Payables related to skills development funding
 - v) Provisions related to skills development funding
2. The DHET used NSF posts to appoint officials to perform DHET HRM functions and not for NSF HRM functions. Since these posts were not used to service the NSF, the expenses previously recognised has been corrected by derecognising the expenditure and raising a receivable against the DHET for monies paid in relation to these posts. As a result of this, the following has been overstated:
 - i) Employee costs
 - ii) Leave accrual
 - iii) Service bonus provision
3. Invoices that relates to the 2017/18 and 2018/19 financial years have only been claimed by the DHET in the 2019/20 financial year and as a result thereof the following has been understated:
 - i) Intangible assets
 - ii) Payables from exchange transactions
 - iii) Accruals from exchange transactions
 - iv) Operating expenses (specifically travel and subsistence)
 - v) Depreciation and amortisation is due to the capitalisation of intangible assets.The balances have subsequently been corrected.
4. Commitment and earmarked funds were overstated due formula errors and related differences with regards to supporting documentation, which were subsequently corrected.
5. TVET college infrastructure developed by the NSF on behalf of Ingwe TVET College in the prior financial years and have not yet been completed and handed over to Ingwe TVET College. This infrastructure was not initially capitalised as assets while in the process of construction. The assets have subsequently been capitalised and will be derecognised once transferred to Ingwe TVET College. As a result of the error, TVET college infrastructure assets and accumulated reserves have been understated in the prior financial year by R52.411 million.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

24. Prior period errors corrected *(continued)*

	2018/19 R'000
STATEMENT OF FINANCIAL PERFORMANCE	
Expenses	2,615,481
As originally stated	2,494,231
Prior period correction	121,250
Skills development funding expenses	2,410,267
As originally stated	2,290,780
Prior period correction	119 487
Administrative expenses	156,636
As originally stated	154,873
Prior period correction	1,763
Employee cost	70,474
As originally stated	70,717
Prior period correction	(243)
Operating expenses	80,596
As originally stated	79,072
Prior period correction	1,524
Depreciation and amortisation	3,753
As originally stated	3,271
Prior period correction	482
Net surplus for the year	1,394,038
As originally stated	1,513,387
Prior period correction	(119,349)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

24. Prior period errors corrected *(continued)*

	2018/19 R'000
STATEMENT OF FINANCIAL POSITION	
Total assets	9,277,754
As originally stated	9,862,427
Prior period correction	(584,673)
Non-current assets	863,712
As originally stated	812,781
Prior period correction	50,931
Intangible assets	21,664
As originally stated	23,144
Prior period correction	(1,480)
TVET college infrastructure assets	839,001
As originally stated	786,590
Prior period correction	52,411
Current assets	8,414,042
As originally stated	9,049,646
Prior period correction	(635,604)
Trade and other receivable from exchange transactions	262
As originally stated	76
Prior period correction	186
Trade and other receivable from non exchange transactions	31
As originally stated	255,701
Prior period correction	(255,670)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

24. Prior period errors corrected *(continued)*

	2018/19 R'000
Deferred expenditure related to skills development funding	1,013,664
As originally stated	1,393,784
Prior period correction	(380,120)
Total liabilities	1,017,362
As originally stated	1,530,425
Prior period correction	(513,063)
Current liabilities	1,021,682
As originally stated	1,530,425
Prior period correction	(508,743)
Trade and other payables from non-exchange transactions	31,499
As originally stated	28,588
Prior period correction	2,911
Trade and other payables from exchange transactions	29,113
As originally stated	28,588
Prior period correction	525
Accruals from non exchange transactions	954,336
As originally stated	1,463,634
Prior period correction	(509,298)
Accruals from exchange transactions	4,895
As originally stated	4,949
Prior period correction	(54)
Provisions	1,839
As originally stated	1,162
Prior period correction	677

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

24. Prior period errors corrected *(continued)*

	2018/19 R'000
Capital and reserves	8,254,036
As originally stated	8,332,002
Prior period correction	(77,966)
Accumulated surplus	5,980,953
As originally stated	5,977,059
Prior period correction	3,894
Commitments and earmarked funds	20,405,655
As originally stated	18,817,432
Prior period correction	1,588,223
Contractual commitments	8,038,844
As originally stated	8,149,781
Prior period correction	(110,937)
Earmarked funds	12,366,811
As originally stated	10,667,651
Prior period correction	1,699,160

25. Commitments and earmarked funds

As at reporting date, the NSF has committed and earmarked funds towards skill development programmes and projects.

In reponse to the Covid-19 pandemic, an assessment of the current contractual commitments are being undertaken to establish the state of readiness of the skills development providers to resume skills development activities in accordance with the risk adjusted strategy and the position of employers to allow learners back in the workplace. Furthermore, the scope of project plans is re-assessed in line with areas of cost savings and possible areas to reprioritisation in line with the economic recovery plan. The projected decline in skills development levies, as a result of the skills levy holiday and decline in the national wage bill due to salary cuts and job losses, will result in the NSF utilising its accumulated surpluses to service its current contractual commitments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

25. Commitments and earmarked funds *(continued)*

		2019/20	2018/19
	Notes	R'000	Restated R'000
Contractual commitments			
1. Funds committed contractually at year-end		5,054,118	8,038,844
– Education and Training	25.1 & 25.5	3,658,566	5,158,651
– PSET System Development and Capacity Building	25.1 & 25.5	31,789	1,221,505
– Skills Infrastructure Development	25.1 & 25.5	1,363,763	1,594,910
– Skills Development Research, Innovation and Advocacy	25.1 & 25.5	-	63,778
Earmarked funds		12,700,264	12,366,811
2. Funds earmarked towards skills development programmes and projects, that have been approved at year-end, but not yet contracted	25.2	1,246,561	624,807
3. Funds earmarked towards skills development programmes and projects, that have been recommended for approval at year-end, but have not yet been approved or contracted	25.3	74,605	8,635
4. Funds earmarked towards constructive commitments arising from annual allocations to ongoing skills development programmes and projects over the 5 year strategic period	25.4	8,120,161	10,034,209
5. Funds earmarked towards constructive commitments, which contractual agreements expired as at financial year-end, but are likely to be extended due to the projects not being completed yet	25.6	3,258,937	1,699,160
Total capital and reserves at year-end		9,793,651	8,256,072
Under/(Over) Committed		4,739,533	217,228
(Over) committed and earmarked		(7,960,731)	(12,149,583)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

25. Commitments and earmarked funds *(continued)*

25.1 Funds committed contractually at reporting date

Funds committed contractually are commitments where the NSF has a contractual obligation to fund skills development programmes/projects or administrative projects. With a contractual obligation there is a written agreement with specific terms between the NSF and the third party, whereby the third party undertakes to perform certain deliverables as outlined in the agreement. Performance on these deliverables will obligate the NSF to make payment.

25.2 Funds earmarked towards skills development programmes and projects, that have been approved at year-end, but not yet contracted

Funds earmarked towards skills development programmes/projects, that have been approved at year-end, but not yet contracted are skills development programmes/projects that have been approved by the Director-General of Higher Education and Training or his delegated authority as at year-end, but have not yet been contracted as contracting is still in process as at year-end and will be concluded after year-end.

25.3 Funds earmarked towards skills development programmes and projects, that have been recommended for approval at year-end, but have not yet been approved or contracted

Funds earmarked towards skills development programmes and projects, that have been recommended for approval at year-end, but have not been approved and contracted are skills development programmes/projects that have been recommended to the Director-General of Higher Education and Training of his delegated authority for approval before year-end for which approval and contracting will take place after year-end.

25.4 Funds earmarked towards constructive commitments arising from annual allocations to ongoing skills development programmes and projects

Funds earmarked towards constructive commitments are funds that the NSF commits on an annual basis towards ongoing skills development programmes and projects. Due to this established pattern of past practice, the NSF has created a valid expectation on the part of the third parties, that it will continue to fund these skills development programmes and projects on an annual basis. Funds earmarked towards constructive commitments arising from annual allocations to ongoing skills development programmes and projects consist of:

	2019/20	2018/19
		Restated
Notes	R'000	R'000
1. Funds earmarked towards bursaries (funded via NSFAS, NRF and others)*	1,656,246	1,843,038
2. Funds earmarked towards training of workers under the Expanded Public Works Programme*	26,169	16,794
3. Funds earmarked towards training of workers under the DTI Monyetla Programme*	179,204	129,012
4. Funds earmarked towards national artisan development*	6,100,779	7,944,096
5. Funds earmarked towards supporting the Human Resource Development Council of South Africa*	81,577	78,620
6. Funds earmarked towards supporting the National Skills Authority*	76,186	22,649
Total	8,120,161	10,034,209

*Funds earmarked towards commitments are limited towards the 5 year strategic period ending 31 March 2025.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

25. Commitments and earmarked funds *(continued)*

25.5 Funds committed contractually at reporting date

Expenditure contracted for at reporting date, which will be financed through the ordinary trading operations, but not recognised in the Interim Financial Statements is as follows:

	2019/20	2018/19
	R'000	Restated R'000
Education and Training	3,658,566	5,158,651
PSET System Development and Capacity Building	31,789	1,221,505
Skills Infrastructure Development	1,363,763	1,594,910
Skills Development Research, Innovation and Advocacy	-	63,778
Total skills development funding commitments	5,054,118	8,038,844

25.6 Funds earmarked towards skills development programmes and projects, that have been recommended for approval at year-end, but have not yet been approved or contracted

Funds earmarked towards constructive commitments, which contractual agreements expired as at financial year-end, but is likely to be extended due to the projects not being completed yet consists of contracts that have expired as at financial year-end, but the NSF has a constructive obligation to ensure that those projects are still completed and therefore the balances for these contracts are recognised as a constructive contractual commitment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

26. Financial instrument – financial risk management

Exposure to currency, commodity, interest rate and credit risk arise in the normal course of the operations. This note presents information about the exposure to each of the above risks, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these financial statements.

Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the financial instruments.

	Carrying amount R'000	Fair value R'000
Financial assets – 2019/20	8,365,887	8,365,887
Cash and cash equivalents	295,163	295,163
Financial assets at fair value through surplus / (deficit)	8,064,321	8,064,321
Trade and other receivables	6,403	6,403
Financial assets – 2018/19	7,400,378	7,400,378
Cash and cash equivalents	741,259	741,259
Financial assets at fair value through surplus / (deficit)	6,658,826	6,658,826
Trade and other receivables	293	293
Financial liabilities – 2019/20	(70,146)	(70,146)
Trade and other payables	(70,146)	(70,146)
Financial liabilities – 2018/19	(60,612)	(60,612)
Trade and other payables	(60,612)	(60,612)

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

26. Financial instrument – financial risk management *(continued)*

The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. The carrying amount of cash and cash equivalents approximate fair value due to the relative short-term maturity of these financial assets.

Financial assets at fair value through surplus/(deficit)

Fair value of financial assets is derived from quoted market prices in active markets, if available.

Trade and other receivable

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. The carrying amount of accounts receivable, net of allowances for bad debt, approximates fair value due to the relative short-term maturity of these financial assets.

Trade and other payable

Trade and other payables are stated at amortised cost, which approximates their fair value due to the relatively short-term maturity of these financial liabilities.

Fair value hierarchy

The NSF uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices).

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 March 2020, the NSF held the following financial instruments measured at fair value:

	2019/20 R'000			
	Total	Level 1	Level 2	Level 3
Investments with the PIC	8,064,321	8,064,321	-	-
	8,064,321	8,064,321	-	-

During the reporting period ending 31 March 2020, there were no transfers between level 1 and level 2 fair value measurements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

26. Financial Instrument – financial risk management *(continued)*

During March 2020, there was a large market sell-off as the Covid-19 pandemic risks and expectations around a global recession saw market participants shift towards safe haven investments. The South African rand depreciated significantly, and bond yields spiked. The NSF portfolio, which is wholly invested in cash and money markets domestically, benefitted and grew by 0.57% during March 2020.

As at 31 March 2019, the NSF held the following financial instruments measured at fair value:

	2018/19 R'000			
	Total	Level 1	Level 2	Level 3
Investments with the PIC	6,658,826	6,658,826	-	-
	6,658,826	6,658,826	-	-

During the reporting period ending 31 March 2020, there were no transfers between level 1 and level 2 fair value measurements.

Credit Risk

Financial assets, which potentially subject the NSF to concentrations of credit risk, consist primarily of cash and cash equivalents, investments and accounts receivable. Credit risk arises from the risk that a counter party may default or not meet its obligations timelessly.

The NSF limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury in accordance with the NSF's Investment Policy.

Credit risk with respect to levy paying employers is limited due to the nature of income received. The NSF does not have any material exposure to any individual or counter-party. The NSF's concentration of credit risk is limited to the industry in which it operates. No events occurred in the industry during the financial year that may have an impact on the recovery of trade and other receivables.

Before advances are paid to skills development providers, due diligences are performed on the providers, as well as site visits and expenditure verifications are conducted by the NSF. Skills development programmes and projects are adjudicated by the Grants Adjudication Committee and recommended to the Director-General of Higher Education and Training or his delegated authority for approval. Only after approval are funds disbursed to skills development providers, which is usually done on a quarterly basis, subject to reporting and verification of funds utilised in the previous quarter.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

26. Financial instrument – financial risk management *(continued)*

The carrying amount of the financial assets represent the maximum credit exposure. The maximum exposure to credit risk as at year-end:

	2019/20 R'000		
	Rated	Non-rated	Total
Cash and cash equivalents	295,163	-	295,163
Investments	8,064,321	-	8,064,321
Trade and other receivables	6,403	-	6,403
Total	8,365,887	-	8,365,887

	2018/19 R'000		
	Rated	Non-rated	Total
Cash and Cssh equivalents	741,259	-	741,259
Investments	6,658,826	-	6,658,826
Trade and other receivables	293	-	293
Total	7,400,378	-	7,400,378

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

26. Financial instrument – financial risk management *(continued)*

Liquidity risk

Liquidity risk is the risk of the NSF not being able to meet its obligations as they fall due. The NSF manages the liquidity risk through proper management of working capital, capital expenditure and actual vs. forecasted cash flows. Adequate reserves and liquid resources are also maintained.

The assessment of the impact of Covid-19 highlighted that the NSF's mandate and strategic priorities remain relevant in supporting skills development interventions in line combatting Covid-19 currently, but also to support skills development interventions post Covid-19, especially with regards to supporting skills development interventions in support of economic growth and social development.

However, the portfolio plan and economic sectors priorities need to be augmented to include short to medium term interventions targeting government interventions due to the impact of Covid-19 as well as medium to long term interventions to support economic growth and social development. As a result, the NSF developed the NSF Covid-19 Action Plan which is at an economic level to augment the portfolio plan that is targeting skills development system interventions in line with the strategic plan. This may be updated once the national economic stimulus/recovery plan is in place. Research and socio-economic analysis is to be undertaken to direct the strategy and budget. In seeking to maintain targets for increased demand, while aligning to the budget reduction, would require reprioritisation of targets.

The decline in the NSF's revenue is mainly due to the impact of the four months skills development levy (SDL) tax holiday, which is projected in a revenue decline of R1.294 billion (33%) from the original revenue projection of R3.882 billion for the 2020/21 financial year. There is a further decline in SDL projections due to an anticipated decline in the national wage bill as a result of Covid-19, which is projected to result in a further revenue loss estimated at R647 million for the 2020/21 financial year and R2.798 billion loss of income for the NSF over the medium term. The lockdown measures are resulting in job losses and salary cuts being implemented by companies, resulting in a lower consolidated wage bill for South Africa. The lower wage bill will result in a lower skill development levy due to the levy being 1% of companies' wage bill. The SDL revenue projections were thus conservatively reduced over the medium term expenditure framework (MTEF).

Due to the loss of income as outlined above, the NSF's income will not suffice to service its committed expenditures and as a result thereof the NSF will need to utilise its accumulated surpluses to service its current contractual commitments. This utilisation of accumulated surpluses will result in a decline in the NSF's investment income, amounting to a further loss of income over the medium term projected at R1.877 billion.

The NSF's revised budget, annual performance plans and strategic plans shall follow the legislative processes for the approval thereof.

Forecast liquidity reserve as of 31 March 2020 is as follows:

	2020/21 R'000	2021/22 R'000	2022/23 R'000
Opening balance for the period	9,793,651	2,383,435	2,237,325
Operating proceeds	1,941,289	3,086,650	3,273,012
Operating outflow	(9,380,907)	(3,254,966)	(3,318,978)
Cash flow from investments	29,402	22,206	20,768
Closing balance for the period	2,383,435	2,237,325	2,212,127

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

26. Financial instrument – financial risk management *(continued)*

The table below analyses the financial liabilities that will be settled on net basis into the relevant maturity groupings based on the remaining period at financial statement date to the contractual maturity date:

	2019/20 R'000	
	Less than 1 year	Total
At reporting date		
Trade and other payables	(70,146)	(70,146)
	(70,146)	(70,146)
	2018/19 R'000	
	Less than 1 year	Total
At 31 March 2019		
Trade and other payables	(60,612)	(60,612)
	(60,612)	(60,612)

Market risk

Interest rate sensitivity analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

26. Financial instrument – financial risk management *(continued)*

Financial assets

The NSF is sensitive to the movements in the money market repo rate which is the primary rate to which the investment portfolios are exposed. The rates of sensitivity are based on management's assessment of possible changes to the interest rates and is formulated on a 100 basis point movement.

If the weighted average interest rate as at reporting date had been 100 basis higher or lower, the interest income would have been affected as follows:

	2019/20 R'000	
	Increase/Decrease in basis point	Effect on the surplus/deficit
Financial assets – 2019/20		
Investments – PIC	+100	77,892
	-100	(77,892)
Financial assets – 2018/19		
Investments – PIC	+100	61,957
	-100	(61,957)

Foreign exchange risk

The NSF does not initiate any transactions with international parties and is therefore not exposed to any exchange risk due to currency fluctuations. All transactions are denominated in South African rand with local vendors.

Price risk

The NSF is exposed to equity securities price risk because of investments held and classified as financial assets at fair value through surplus/(deficit) on the Statement of Financial Position. These financial assets are classified as held for trade. The NSF is not exposed to commodity price risk.

To manage its price risk arising from equity securities, the NSF diversifies its portfolio with the Public Investment Corporation (PIC). Diversification of the portfolio is done in accordance with limits set and agreed with the PIC.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

26. Financial instrument – financial risk management *(continued)*

Cash flow and fair value interest rate risk

As the NSF has significant interest bearing assets, the revenue and operating cash flows are substantially depended on changes in market interest rates. As the NSF does not have significant interest bearing liabilities, the expenses and cash flows are not substantially dependent on changes in the market interest rates.

		2019/20 R'000		
	Effective interest rate	Subject to interest rate movement: Floating	Non-interest bearing	Total R'000
As at reporting date				
Current financial assets	7.06%	8,064,321	301,566	8,365,887
Cash and cash equivalents	n/a	-	295,163	295,163
Investments	7.06%	8,064,321	-	8,064,321
Trade and other receivables	n/a	-	6,403	6,403
Current liabilities	n/a	-	-70,146	-70,146
Trade and other payables	n/a	-	-70,146	-70,146

		2018/19 R'000		
	Effective interest rate	Subject to interest rate movement: Floating	Non-interest bearing	Total R'000
Year ended 31 March 2019				
Current financial assets	7.16%	6,658,826	741,552	7,400,378
Cash and cash equivalents	n/a	-	741,259	741,259
Investments	7.16%	6,658,826	-	6,658,826
Trade and other receivables	n/a	-	293	293
Current financial liabilities	n/a	-	-60,612	-60,612
Trade and other payables	n/a	-	-60,612	-60,612

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

27. Contingent liabilities

	Notes	2019/20 R'000	2018/19 R'000
The following contingent liabilities exist:			
Legal claims instituted against the NSF	27.1	1,470	1,470
Application to retain accumulated surplus as at year end	27.2	9,793,651	8,256,072
Critical skills project expenditure	27.3	1,236	1,236

27.1 Legal claims instituted against the NSF

The legal claims instituted against the Minister of Higher Education, Science and Innovation, which affects the NSF, relates to two cases against Business Unity South Africa (BUSA) which requires repromulgation of sub-regulation 4(4) of SETA Grant Regulations. The matter was finalised on 16 October 2019, the Labour Appeal Court upheld the appeal with costs and set aside the order of the Labour Court of 31 August 2018 which automatically set aside the sub-regulation 4(4) of the SETA Grant Regulations.

27.2 Application to retain accumulated surplus as at year end

The NSF will be applying for the retention of its accumulated surplus at the financial year ending 31 March 2020 in terms of section 53(3) of the PFMA from National Treasury. In terms of National Treasury Instruction Note 12 of 2020/21, the surplus balance to be applied for is calculated as follow:

	Notes	2019/20 R'000
Cash and cash equivalents at the end of the year		8,359,484
Add: Receivables		6,403
Less: Current liabilities		(743,872)
Surplus (application for retention to be submitted to the National Treasury)		7,622,015
Contractual commitments		5,054,118
Earmarked funds	25	12,700,264
Over committed and earmarked		(10,132,367)

The NSF's application for retention of accumulated surplus will take into consideration contractual commitments and earmarked funds, as well as the impact of the skills levy holiday on meeting existing contractual and constructive commitments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

27. Contingent liabilities *(continued)*

27.3 Critical skills project expenditure

The NSF co-funded a critical skills project with the Energy and Water SETA (EWSETA) for the unemployed to the value of R17 million and there are unclaimed funds by the EWSETA of R1,236,000 (2018/2019: R1,236,000). This amount can only be confirmed when all the necessary documentation are provided to the NSF by the EWSETA for verification to validate the expenditure incurred. To date, the EWSETA could not provide the NSF with the valid supporting documents and hence the NSF has not refunded the EWSETA for the outstanding balance as per the EWSETA's financial statements.

28. Contingent assets

	Notes	2019/20 R'000	2018/19 R'000
Legal claims instituted by the NSF	28.1	16	16
Total		16	16

28.1 Legal claims instituted by the NSF

The legal claims instituted by the NSF relates to disciplinary action taken against an employee, relating to the theft of inventory by the employee.

28.2 Investigations in which the NSF is a party

A skills development provider is undergoing voluntary sequestration. The DHET is currently investigating whether a final sequestration order was granted or not and the process of including the DHET as one of the creditors for the amount owing by the skills development provider to the DHET related to the project funded by the NSF. The matter is ongoing and the financial implications are not known by the NSF.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29. Related party transactions

The NSF reports to the Minister of Higher Education, Science and Innovation, who oversees two departments, namely the Departments of Higher Education and Training and Science and Innovation. Accordingly, the NSF transacts with a number of related parties within the DHET.

All related party transactions that occurred during the current financial year were at arm's-length and in the normal course of business, in accordance with the mandate of the NSF.

29.1 Relationships

- Department	Department of Higher Education and Training (DHET)
- Advisory body within the DHET	National Skills Authority (NSA)
- Entities under the DHET	Qualification Council for Trades and Occupations (QCTO)
	South African Qualifications Authority (SAQA)
	National Student Financial Aid Scheme (NSFAS)
	Agricultural SETA (AGRISSETA)
	Bank SETA
	Culture, Arts, Tourism and Hospitality SETA (CATHSETA)
	Construction Education and Training Authority (CETA)
	Chemical Industries Education and Training Authority (CHIETA)
	Education Training and Development Practices SETA (ETDP SETA)
	Energy and Water SETA (EWSETA)
	Finance and Accounting Services SETA (FASSET)
	Food and Beverages SETA (FOODBEV)
	Fibre Processing and Manufacturing SETA (FP&M SETA)
	Health and Welfare SETA (HWSETA)
	Insurance SETA (INSETA)
	Local Government SETA (LGSETA)
	Manufacturing, Engineering and Related Services SETA (MERSETA)
	Mining Qualifications Authority (MQA)
	Public Sector SETA (PSETA)
	Safety and Security SETA (SASSETA)
	Services SETA
	Transport Education and Training Authority (TETA)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.1 Relationships *(continued)*

– Entities under the DHET *(continued)*

Wholesale and Retail SETA (W&RSETA)
 National Institute for Humanities and Social Sciences (NIHSS)
 Human Resource Development Council of South Africa (HRDCSA)
 Academy of Science South Africa
 Council of Scientific and Industrial Research
 Human Sciences Research Council
 National Advisory Council on Innovation
 National Research
 South African Council for Natural Scientific Professions
 South African National Space Agency
 Technology Innovation

– TVET Colleges controlled by the DHET

Motheo TVET College	Mnambithi TVET College
Vuselela TVET College	Thekwini TVET College
Taletso TVET College	Mthashana TVET College
Orbit TVET College	Nkangala TVET College
South West Gauteng TVET College	Gert Sibande TVET College
Ekurhuleni East TVET College	Umfolosi TVET College
Ekurhuleni West TVET College	Buffalo City TVET College
Sekhukhune TVET College	Flavius Mareka TVET College
Vhembe TVET College	Letaba TVET College Mopani South
East TVET College	King Hintsa TVET College
Waterberg TVET College	Tshwane North TVET College
Sedibeng TVET College	Northern Cape Rural TVET College
Capricorn TVET College	Western Gauteng TVET
Maluti TVET College	Tshwane South TVET College
Goldfields TVET College	Ikhala TVET College
Boland TVET College	Ingwe TVET College
North Link TVET College	Central Johannesburg TVET College
College of Cape Town TVET College	Lephalale TVET College
False Bay TVET College	Northern Cape Urban TVET College
South Cape TVET College	East Cape Midlands TVET College
West Coast TVET College	Lovedale TVET College

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.1 Relationships *(continued)*

– TVET colleges controlled by the Department of Higher Education and Training *(continued)*

Majuba TVET College
Umgungundlovu TVET College
Elanzeni TVET College
Elangeni TVET College

Esayidi TVET College
Coastal TVET College
King Sabata TVET College
Port Elizabeth TVET College

– Public universities, over which the Minister of Higher Education, Science and Innovation has significant influence.

Cape Peninsula University of Technology
Central University of Technology
Durban University of Technology
Mangosuthu University of Technology
Nelson Mandela University
North-West University
Rhodes University
Sefako Makgatho Health Sciences University
Sol Plaatjie University
Stellenbosch University
Tshwane University of Technology
University of Cape Town
University of Fort Hare

University of Johannesburg
University of KwaZulu-Natal
University of Limpopo
University of Mpumalanga
University of Pretoria
University of South Africa
University of Free State
University of Western Cape
University of Witwatersrand
University of Venda
University of Zululand
Vaal University of Technology

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.1 Relationships *(continued)*

– Members of senior management

Executive Officer
Chief Financial Officer
Chief Director Strategy, Organisational Performance and Innovation
Chief Director Skills Development Implementation
Director Public Relations and Communications
Director Programme Monitoring
Director Regional Skills Development Monitoring x4
Director ICT and Analytics
Director Legal, Governance, Risk and Compliance
Director Internal Audit
Director Bursaries
Director Fund Management
Director Supply Chain Management
Director Financial Planning and Reporting
Director Financial Management and Administration

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29. Related party transactions *(continued)*

29.2 Related party transactions and balances – operating expenses

	2019/20 R'000	2018/19 R'000
Shared services charged by the DHET	(13,336)	(12,125)
Donations in kind to the DHET related to ICT	5,150	(30,409)

29.3 Key management personnel

	2019/20 R'000			2018/19 R'000		
	Basic salary and social contributions	Bonuses and performance related payments	Other short term employee benefits	Basic salary and social contributions	Bonuses and performance related payments	Other short term employee benefits
Executive Office						
Executive Officer	1 467	77	17	1 395	190	19
Director Legal, Governance, Risk and Compliance	1 041	127	5	975	60	6
Director Public Relations and Communications	996	41	12	473	-	7
Director Internal Audit	1 246	-	2	1 184	-	1
Sub-Total	4 750	245	36	4 027	250	33

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.3 Key management personnel *(continued)*

	2019/20 R'000			2018/19 R'000		
	Basic salary and social contributions	Bonuses and performance related payments	Other short term employee benefits	Basic salary and social contributions	Bonuses and performance related payments	Other short term employee benefits
Finance						
Chief Financial Officer	1289	85	13	-	-	-
Chief Director: Project Siyaphambili	-	-	-	1207	96	2
Directors Fund Fanagement	1076	91	-	671	-	-
Directors Financial Management and Administration	782	-	2	1153	-	2
Directors Financial Planning and Reporting	1026	135	7	795	60	1
Director Supply Chain Management	996	62	2	631	115	1
Sub-Total	5169	373	24	4 457	271	6

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.3 Key management personnel *(continued)*

	2019/20 R'000			2018/19 R'000		
	Basic salary and social contributions	Bonuses and performance related payments	Other short term employee benefits	Basic salary and social contributions	Bonuses and performance related payments	Other short term employee benefits
Skills Development Implementation						
Chief Director Skills						
Development Implementation	1189	63	34	565	59	59
Director Initiation and Evaluation	1105	145	16	1034	141	27
Director Bursaries	1026	125	22	961	60	17
Director Programme Monitoring	1163	73	15	1105	69	13
Director Regional Skills Development Monitoring (FS, NW & NC)	996	62	3	723	130	3
Director Regional Skills Development (GP, LP & MP)	996	62	5	725	3	14
Director Regional Skills Development monitoring (KZN & EC)	1105	68	46	791	64	40
Director Regional Skills Development Monitoring (WC, NC & EC)	1089	-	28	780	67	14
Sub-Total	8669	598	169	6 684	593	187

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.3 Key management personnel *(continued)*

	2019/20 R'000			2018/19 R'000		
	Basic salary and social contributions	Bonuses and performance related payments	Other short term employee benefits	Basic salary and social contributions	Bonuses and performance related payments	Other short term employee benefits
Strategy Partnerships and Innovation						
Chief Director Strategy	982	73	9	-	-	-
Director ICT and Analytics	996	62	1	946	58	-
Director Strategy, Partnerships and Innovation	-	-	-	567	-	12
Sub-Total	1 978	135	10	1 513	58	12
Total	20,566	1,351	239	16,681	1,172	238

Personnel remuneration is paid by the DHET and claimed back as part of the 10% administration fee. No transactions were conducted with any family members of key management personnel during the current or previous periods under review.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.4 Related party transactions and balances

Related party	2019/20 R'000												
	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2020	Other accruals at 31 March 2020	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2020	Receivables related to skills development funding expenses at 31 March 2020	Payables related to skills development funding expenses at 31 March 2020	Accruals related to skills development funding expenses at 31 March 2020	Provisions related to skills development funding expenses at 31 March 2020
DHET	-	-	-	985,323	-	16	505,519	1,395,682	69,092	-	-	266,642	-
HRDCSA	-	-	-	-	-	347	2,820	-	12,148	-	-	-	-
NIHSS	-	-	-	85,413	-	7,510	(48,000)	-	151,340	-	-	-	-
NRF	-	-	-	145,660	-	1,480	52,798	147,164	138,196	-	-	87,652	-
NSA	-	-	-	18,483	116	531	12,232	34,222	8,140	-	-	-	-
NSFAS	-	-	-	410,981	-	24,032	582,270	355,301	355,701	-	-	-	-
QCTO	-	-	-	1,261	-	22	706	18,803	725	-	-	-	-
SAQA	-	-	-	-	-	-	-	-	-	-	-	-	-
AGRISETA	-	-	-	-	-	-	-	-	-	-	-	-	-
ETDP SETA	-	-	-	-	-	-	-	-	-	-	-	-	-
Foodbev	-	-	-	-	-	-	-	-	-	-	-	-	-
FP&M SERA	-	-	-	-	-	-	-	-	-	-	-	-	-
MERSETA	-	-	-	-	-	-	-	-	-	-	-	-	-
MICT SETA	-	-	-	-	-	-	-	-	-	-	-	-	-
MQA	-	-	-	8,627	1,772	-	(1,772)	-	-	-	-	29,714	-
PSETA	-	-	-	-	651	-	-	-	-	-	-	-	-
SASSETA	3,500	-	-	-	-	-	-	-	-	-	-	-	-
Services SETA	-	-	185,000	-	-	-	-	-	-	-	-	-	-
Boland TVET College	-	-	-	3,974	-	159	10,406	-	2,052	-	-	-	-

29.4 Related party transactions and balances (continued)

Related party	2019/20 R'000												
	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2020	Other accruals at 31 March 2020	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2020	Receivables related to skills development funding expenses at 31 March 2020	Payables related to skills development funding expenses at 31 March 2020	Accruals related to skills development funding expenses at 31 March 2020	Provisions related to skills development funding expenses at 31 March 2020
Buffalo City TVET College	-	-	-	16,239	-	246	18,906	12,150	-	-	-	1,420	-
Capricorn TVET College	-	-	-	6,564	-	137	4,562	28,655	390	-	-	-	-
Central Johannesburg TVET College	-	-	-	-	-	-	-	-	-	-	12,264	-	-
Coastal KZN TVET College	-	-	-	6,391	-	-	3,269	17,617	279	-	-	-	-
College of Cape Town TVET College	-	-	-	15,494	-	481	27,841	11,317	1,407	-	-	323	-
East Cape Midlands TVET College	-	-	-	9,326	-	6	12,280	54,958	12,965	-	-	-	-
Eastern Cape Midlands TVET College	-	96,735	-	-	-	-	-	-	-	-	-	-	-
Ehlanzeni TVET College	-	-	-	7,953	-	35	1,974	-	6,479	-	-	-	-
Ekurheleni West TVET College	-	-	-	-	-	45	28	186	231	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.4 Related party transactions and balances *(continued)*

Related party	2019/20 R'000												
	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2020	Other accruals at 31 March 2020	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2020	Receivables related to skills development funding expenses at 31 March 2020	Payables related to skills development funding expenses at 31 March 2020	Accruals related to skills development funding expenses at 31 March 2020	Provisions related to skills development funding expenses at 31 March 2020
Ekurhuleni East TVET College	-	-	-	4,354	-	261	15,305	45,881	2,365	-	-	-	-
Ekurhuleni West TVET College	-	-	-	10,745	-	146	4,750	22,275	6,141	-	-	-	-
Elangeni TVET College	-	-	-	13,440	-	158	11,139	19,711	1,981	-	-	-	-
Esayidi TVET College	-	102,515	-	19,832	7	59	17,843	17,705	1,218	-	-	-	-
False Bay TVET College	-	-	-	9,868	-	691	20,374	176,869	8,198	-	-	2,509	-
Flavius Mareka TVET College	-	-	-	8,557	-	224	14,072	14,026	2,190	-	-	-	-
Gert Sibande TVET College	-	26,639	-	16,772	-	491	26,041	6,493	2,099	-	-	2,829	-
Goldfields TVET College	-	-	-	10,398	-	77	9,906	-	717	-	-	-	-
Ikhala TVET College	-	215,687	-	8,989	-	145	11,706	16,923	-	-	-	-	-
Ingwe TVET College	-	138,305	-	9,059	-	111	6,128	17,813	6,743	-	-	-	-
King Hintsa TVET College	-	-	-	7,419	-	187	6,689	5,645	1,714	-	-	-	-

29.4 Related party transactions and balances (continued)

Related party	2019/20 R'000												
	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2020	Other accruals at 31 March 2020	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2020	Receivables related to skills development funding expenses at 31 March 2020	Payables related to skills development funding expenses at 31 March 2020	Accruals related to skills development funding expenses at 31 March 2020	Provisions related to skills development funding expenses at 31 March 2020
King Sabata TVET College	-	-	-	14,514	717	496	17,709	31,309	1,007	-	-	-	-
Lephalale TVET College	-	-	-	18,236	-	84	18,798	10,569	594	-	-	-	594
Letaba TVET College	-	-	-	5,806	-	112	8,870	14,120	294	-	-	-	-
Lovedale TVET College	-	-	-	9,213	-	-	9,018	11,327	2,805	2,719	-	-	-
Majuba TVET College	-	-	-	12,589	-	187	13,434	12,022	3,742	-	-	395	-
Maluti TVET College	-	-	-	1,539	-	-	3,275	11,013	600	-	-	-	-
Mnambithi TVET College	-	-	-	10,965	-	86	4,402	8,051	1,012	-	-	-	-
Mopani South East TVET College	-	-	-	16,572	-	207	6,910	43,818	2,346	-	-	-	-
Motheo TVET College	-	-	-	-	-	611	8,789	34,277	11,563	-	-	-	-
Mthashana TVET College	-	165,828	-	8,976	-	15	8,310	41,046	4,134	-	-	-	-
Nkangala TVET College	-	-	-	2,764	-	7	(1,202)	22,375	-	-	-	747	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.4 Related party transactions and balances *(continued)*

Related party	2019/20 R'000												
	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2020	Other accruals at 31 March 2020	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2020	Receivables related to skills development funding expenses at 31 March 2020	Payables related to skills development funding expenses at 31 March 2020	Accruals related to skills development funding expenses at 31 March 2020	Provisions related to skills development funding expenses at 31 March 2020
Northern Cape Rural TVET College	-	-	-	17,107	-	125	18,625	15,398	2,300	-	-	-	-
Northern Cape Urban TVET College	-	-	-	9,078	-	69	8,249	5,895	3,958	-	-	-	-
Northlink TVET College	-	-	-	8,273	252	485	16,920	-	91	-	-	-	-
Orbit TVET College	-	-	-	752	-	353	6,191	31,769	3,619	-	-	-	-
Port Elizabeth TVET College	-	-	-	10,991	-	521	15,964	15,812	10,455	-	-	-	-
Sedibeng TVET College	-	-	-	5,280	-	88	6,104	17,317	1,137	-	-	-	-
Sekhukhune TVET College	-	-	-	8,835	-	86	12,615	45,728	3,022	-	-	-	-
South Cape TVET College	-	-	-	26,019	-	82	18,937	5,569	549	-	-	-	-
South West Gauteng TVET College	-	-	-	8,893	-	103	2,843	23,051	3,143	-	-	-	-
Taletso TVET College	-	-	-	9,082	-	76	9,798	22,209	3,865	-	-	-	-

29.4 Related party transactions and balances (continued)

Related party	2019/20 R'000												
	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2020	Other accruals at 31 March 2020	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2020	Receivables related to skills development funding expenses at 31 March 2020	Payables related to skills development funding expenses at 31 March 2020	Accruals related to skills development funding expenses at 31 March 2020	Provisions related to skills development funding expenses at 31 March 2020
Thekwini TVET College	-	-	-	6,385	998	60	11,049	10,034	212	-	-	-	-
Tshwane North TVET College	-	-	-	-	-	4	(246)	-	-	-	-	8,754	-
Tshwane South TVET College	-	-	-	7,785	-	267	16,785	15,626	6,230	-	-	-	-
Umfolozi TVET College	-	138,301	-	41,329	-	589	14,279	68,639	12,288	-	-	131	-
Umgungundlovu TVET College	-	157,667	-	23,128	-	25	24,621	29,247	4,030	-	-	-	-
University of Cape Town	-	-	-	-	-	-	-	-	-	-	-	-	-
Vhembe TVET College	-	-	-	6,068	-	32	8,778	49,924	230	-	-	-	-
Vuselela TVET College	-	-	-	6,189	-	62	10,874	27,730	447	-	-	168	-
Waterberg TVET College	-	-	-	11,797	-	165	14,347	44,743	-	-	-	66	-
West Coast TVET College	-	-	-	12,228	-	407	11,020	22,076	9,252	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.4 Related party transactions and balances *(continued)*

2019/20 R'000													
Related party	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2020	Other accruals at 31 March 2020	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2020	Receivables related to skills development funding expenses at 31 March 2020	Payables related to skills development funding expenses at 31 March 2020	Accruals related to skills development funding expenses at 31 March 2020	Provisions related to skills development funding expenses at 31 March 2020
Western Gauteng TVET College	-	-	-	-	-	1	1	27,024	-	-	-	-	-
Cape Peninsula University of Technology	-	-	-	-	-	407	6,664	10,528	-	-	-	6,258	-
Central Johannesburg TVET College	-	-	-	5,734	-	6	7,461	23,930	-	-	-	736	-
Nelson Mandela University	-	-	-	81,718	626	1,758	63,651	11,680	18,558	-	-	-	-
Tshwane University of Technology	-	-	-	2,627	137	-	2,627	-	-	-	-	-	-
University of Cape Town	-	-	-	-	-	-	-	-	-	-	-	-	-
University of Johannesburg	-	-	-	-	-	-	-	-	-	-	-	-	-
University of Limpopo	-	-	-	-	-	-	-	-	-	-	-	-	-

29.4 Related party transactions and balances (continued)

2019/20 R'000													
Related party	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2020	Other accruals at 31 March 2020	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2020	Receivables related to skills development funding expenses at 31 March 2020	Payables related to skills development funding expenses at 31 March 2020	Accruals related to skills development funding expenses at 31 March 2020	Provisions related to skills development funding expenses at 31 March 2020
University of Pretoria	-	-		42,601	846	49,441	-	791	-	-	-	12,922	-
University of Stellenbosch	-	-	-	-	-	-	320	340	-	-	-	456	-
University of the Western Cape	-	-	-	1,586	-	1	2,108	32,892	-	-	-	520	-
University of Venda	-	-	-	-	-	-	-	-	-	-	-	-	-
Walter Sisulu University	-	-	-	25,336	224	-	24,673	12,212	438	-	-	-	-
Total	3,500	1,041,677	185,000	2,321,117	5,500	46,020	1,812,804	3,228,696	905,223	2,719	12,264	422,242	594

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.4 Related party transactions and balances *(continued)*

Related party	2018/19 R'000												
	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2019	Other accruals at 31 March 2019	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2019	Receivables related to skills development funding expenses at 31 March 2019	Payables related to skills development funding expenses at 31 March 2019	Accruals related to skills development funding expenses at 31 March 2019	Provisions related to skills development funding expenses at 31 March 2019
DHET	-	-	-	607,100	485,000	-	(150,691)	2,648,096	4,320	-	-	479,015	-
HRDCSA	-	-	-	22,234	-	4	19,051	23,023	14,788	-	-	167	-
NIHSS	-	-	-	111,023	-	5,697	188,309	5,983	10,417	-	-	-	-
NRF	-	-	-	357,147	-	2,682	240,676	148,538	138,090	-	-	94,236	-
NSA	-	-	-	16,331	-	298	15,187	85,851	1,474	-	-	-	-
NSFAS	-	-	-	584,305	-	37,899	473,378	824,954	415,305	-	-	-	-
QCTO	-	-	-	215	-	-	67	19,509	148	-	-	-	-
SAQA	-	-	-	-	-	-	-	-	-	-	-	-	-
AGRISETA	-	-	-	-	-	-	13,440	-	-	-	-	-	-
CHIETA	1,982	-	-	-	-	-	-	-	-	-	-	-	-
ETDP SETA	-	-	-	-	-	-	-	-	-	-	-	-	-
Foodbev	-	-	-	-	-	-	-	-	-	-	-	-	-
FP&M SERA	-	-	-	-	-	-	-	-	-	-	-	-	-
MERSETA	-	-	-	-	-	-	-	-	-	-	-	-	-
MICT SETA	2,573	-	-	-	-	-	-	-	-	-	-	-	-
MQA	-	-	-	-	-	-	17,678	22,382	-	-	8,628	29,714	-
PSETA	-	-	-	-	-	-	(651)	-	651	-	-	-	-
SASSETA	3,500	-	-	-	-	-	-	-	-	-	-	-	-
Services SETA	-	-	185,000	-	-	-	-	-	-	-	-	-	-

29.4 Related party transactions and balances (continued)

Related party	2018/19 R'000												
	Income from SETAs towards TVET college infrastructure development /INDLELA Development	TVET college infrastructure assets at 31 March 2019	Other accruals at 31 March 2019	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2019	Receivables related to skills development funding expenses at 31 March 2019	Payables related to skills development funding expenses at 31 March 2019	Accruals related to skills development funding expenses at 31 March 2019	Provisions related to skills development funding expenses at 31 March 2019
Boland TVET College	-	-	-	15,446	-	24	7,144	13,621	8,326	-	-	-	-
Buffalo City TVET College	-	-	-	11,894	-	185	20,310	31,057	1,001	-	-	-	-
Capricorn TVET College	-	-	-	7,900	-	42	8,262	34,646	-	-	1,429	320	-
Central Johannesburg TVET College	-	-	-	-	-	-	-	-	-	-	12,264	-	-
Coastal KZN TVET College	-	-	-	-	-	-	4,556	16,206	-	-	-	2,843	-
College of Cape Town TVET College	-	-	-	26,704	-	226	18,443	41,399	12,949	-	-	-	-
East Cape Midlands TVET College	-	48,491	-	6,367	-	-	4,494	71,751	15,914	-	-	-	-
Ehlanzeni TVET College	-	-	-	7,931	-	1	22,966	33,989	464	2	-	-	-
Ekurhuleni East TVET College	-	-	-	12,310	-	-	(744)	61,934	13,055	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.4 Related party transactions and balances *(continued)*

2018/19 R'000													
Related party	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2019	Other accruals at 31 March 2019	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2019	Receivables related to skills development funding expenses at 31 March 2019	Payables related to skills development funding expenses at 31 March 2019	Accruals related to skills development funding expenses at 31 March 2019	Provisions related to skills development funding expenses at 31 March 2019
Ekurhuleni West TVET College	-	-	-	-	4,388		(355)	27,239	214	-	-	-	-
Elangeni TVET College	-	-	-	4,928	-	45	8,221	30,850	-	-	-	478	-
Esayidi TVET College	64,353	-	-	19,322	-	98	21,723	37,243	65	-	-	889	-
False Bay TVET College	-	-	-	41,383	-	46	25,925	200,393	15,505	-	-	-	-
Flavius Mareka TVET College	-	-	-	14,983	-	36	7,539	30,382	7,481	-	-	-	-
Gert Sibande TVET College	11,947	-	-	34,681	-	59	27,044	35,116	8,048	-	-	-	-
Goldfields TVET College	-	-	-	15,515	-	-	15,366	11,659	149	-	-	-	-
Ikhala TVET College	101,691	-	-	3,473	-	133	2,787	28,629	2,572	-	-	-	-
Ingwe TVET College	84,229	-	-	-	15	270	(299)	23,942	3,702	-	1	-	-
King Hintsa TVET College	-	-	-	4,442	-	104	8,063	12,334	798	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.4 Related party transactions and balances *(continued)*

Related party	2018/19 R'000												
	Income from SETAs towards TVET college infrastructure development /INDLELA Development	TVET college infrastructure assets at 31 March 2019	Other accruals at 31 March 2019	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2019	Receivables related to skills development funding expenses at 31 March 2019	Payables related to skills development funding expenses at 31 March 2019	Accruals related to skills development funding expenses at 31 March 2019	Provisions related to skills development funding expenses at 31 March 2019
King Sabata TVET College	-	-	-	19,530	-	254	21,187	49,019	4,423	-	-	-	-
Lephalale TVET College	-	-	-	4,874	-	208	7,338	29,367	478	-	-	-	-
Letaba TVET College	10,362	-	-	7,222	-	59	4,035	22,990	3,246	-	-	-	-
Lovedale TVET College	-	-	-	27,678	-	-	38,674	20,345	5,330	-	-	-	-
Majuba TVET College	-	-	-	19,835	-	9	18,089	25,456	6,801	-	-	2,797	-
Maluti TVET College	-	-	-	11,910	-	-	9,577	14,287	2,335	1	-	-	-
Mnambithi TVET College	-	-	-	1,773	-	26	11,767	12,453	-	-	-	5,636	-
Mopani South													
East TVET College	-	-	-	6,188	-	-	16,186	53,386	3,313	-	-	10,836	-
Motheo TVET College	-	-	-	23,006	-	-	3,266	43,066	19,741	-	-	-	-
Mthashana TVET College	65,125	-	-	5,388	-	20	8,822	49,349	3,447	6	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.4 Related party transactions and balances *(continued)*

Related party	2018/19 R'000												
	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2019	Other accruals at 31 March 2019	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2019	Receivables related to skills development funding expenses at 31 March 2019	Payables related to skills development funding expenses at 31 March 2019	Accruals related to skills development funding expenses at 31 March 2019	Provisions related to skills development funding expenses at 31 March 2019
Nkangala TVET College	-	-	-	1,132	-	-	6,808	21,173	-	-	-	4,720	-
Northern Cape Rural TVET College	-	-	-	14,029	-	23	12,954	34,022	3,693	-	-	-	-
Northern Cape Urban TVET College	-	-	-	21,818	-	18	18,776	16,897	3,154	-	-	93	-
Northlink TVET College	-	-	-	33,692	-	35	25,236	22,283	8,506	-	-	-	-
Orbit TVET College	-	-	-	9,891	-	-	3,210	41,769	8,706	-	-	-	-
Port Elizabeth TVET College	-	-	-	26,082	-	19	17,644	33,289	14,906	-	-	-	-
Sedibeng TVET College	-	-	-	5,512	-	163	11,529	23,422	1,874	-	-	-	-
Sekhukhune TVET College	-	-	-	11,574	-	55	4,912	60,498	6,716	-	-	-	-
South Cape TVET College	-	-	-	20,465	-	11	34,086	25,546	2,508	-	-	9,125	-

29.4 Related party transactions and balances (continued)

Related party	2018/19 R'000												
	Income from SETAs towards TVET college infrastructure development /INDLELA Development	TVET college infrastructure assets at 31 March 2019	Other accruals at 31 March 2019	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2019	Receivables related to skills development funding expenses at 31 March 2019	Payables related to skills development funding expenses at 31 March 2019	Accruals related to skills development funding expenses at 31 March 2019	Provisions related to skills development funding expenses at 31 March 2019
South West Gauteng TVET College	-	-	-	-	-	-	3,010	25,894	-	-	-	3,010	-
Taletso TVET College	-	-	-	5,646	-	-	6,681	32,007	4,504	-	-	-	-
Thekwini TVET College	-	-	-	8,143	-	44	5,269	21,083	5,813	-	-	-	-
Tshwane North TVET College	-	-	-	-	-	-	19,953	2,405	-	-	107	8,898	-
Tshwane South TVET College	-	-	-	27,207	-	137	12,382	36,307	14,962	1	-	-	-
Umfolozi TVET College	-	395,315	-	35,059	-	118	58,609	65,569	5,524	-	-	21,007	-
Umgungundlovu TVET College	-	57,488	-	-	-	14	(35)	54,059	5,689	-	191	-	-
University of Cape Town	-	-	-	351	-	-	589	-	-	-	-	-	-
Vhembe TVET College	-	-	-	2,491	-	31	3,484	58,701	2,908	-	-	-	-
Vuselela TVET College	-	-	-	4,457	-	-	3,604	38,890	4,902	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

29.4 Related party transactions and balances *(continued)*

Related party	2018/19 R'000												
	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2019	Other accruals at 31 March 2019	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2019	Receivables related to skills development funding expenses at 31 March 2019	Payables related to skills development funding expenses at 31 March 2019	Accruals related to skills development funding expenses at 31 March 2019	Provisions related to skills development funding expenses at 31 March 2019
Waterberg TVET College	-	-	-	-	-	180	(2,139)	59,090	2,319	-	-	-	-
West Coast TVET College	-	-	-	31,801	1,893	124	26,122	37,299	7,638	-	-	-	-
Western Gauteng TVET College	-	-	-	-	-	-	-	27,025	-	-	-	-	-
Cape Peninsula University of Technology Central Johannesburg TVET College	-	-	-	-	-	404	(12,608)	17,192	-	-	-	-	-
	-	-	-	3,069	-	-	2,085	31,390	985	-	-	-	-
Nelson Mandela University Tshwane	-	-	-	0,1513	-	5,379	56,164	126,139	-	-	-	640	-
University of Technology University of Cape Town	-	-	-	1,646	-	5	1,514	-	137	-	-	-	-

29.4 Related party transactions and balances (continued)

2018/19 R'000													
Related party	Income from SETAs towards TVET college infrastructure development / INDLELA Development	TVET college infrastructure assets at 31 March 2020	Other accruals at 31 March 2020	Payments related to skills development programmes and projects	Receipts related to skills development programmes and projects	Finance income from advance payments to skills development programmes and projects	Skills development funding expense	Contracted commitments	Deferred related to skills development funding expenses at 31 March 2020	Receivables related to skills development funding expenses at 31 March 2020	Payables related to skills development funding expenses at 31 March 2020	Accruals related to skills development funding expenses at 31 March 2020	Provisions related to skills development funding expenses at 31 March 2020
University of Johannesburg	-	-	-	-	-	-	-	-	-	-	-	-	-
University of Limpopo	-	-	-	-	-	-	-	364,263	-	-	-	-	-
University of Pretoria	-	-	-	37,085	-	1,260	72,981	74,382	4,478	-	-	10,614	-
University of Stellenbosch	-	-	-	885	-	-	1,021	506	-	-	-	136	-
University of Venda	-	-	-	-	-	-	-	-	-	-	-	-	-
Walter Sisulu University	-	-	-	9,945	-	-	17,012	36,885	-	-	-	1	-
Total	8,055	839,001	185,000	2,395,169	491,296	56,447	1,567,683	6,228,429	834,472	10	22,620	685,175	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

30. Defined contribution plan

The NSF provides for retirement benefits for all its permanent employees through a defined contribution scheme to the Government Employees Pension Fund (GEPF) that is subject to the Pension Funds Act, as amended. In terms of the Pension Funds Act, 1956 (Act No. 24 of 1956) the fund is not required to be actuarially valued.

The NSF's liability is limited to its considerations made.

	Notes	2019/20 R'000	2018/19 R'000
Contributions for the year included in employee cost		(7 127)	(5 908)
	20	(7 127)	(5 908)

31. Operating lease rental

	Notes	2019/20 R'000	2018/19 R'000
NSF as lessee			
Future lease payments under non-cancellable operating leases:			
Photocopy machines		(253)	(295)
Due within one year		(126)	(241)
Due within two to five years		(127)	(54)
Later than five years		-	-
Parking		(303)	(566)
Due within one year		(303)	(283)
Due within two to five years		-	(283)
		(556)	(861)

32. Events after reporting period

32.1 Covid-19 pandemic

On 26 March 2020, the President of South Africa, Mr Cyril Ramaphosa, announced a national lockdown in the combat of the Covid-19 pandemic. Subsequently, related regulations were promulgated and incentives were announced in order to curb the spread of the pandemic, but also to alleviate the economic impact of the pandemic. One of the incentives promulgated is the skills development tax holiday, whereby employers will be exempted from paying skills development levies for four months from the beginning of May 2020.

Furthermore, the lockdown measures are resulting in job losses and salary cuts being implemented by employers, which is resulting in a lower consolidated wage bill for South Africa. The lower wage bill will result in a lower skill development levy due to the levy being 1% of companies' wage bill.

The decline in the NSF's SDL income due to the impact of the four months levy holiday is projected at R1.294 billion, which amounts to 33% of the original revenue projection of R3.882 billion for the 2020/21 financial year. The further decline in SDL income due to an anticipated decline in the national wage bill as a result of Covid-19 is estimated at R647 million for the 2020/21 financial year and R2.798 billion over the medium term.

Due to the loss of income as outlined above, the NSF's income will not suffice to service its contractual commitments and as a result thereof the NSF will need to utilise its accumulated surpluses to service its current contractual commitments. This utilisation of the NSF's accumulated surpluses will result in a decline in the NSF's investment income, amounting to a further loss of income over the medium term projected at R1.877 billion.

The continuation of learner stipends during lockdown were approved. The continued payment of learner stipends during the lockdown months of April and May 2020 is estimated at an additional R260 million over the two months.

Furthermore, in response to Covid-19, the NSF budgeted an additional R1 000 per learner per month as additional support to the learning environment to prevent the spread of Covid-19, resulting in an additional R60 million per month. The additional R60 million is expected to last for 6 months from June to the end of November, amounting to R360 million in total.

This expenditures will be approved via the formal change request process per programme and project and monitored and processed in line with the NSF payment protocols.

The assessment of the impact of Covid19 highlighted that the NSF's mandate and strategic priorities remain relevant in supporting skills development interventions in line with combating Covid-19 currently, but also to support skills development interventions post Covid-19, especially with regards to supporting skills development interventions in support of economic growth and social development.

However, the portfolio plan and economic sectors priorities need to be augmented to include short to medium term interventions targeting government interventions due to the impact of Covid-19 as well as medium to long term interventions to support economic growth and social development. As a result, the NSF developed the NSF Covid-19 Action Plan which is at an economic level to augment the portfolio plan that is targeting skills development system interventions in line with the strategic plan. This may be updated once the national economic stimulus/recovery plan is in place. Research and socio-economic analysis is to be undertaken to direct the strategy and budget. In seeking to maintain targets for increased demand, while aligning to the budget reduction, would require reprioritisation of targets.

32.2 Land Bank has defaulted on their obligations

On 23 April 2020, after year-end, Land Bank has not been able to pay their maturities and have defaulted on their obligations. As at year-end, the NSF's total investments in instruments of the Land Bank amounted to R172.501 million, which had a credit rating of Aa3.za as at year-end. Following the default by the Land bank on 23 April 2020, the credit rating of the Land Bank was downgraded to Baa2.za effective from 24 April 2020. Since the default and related downgrade occurred after year-end, the balance as at year-end will not be adjusted. The NSF's investment in the Land Bank of R172.501 million is however at risk of being impaired subsequent to year-end.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

33. Notes to the statement of comparison of budget and actual amounts

33.1 Revenue from non-exchange transactions

The actual revenue received from non exchange transactions is below the budgeted revenue by 1.5%. The reasons for the slight decrease are outlined below:

- 1) Skills development levies income for the 2019/20 financial year amounts to R3.660 billion, which is R58.921 million (1.5%) below the R3.715 billion originally budgeted for. In comparison with the prior year, the skills development levies income increased with R160.7 million (4.6%). The 4.6% annual increase is slightly below the average annual increase of 4.9% for the past three years since 2016/17. The slight decrease is as a results of levies collected in the second quarter being under the average estimated collection for the quarter.
- 2) Received R3.5 million during the 2019/20 financial year from the SETAs for INDLELA's recapitaisation and development, which was not originally budgeted for as it was not foreseen. This project is seeking to extensively refurbish and properly equip the 47 workshops with modern machinery, renovate the office administration block, establish new offices as required to also house other directorates situated on site such as the National Artisan Development (NAD) directorate and the National Artisan Moderation Body (NAMB), convert certain housing facilities into workspaces, renovate the kitchen and the hostel blocks, renovate the roads, parking bays, plumbing and electrical systems and install a palisade walling system around INDLELA inclusive of all necessary security features.

33.2 Revenue from exchange transactions

The actual revenue received from exchange transactions is more than budget by 1.8% due to the following reasons:

- 1) For the 2019/20 financial year the NSF received investment income of R551.744 million from investments held at the PIC, which is 3.8% (R20.1 8 million) above the R531.564 million budgeted for the year. The investment income from PIC investments also increased with R106.481 million (23.9%) in comparison with the prior year amount of R445.263 million. The increase is

mainly due to delays in approving funding allocated to NSF bursary schemes administered through the NSFAS and the subsequent payment thereof to the NSFAS, resulting in the funding incurring interest at the PIC, while awaiting disbursement to NSFAS, as well as delays in the approval of new projects resulting in an increase in investments.

- 2) The skills development providers are required to keep the funding advanced in dedicated interest bearing accounts of which the interest earned thereon must be solely used for the purposes of the skills development programme or project in line with the approved implementation plan and budget therefore. Thus, this interest earned effectively requires the NSF to pay less funding over to the skills development providers to execute their respective skills development initiatives, as a portion of the skills development programmes and projects are funded through the interest earned on the advance payments.

For the 2019/20 financial year, the NSF received finance income of R48.676 million from advance payments to skills development programmes and projects, which is R9.519 million below the budget amount of R58.195 million. The decrease is mainly due to delays in approving funding allocated to NSF bursary schemes administered through the NSFAS and the subsequent payment thereof to the NSFAS. As a result, the interest on these funds was earned as part of the interest earned on the NSF's PIC investments and not as part of advance payments to skills development programmes and projects.

33.3 Skills development funding expenses

The actual skills development funding expenses was 41.1% below budget, which can mainly be attributed to the following:

Education and Training:

The NSF budgeted R2.654 billion towards the education and training of learners on a variety of learning programmes aligned to the NSF's strategic targets, namely education and training towards priority occupations, education and training in support of rural development, education and training in support of SMMEs and co-operatives, community education and training and worker education. During the 2019/20 financial year, the NSF expensed R1.927 billion towards the education and training of learners, which is 27.4% (R727.328 million) below the budget of R2.655 billion. The variance can mainly be ascribed to the following:

1) Bursaries and international scholarships: R704.451 million expensed towards bursaries and international scholarships, with the respective bursary schemes administered through NSFAS, NRF, DHET and NIHSS. The expenditure of R704.451 million is slightly above 2.5% (R17.0451 million) below the budgeted amount of R687 million.

2) Occupational programmes in the TVET colleges: R472.396 million expensed towards occupational programmes in the public TVET colleges, which is 42.1% (R343.604 million) below the budgeted amount of R816 million. The reason for the slow disbursement is due to delays in the implementation of occupational programmes in the public TVET college system as a result of funding TVET colleges on a project basis. In order to mitigate this going forward, the NSF is in the process of amending contractual agreements with all the public TVET colleges to fund occupational programmes in the TVET colleges on an programmatic basis.

Templates for annual programmatic funding application for occupational programmes to be delivered in the public TVET colleges have already been implemented, with all TVET colleges indicating their interest in occupational programme delivery. These templates steer the public TVET college system towards focusing on occupations in high demand nationally and per sector, as well as applying for seed funding to build the TVET colleges' capacity towards delivering occupational programmes, where the college is not yet delivering on those programmes, but wishes to do so. New programmatic funding contractual agreements have been drafted and is in the process of being signed with the public TVET colleges. This will provide the TVET college system with more certainty and sustainability in the provision of funding for occupational programmes.

3) Workplace-based learning (apprenticeships, learnerships, internships, cadetteships etc.) and skills programmes: R750.576 million expensed towards apprenticeships, learnerships, internships, cadetteships and skills programmes, which is 34.8% (R400.424 million) below the budgeted amount of R1.151 billion. The reason for the variance is due to delays in the implementation of the Unemployment Insurance Fund Labour Activation Programme phase one. First tranche payments were only disbursed to three (3) of the thirty four (34) projects as the remaining projects (31) had not yet finalised contractual agreements to release of the 1st tranche payment and subsequent payments.

In order to address the slow initiation processes, the NSF incorporated turnaround times into the NSF's standard operating procedures, which shall be included in the officials performance agreements. Furthermore, consideration is given to shifting the NSF's initiation and evaluation function from the Chief Directorate: Skills Development Implementation to the Chief Directorate: Strategy, Innovation and Organisational Performance. This will enable more strategic focus and improved quality in the initiation process, as well as enable more innovative and responsive approaches to the initiation of skills development initiatives than the traditional reactive request for proposal (RFP) process.

PSET System Development and Capacity Building:

During the 2019/20 financial year, the NSF expensed R205.626 million towards PSET system development and capacity building initiatives, which is R377.374 million (64.7%) below the budget of R583 million. The main reason for the budget variance is due to slow performance on certain PSET system development and capacity building projects.

Skill Infrastructure Development:

During the 2019/20 financial year, the NSF expensed R383.701 million towards skills infrastructure development initiatives, which is 36.3% (R352.588 million) below the budget of R970 million. The variance can mainly be ascribed due to delays in procurement processes related to construction, refurbishment and completion of the remaining TVET college campuses. The procurement processes have, however, been completed and construction is in process. The construction was delayed due to the lockdown regulations, but has subsequently resumed.

Skill Development Research, Innovation and Advocacy:

During the 2019/20 financial year, the NSF expensed R5.024 million towards skills development research, innovation and advocacy initiatives, which is R57.494 million below the budget of R62.518 million. The main reason for the underspending relates to slow implementation of the NSA Constituency Capacity Building Programme, as well as underspending by the HRDC with regards to skills development research, innovation and advocacy.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

33.4 Employee cost

The actual employee cost is 37% below the budgeted employee costs. The reason for the underspending is mainly due to the slow pace at which the DHET HRM function fills vacant positions for the NSF, taking on average 11 months to fill a position from date of advertisement and between 4 to 6 months to advertise a vacant position, thus in total 15 to 17 months. The slow pace at which the DHET's HRM function fills vacant positions has impacted negatively on all NSF's functions. Operationally, the NSF is already experiencing the dire consequences as a result thereof.

33.5 Operating expenses

The actual operating expenses is 59.2% below the budgeted operating expenses. The key driver of the NSF's operating expenses relates to the NSF's staff establishment which mainly drives the following operating expenditures: computer services and consumables provided to NSF staff, DHET shared services charge based on the NSF's staff establishment, operating leases of facilities and office equipment, printing and publications, resettlement costs, security, software expenses, stationery, telephone and fax, travel and subsistence. The NSF's high vacancy rate is the main attributor towards the underspending on operating expenses.

33.6 Management fees and bank charges

Management fees and bank charges are 18.1% over the budget. The increase in the PIC's management fees and bank charges can be ascribed to the increase in NSF investments, since the PIC bases its fees on the remaining balance at the end of each month.

33.7 Collection cost to SARS

33.7.2 Levy collection costs

There was a saving of 10.4% (R5.614 million) on the actual levy collection costs incurred by SARS for the period in comparison to the costs budgeted therefore due to efficiencies in the SARS collection processes.

34. Irregular expenditure

	Notes	2019/20 R'000	2018/19 R'000
Opening balance – prior year		409,015	404,414
Add: Irregular expenditure incurred during the year		23,922	4,601
– Appointment of TVET college construction contractors		22,311	4,498
– Cost overruns related to the production of the NSF 2018/19 Annual Report		65	-
– Secure hosted exchange and archiving environment of the electronic mail network		1,546	-
– The appointment of consultant to render events and conferencing services		-	103
– The appointment of travel agency to render travel agency services		-	-
Less: Amounts condoned		-	-
Less: Amounts approved for write off		-	-
Irregular expenditure awaiting condonation		432,937	409,015
Analysis of irregular expenditure per age classification:			
Current year		23,922	4,601
Prior years		409,015	404,414
Less: Amounts condoned		-	-
Less: Amounts approved for write off		-	-
Total		432,937	409,015

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

34. Irregular expenditure *(continued)*

(i) Appointment of TVET college construction contractors

The TVET college infrastructure development is centrally managed by the DHET and financed through the NSF in terms of the MoA between the the parties. Hence, the following is managed centrally by the DHET:

1. All procurement of the TVET college infrastructure development, which includes the award of tenders to the principle agent and construction contractors; and
2. Implementation oversight of the TVET college infrastructure development.

Current year irregular expenditure amounting to R22.311 million (2018/19: R4.498 million) is the result of expenditure incurred relating to bids that were awarded in contravention of Construction Industry Development Board (CIDB) standards.

CIDB regulation 17 stipulates that a contractor's grading for general building works (GB) should be in line with the value of the contract. A potential emerging contractor (PE) should be at a grade lower than the required grade. In the terms of reference of tenders awarded, the requirements stipulated a CIDB grading of 7 GB PE which is an indication that the project value could be for project values up to R130 million. The two tender awards for tender DHET041 were for contracts valued at between R167 million and R194 million.

CIDB regulation 25 (7A) does allow the award of tenders outside the tender value range, however, certain provisions are stipulated, amongst others:

- The margin of the tender exceeding the tender value range should be reasonable (according to regulation 25(3) the limit is 20%);
- The award does not pose undue risk (in terms of experience/work capacity and financial capability were evaluated); and
- In terms of CIDB regulation 21(3), the DHET should report to the CIDB the nature of the financial or management support and the benefit derived from such support in the development of the contractor.

Two of the tenders awarded to contractors exceeded the permissible margin of the tender according to CIDB regulation 25(3) and posed undue risks as these contractors were considered not to have the financial and work capability to successfully complete the projects.

The appointment of the above contractors was done by the DHET after the construction tender was re-advertised for the second time. The first tender was cancelled due to the department not receiving any proposals that met the necessary criteria. After a second re-advertisement a significant lower number of proposals were received. The loss of time due to the second re-advertisement led to the department awarding bids to construction contractors for three of the sixteen construction sites.

Current status:

The Director-General of Higher Education and Training, as the Accounting Authority of the NSF, appointed NSF Internal Audit to conduct an independent determination test in accordance with National Treasury's Irregular Expenditure Framework. The determination test is currently in process.

(ii) Cost overruns related to the production of the NSF 2018/19 Annual Report

In terms of paragraph 9.1 of National Treasury Instruction Note 3 of 2016/17, the Accounting Authority must ensure that contracts are not varied by more than 15% or R15 million for all goods and services that are not construction related.

During the 2019/20 financial year, additional costs amounting R65 thousand were incurred in the production of the NSF 2018/19 Annual Report, which exceeded the 15% allowable margin as per paragraph 9.1 of National Treasury Instruction Note 3 of 2016/17 and thus irregular. The additional costs were incurred as a result of extensions to the NSF's audit, additional scope included in the annual report and due to tight reporting deadlines.

Current status:

The independent determination test was completed in accordance with National Treasury's Irregular Expenditure Framework and the recommendations of the determination test referred to the specific functional areas for implementation thereof. A request for condonment has been sent to the National Treasury, which is currently awaiting their response.

(iii) Secure hosted exchange and archiving environment of the electronic mail network

In terms of paragraph 9.1 of National Treasury Instruction Note 3 of 2016/17, the Accounting Authority must ensure that contracts are not varied by more than 15% or R15 million for all goods and services that are not construction related.

During the 2019/20 financial additional costs amounting R1.777 million were incurred on the secure hosted exchange and archiving environment services of the electronic mail network, which exceeded the 15% allowable margin as per paragraph 9.1 of National Treasury Instruction Note 3 of 2016/17 and is thus irregular. The reasons for the irregular expenditure are still under determination.

Current status:

The Director-General of Higher Education and Training, as Accounting Authority of the NSF, appointed NSF Internal Audit to conduct an independent determination test in accordance with National Treasury's Irregular Expenditure Framework. The determination test is currently in process.

(iv) The appointment of consultant to render events and conferencing services

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

Current status:

The Director-General of Higher Education and Training, as Accounting Authority of the NSF, appointed NSF Internal Audit to conduct an independent determination test in accordance with National Treasury's Irregular Expenditure Framework. The determination test is currently in process.

(v) The appointment of travel agency to render travel agency services

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

Current status:

The Director-General of Higher Education and Training, as Accounting Authority of the NSF, appointed NSF Internal Audit to conduct an independent determination test in accordance with National Treasury's Irregular Expenditure Framework. The determination test is currently in process.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

35. Fruitless and wasteful expenditure disclosure

	Notes	2019/20 R'000	2018/19 R'000
Reconciliation of fruitless and wasteful expenditure			
Opening balance		-	-
Add: Fruitless expenditure incurred during the year		5,619	-
Centre for Education Policy Development project	35.1	5,619	-
Less: Amounts recovered		-	-
Less: Amounts approved for write-off		-	-
Closing balance		5,619	-

35.1 Centre for Education Policy Development Project (CEPD)

The DHET through the NSF approved funding towards the CEPD for two projects

- 1) Capacity development project for student leadership and organisations in the South African post-school institutions. The project duration was approved for 01 July 2015 till 31 May 2019, with an approved budget of R 27 430 454.70.
- 2) Building a progressive network of critical research and public engagement towards a democratic post schooling sector (EPC II project). The project duration was approved for 01 August 2012 till 31 December 2017, with an approved budget of R 88 924 557.85.

On 14 June 2017, CEPD informed the DHET advising of the operational risks and challenges the CEPD was facing and the challenge regarding its continued existence. In the correspondence, CEPD also indicated the Board of Trustees' inclination to have the CEPD wound-up owing to the difficult financial position (i.e. failing to meet its financial and other obligations) in which the CEPD found itself and alternative propositions to ensure the continuance and successful completion of the projects.

The CEPD Board of Trustees subsequently took a resolution to approach the court and apply for a sequestration order for CEPD. Based on the above, the Director-General wrote a letter to the Director of the CEPD and the Board of Trustees formally notifying them that the DHET is terminating the agreement forthwith effective 25 July 2017.

Since the decision was taken to be sequestrated, the NSF requested the DHET to register itself as one of the creditors of the CEPD in order to recoup any possible remaining project funds. The request for the DHET to register as a creditor was on the basis that the MoAs was between the DHET and the CEPD and not between the NSF and the CEPD. Hence, the NSF could not register as a creditor. The DHET, however, failed to register as a creditor of the CEPD and hence some of the NSF project funds could not be recouped.

The failure of the DHET to register itself as a creditor of CEPD was identified during the 2019/20 audit. The matter will be reported to the Director-General of Higher Education and Training, as the Accounting Authority of the NSF, to conduct an independent determination test.

36. Principal agent arrangements

GRAP 109 defines a principal-agent arrangement as a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Principal-agent arrangements are in place between the NSF and the following parties:

36.1 Principal agent arrangement between the NSF and SARS

Description of the arrangement and transactions undertaken:

A principal-agent arrangement exists between the NSF and SARS related to the collection of the skills development levy (incl. related penalties and interest thereon, as well as refunds thereto) from employers, for the benefit of the NSF (and the SETAs), and therefore SARS is the agent and the NSF (and the SETAs) are the principals. In order to collect the levies from employers, SARS is entitled to defray the costs for the collection from the levies payable to the NSF, limited to a maximum of 2% of the total levies collected.

Principal vs agent and significant judgements applied in this assessment:

The NSF is the principal in the principal-agent arrangement with SARS. No significant judgements were required in making this assessment

Significant terms and conditions of the arrangements:

The binding principal-agent arrangement between NSF and SARS is evidenced through legislation, namely the SDL Act. The following are the sections of the SDL Act, which sets out the significant terms and conditions of the principal-agent arrangement between the NSF and SARS:

- In terms of section 2(1) of the SDL Act, the Director-General of Higher Education and Training must administer the SDL Act. In terms of section 2(2) of the SDL Act, the Commissioner of SARS must administer the provisions of the SDL Act in so far as it relates to the collection of levies payable to the Commissioner in terms of the SDL Act.
- Section 5 of the SDL Act outlines the registration for payment of the levy by an employer to SARS;
- Section 6 of the SDL Act outlines the payment of levy to SARS and the refund thereof;

- Section 7 of the SDL Act outlines the payment of levy to SETAs and refund thereof;
- Section 7A of the SDL Act outlines the determinations related to estimated assessments;
- Section 8 of the SDL Act outlines the distribution of levies paid to the Commissioner. Section 8(3)(a) of the SDL Act specifically states that the Director-General of Higher Education and Training must allocate 20% of the levies, interest and penalties collected by SARS in respect of a SETA to the NSF. Section 8(3)(c) of the SDL Act further states that the Director-General of Higher Education and Training must allocate the levies, interest and penalties collected by SARS from employers which do not fall within the jurisdiction of a SETA to the NSF.
- Section 9 of the SDL Act outlines the distribution of levies paid to SETAs.
- Section 10 of the SDL Act outlines the collection costs incurred by SARS. Sections 10(1) and (2) determines that the Director-General of Higher Education and Training must on a monthly basis, as may be agreed between by the Commissioner and the Director-General, defray the costs of collection SARS from the levies paid into, which may not exceed two per cent of the total amount of the levies collected.

There were no significant changes to this arrangement during the current financial year.

Purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship:

The benefits of this relationship between NSF (and the SETAs) and SARS is that synergies for revenue collection from employers are attained. It is more cost efficient and effective for SARS to leverage of its existing revenue collection systems and capacity to collect the skills development levy for the NSF and SETAs from employers, than for NSF and the SETAs to establish its own revenue collection systems and capacity. There are no significant risks associated with the relationship with SARS.

Resources (including assets and liabilities) of the NSF that are under the custodianship of SARS:

There are no resources of the NSF that are under the custodianship of SARS as at year-end.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

Refer to note 15 outlining the skills development levies (incl. interest, penalties and refunds related thereto) collected by SARS from employers on behalf of the NSF and SETAs.

Fee paid as compensation to the SARS:

The NSF paid R48.386 million (2018/19: R48.574 million) towards SARS for collecting the skills development levies on behalf of the NSF and SETAs.

Resource or cost implications for the NSF if the principal-agent arrangement is terminated:

There are no foreseen cost implications for the NSF if the principal-agent arrangement with SARS is terminated. It is however, unlikely that the principal-agent arrangement with SARS will be terminated as SARS is the legislated national revenue collection authority.

36.2 Principal-agent arrangement between the NSF and PIC

Description of the arrangement and transactions undertaken:

A principal-agent arrangement exists between the NSF and PIC related to the management of NSF's investments with financial institutions for the benefit of the NSF and therefore, the PIC is the agent and the NSF is the principal. In order to manage the NSF's investments, the PIC is entitled to the following management fee: An annual fee of 2.5 basis points (0,025%) paid monthly in arrears based on the daily market value of the NSF's investment portfolio.

Principal vs agent and significant judgements applied in this assessment:

The NSF is the principal in the principal-agent arrangement with the PIC. The NSF made a significant judgement that the PIC does not have the power to determine the significant terms and conditions of the investment transactions with other financial institutions (third parties) for the investment of NSF funds in the financial instruments of those institutions. The determination of the financial instruments to be invested in, the credit ratings thereof and the limits for investment in the different financial instruments are determined by the NSF according to the NSF's Credit Risk Policy and Limits, which is an annexure to the Investment Management Agreement. The judgement of the NSF is that due to

the NSF's credit risk policy and limits the PIC does not have the power to affect the result of the investment transactions.

Significant terms and conditions of the arrangements:

The binding principal- agent arrangement between NSF and PIC is evidenced by the Investment Management Agreement signed between the parties. The following is summary of the significant terms and conditions as contained in the investment management agreement:

- The NSF appoints the PIC as Investment Manager to make, manage and administer Investments for the NSF on the terms and conditions in the Investment Management Agreement;
- The NSF reserves the right to terminate the investment management agreement by giving the PIC one month's written notice to that effect. All funds and any other asset held by the PIC on behalf of the NSF shall be deposited into the NSF's bank account and/or the NSF's other investment manager upon such notice.
- The PIC shall be responsible for formulating the investment strategy, objectives and guidelines, monitoring the performance of the NSF's investment portfolio, making changes to the investment guidelines where necessary, from time to time by a reasonable prior notice to the NSF and restructuring the NSF's investment portfolio in line with the NSF's investment strategy and investment policy, determining the suitability or assess the risks of such Investments in terms of and in accordance with the credit risk policy and limits.
- There are other terms and conditions further contained in the investment management agreement

There were no significant changes to the arrangement during the current financial year.

36.2 Principal-agent arrangement between the NSF and PIC *(continued)*

Purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship:

The benefits of this relationship between the NSF and PIC is that synergies for investment management are attained. It is more cost efficient and effective for the PIC to leverage of its existing investment management systems and capacity to manage The NSF's investment on behalf of the NSF than for NSF to establish its own investment management systems and capacity. The significant risks associated with the relations with the PIC is non-compliance to the NSF's Credit Risk Policy and Limits. The risk is mitigated through monthly monitoring reports and quarterly NSF investment committee meetings, which provides oversight over the NSF's investments in compliance with the NSF's Credit Risk Policy and Limits.

Resources (including assets and liabilities) of the NSF that are under the custodianship of the PIC:

The NSF's investments under the custodianship of the PIC is disclosed in note 5 to annual financial statements.

Fee paid as compensation to the PIC:

The management fees and expenses paid by NSF to PIC amounts to R2 197 000 (2018/19: R1 757 000), which is disclosed in note 5 to the Annual Financial Statements.

Resource or cost implications for the NSF if the principal-agent arrangement is terminated:

There are no foreseen cost implications for the NSF if the principal-agent arrangement with the PIC is terminated. Clause 3.2 of the Investment Management Agreement states that the NSF reserves the right to terminate the agreement by giving the PIC one month's written notice to that effect. All funds and any other asset held by the PIC on behalf of the NSF shall be deposited into the NSF's bank account and/or the NSF's other investment manager upon such notice.

36.3 Principal-agent arrangement between the NSF and DHET related to the TVET college infrastructure development project

Description of the arrangement and transactions undertaken:

A principal -agent arrangement exists between the NSF and DHET related to the handing over of completed TVET college campuses to the respective TVET colleges (beneficiaries) for the benefit of the NSF and, therefore, the DHET is the agent and the NSF is the principal.

Principal vs agent and significant judgements applied in this assessment:

The NSF is the principal in the principal-agent arrangement with the DHET. The NSF made a significant judgement that the DHET does not have the power to determine the significant terms and conditions of the handing over of the TVET college campuses to the respective TVET colleges as the TVET colleges that benefit are pre-determined.

Significant terms and conditions of the arrangement:

The binding principal-agent arrangement between the NSF and DHET is evidenced by the Memorandum of Agreement signed between the parties. The following is a summary of the significant terms and conditions of the principal-agent arrangement between the NSF and DHET:

- The preamble to the contract states that the DHET is tasked with project management for the TVET college infrastructure development, and will act as an agent between the NSF and the TVET colleges, who are the eventual beneficiaries of the infrastructure development funded by the NSF and The SETAs.
- The DHET undertakes to manage the project effectively ensuring that the expense relating to the TVET college infrastructure development.
- The DHET undertakes to ensure that all procurement of the TVET college infrastructure development adheres to the requirements of the PFMA and related Treasury Regulations.

36.3 Principal Agent Arrangement between the NSF and DHET related to the TVET College infrastructure development project *(continued)*

- The DHET undertakes to pay the expenses incurred with the TVET college infrastructure development project and provide the NSF with all relevant supporting documents in relation to the expenses incurred for funding by the NSF.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

- The DHET undertakes to provide and assist the NSF with all relevant supporting documentation as the NSF, the NSF's auditors, employees or agents, may require with regards to the TVET college infrastructure development.
- The DHET undertakes to report monthly to the NSF regarding the progress of the TVET college infrastructure development.
- The DHET shall, within two (2) calendar months after the date of completion of the project, refund to the NSF any unspent funds still in the DHET's possession or under its control.
- The NSF shall pay the DHET monthly in advance for the projected TVET college infrastructure development expenses to be incurred or re-imburse the DHET for the expense already incurred with regards to the TVET college infrastructure development project.
- The NSF shall keep a proper record of all payments and expenses that the NSF reimbursed in relation to the TVET college infrastructure development project.
- The NSF shall keep a proper record of all funding received from the SETAs and still owing by the SETAs in relation to the TVET college infrastructure development project.

The following significant change took place during the current financial year: The Vryheid site, Giyani site and Nkandla B site are no longer managed by the DHET under the agency agreement with the NSF. These are now funded and managed by the DHET on behalf of the respective TVET colleges and are funded directly by the respective colleges. Thus, the initial costs capitalised towards these sites are derecognised as these no longer form part of the principal-agent arrangement between the NSF and DHET.

Purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship:

The benefits of this relationship is that the DHET as the custodian for the TVET college system undertakes all the required procurement and stakeholder negotiations in order to ensure the project is a success. The significant risks associated with the relations with DHET is non-compliance to supply chain management (SCM) legislation and budget overruns on the TVET college infrastructure development. The risk is mitigated through monitoring of the

project and through the involvement of probity officers in the procurement process, which provides oversight over the SCM processes followed.

Fee paid as compensation to the DHET:

There are no management fees paid to the DHET for managing the construction and handing over of the completed TVET colleges to the respective TVET colleges.

36.3 Principal-agent arrangement between the NSF and DHET related to the TVET college infrastructure development project *(continued)***Resources (including assets and liabilities) of the NSF that are under the custodianship of the DHET:**

The following TVET college campuses (as disclosed in note 4 to the annual financial statements) are under construction and has not yet been handed over to the respective TVET colleges and are therefore under the custodianship of the DHET:

TVET College Infrastructure Assets			2019/20 R'000		2018/19 R'000		
Site	TVET College	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Aliwal North	Ikhala	104,951	-	104,951	50,572	-	50,572
Balfour	Gert Sibande	26,639	-	26,639	11,947	-	11,947
Bhambanana		138,301	-	138,301	173,310	-	173,310
Giyani	Umfolozi Letaba	-	-		10,362	-	10,362
Graaff-Reinet	Eastern Cape						
	Midlands	96,735	-	96,735	48,491	-	48,491
Greytown	Umgungundlovu	63,533	-	63,533	17,357	-	17,357
Kwagqikazi	Mthas hana	50,577	-	50,577	18,756	-	18,756
Msinga	Umgungundlovu	94,134	-	94,134	40,131	-	40,131
Ngqungqushu (Lusikisiki)	Ingwe	85,894	-	85,894	31,818	-	31,818
Nkandla A	Umfolozi	-	-	-	211,667	-	211,667
Nkandla B	Umfolozi	-	-	-	10,338	-	10,338
Nongoma	Mthashana	115,251	-	115,251	36,031	-	36,031
Sterkspruit	Ikhala	110,736	-	110,736	51,119	-	51,119
Thabazimbi	Waterberg	-	-	-	-	-	-
Umzimkhulu	Esayidi	102,515	-	102,515	64,353	-	64,353
Vryheid	Mthas hana	-	-	-	10,338	-	10,338
Total		989,266	-	989,266	786,590	-	786,590

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

36.3 Principal-agent arrangement between NSF and the DHET related to the TVET college infrastructure development Project *(continued)*

Resource or cost implications for the NSF if the principal-agent arrangement is terminated:

There are no foreseen significant cost implications for the NSF if the principal-agent arrangement with the DHET is terminated as no clauses in the MoA have been stipulated.

36.4 Principal-agent arrangement between the NSF and NSFAS

Description of the arrangement and transactions undertaken:

A principal-agent arrangement exists between the NSF and NSFAS related to the administration and payment of bursaries to students with regards to the respective bursary schemes funded by the NSF for the benefit of the NSF and, therefore, the NSFAS is the agent and the NSF is the principal.

Principal vs agent and significant judgements applied in this assessment:

The NSF is the principal in the principal-agent arrangement with NSFAS. The NSF made a significant judgement that the NSFAS does not have the power to determine the significant terms and conditions of the bursary schemes as the NSF determines the criteria of bursary schemes.

Significant terms and conditions of the arrangement:

The binding principal-agent arrangement between the NSF and NSFAS are evidenced by the contractual agreement signed between the parties.

The following is a summary of the main terms and conditions:

- The NSFAS is appointed to implement the bursary schemes as defined by the NSF from time to time and that the NSF shall provide funding thereof.
- The NSF defines the eligibility criteria of the respective bursary schemes from time to time.
- The NSFAS must award the bursaries to the qualifying candidates as per the eligibility criteria of the bursary schemes, which is defined by the NSF.
- The NSFAS must report back to the NSF on the use of funds towards bursaries

and who the beneficiaries are that have been awarded the bursaries and how they are progressing.

- The NSFAS receives a marginal percentage of the funding to administer the bursary schemes (+5%).

There were no significant changes to the arrangement during the current financial year.

Purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship:

The benefits of this relationship is that the NSFAS already has a bursary administration system in place, which does not require the NSF to duplicate such systems. The significant risks associated with the relationship with the NSFAS is non-payment of the bursary funding to the intended bursary holders and their universities and non-adherence to the bursary scheme criteria. The risk is mitigated through monitoring of the bursary schemes by the NSF.

Resources (including assets and liabilities) of the NSF that are under the custodianship of the NSFAS:

	2019/20 R'000	2018/19 R'000
Deferred expenditure related to skills development funding	355,701	415,305
Accruals related to skills development funding	87,651	-

36.4 Principal-agent arrangement between the NSF and NSFAS *(continued)*

There are no foreseen cost implications for the NSF if the principal-agent arrangement with the NSFAS if the contracts are terminated other than to settle any bursary funds that NSFAS have paid over to students and their universities, which may not have been settled yet by NSF, including the management fees thereon.

36.5 Principal-agent arrangement between the NSF and NRF*Description of the arrangement and transactions undertaken:*

A principal-agent arrangement exists between the NSF and NRF related to the administration and payment of bursaries to students with regards to the respective bursary schemes funded by the NSF for the benefit of the NSF and, therefore, the NRF is the agent and the NSF is the principal.

Principal vs agent and significant judgements applied in this assessment:

The NSF is the principal in the principal-agent arrangement with NRF. The NSF made a significant judgement that the NRF does not have the power to determine the significant terms and conditions of the bursary schemes as the NSF determines the criteria of the bursary schemes.

Significant terms and conditions of the arrangement:

The binding principal-agent arrangement between NSF and NRF are evidenced by the contractual agreement signed between the parties. The following is a summary of the main terms and conditions:

- The NRF is appointed to implement the bursary schemes as defined by the NSF from time to time and that the NSF shall provide funding thereof.
- The NSF defines the eligibility criteria of the respective bursary schemes from time to time.
- The NRF must award the bursaries to the qualifying candidates as per the eligibility criteria of the bursary schemes, which is defined by the NSF.
- The NRF must report back to the NSF on the use of funds towards bursaries and who the beneficiaries are that have been awarded the bursaries and how they are progressing.

36.5 Principal-agent arrangement between the NSF and NRF *(continued)*

- The NRF receives a marginal percentage of the funding to administer the bursary schemes (+5%).

There were no significant changes to the arrangement during the current financial year.

Purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship:

The benefits of this relationship is that the NRF already has a bursary administration system in place, which does not require the NSF to duplicate such systems. The significant risks associated with the relationship with the NRF is non-payment of the bursary funding to the intended bursary holders and their universities and non-adherence to the bursary scheme criteria. The risk is mitigated through monitoring of the bursary schemes by the NSF.

Resources (including assets and liabilities) of the NSF that are under the custodianship of the NRF:

	2019/20 R'000	2018/19 R'000
Deferred expenditure related to skills development funding	138,196	138,090
Accruals related to skills development funding	-	94,236

36.5 Principal-agent arrangement between the National Skills Fund (NSF) and the National Research Foundation (NRF) *(continued)*

There are no foreseen cost implications for the NSF if the principal-agent arrangement with the NRF if the contracts are terminated other than to settle any bursary funds that NRF have paid over to students and their universities, which may not have been settled yet by NSF, including the management fees thereon.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

36.6 Principal-agent arrangement between the National Skills Fund (NSF) and the Department of Higher Education and Training (DHET) with regards to international scholarships

Description of the arrangement and transactions undertaken:

A principle-agent arrangement exists between the NSF and the DHET related to the administration and payment of bursaries to students for international scholarships, which is funded by the NSF for the benefit of the NSF and therefore the DHET is the agent and the NSF is the principal.

Principal vs agent and significant judgements applied in this assessment:

The NSF is the principal in the principal-agent arrangement with DHET. The NSF made a significant judgement that the DHET does not have the power to determine the significant terms and conditions of the international scholarship bursary schemes as the NSF determines the criteria of the bursary schemes.

Significant terms and conditions of the arrangement:

The binding principal-agent arrangement between NSF and DHET are evidenced by the contractual agreement signed between the parties.

The following is a summary of the main terms and conditions:

- The DHET is appointed to implement the bursary schemes as defined by NSF from time to time and that the NSF shall provide funding therefore.
- The NSF defines the eligibility criteria of the respective bursary schemes from time to time.
- The DHET must award the bursaries to the qualifying candidates as per the eligibility criteria of the bursary schemes, which is defined by the NSF.
- The DHET must report back to the NSF on the use of funds towards bursaries and who the beneficiaries are that have been awarded the bursaries and how they are progressing.
- The DHET receives a marginal percentage of the funding to administer the bursary schemes (+5%).

There were no significant changes to the arrangement during the current financial year.

Purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship:

A principle-agent arrangement exists between the NSF and the DHET related to the administration and payment of international scholarships to students on NSF funded international scholarship schemes, for the benefit of the NSF and therefore the DHET is the agent and the NSF is the principal.

The benefits of this relationship between NSF and DHET is that the DHET already has an international scholarship administration system in place, which does not require the NSF to duplicate such systems. The significant risks associated with the relationship with DHET is non-payment of the international scholarship funding to the intended international scholarship holders and their universities and non-adherence to the international scholarship criteria. The risk is mitigated through monitoring of the international scholarship schemes by the NSF.

36.6 Principal-agent arrangement between NSF and DHET with regards to international scholarships *(continued)*

Resources (including assets and liabilities) of the NSF that are under the custodianship of the DHET:

	2019/20 R'000	2018/19 R'000
Deferred expenditure related to skills development funding	66,402	-
Accruals related to skills development funding	-	3,349

Resource or cost implications for the NSF if the principal-agent arrangement is terminated:

There are no foreseen cost implications for the NSF if the principal-agent arrangement with the DHET if the contracts are terminated other than to settle any international scholarship funds that DHET have paid over to students and their universities, which may not have been settled yet by NSF, including the management fees thereon.





Annexure A

List of Skills Development Programmes and Projects Funded by the NSF

LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECT FUNDED BY THE NSF

NSF Reference Number	NSF Project Name	Contract Value (Project Budget)	Project Start Date	Project End Date	Remaining Commitment (Remaining Budget)	Total skills development grant disbursed as at 31 March 2020
EDUCATION AND TRAINING					2 230 392 585,54	5 971 408 470,93
Bursaries and Scholarships					1 518 016,59	2 258 992 925,53
NSF/16/1/1/1	BS: NRF	1 729 071 566,03	01 January 2011	31 December 2020	-	1 696 696 521,52
NSF/16/1/1/3	BS: International Scholarship	134 896 285,00	15 April 2014	31 July 2022	(16 032,77)	134 896 285,00
NSF/16/1/1/4	BS: AIMS	18 375 208,28	19 June 2017	30 June 2020	1 934 252,16	16 418 822,21
NSF/16/1/1/5	NSFAS 2019-2020	429 144 489,24	01 January 2019	31 December 2020	(400 202,80)	410 981 296,80
Occupational Programmes (TVET Colleges)					960 016 831,78	1 266 484 428,23
NSF/16/1/2/25	OP: TVET -2- Buffalo City	58 534 319,71	12 December 2016	30 June 2021	13 570 261,26	44 530 198,94
NSF/16/1/2/26	OP: TVET -2- Eastcape Midlands	64 284 500,00	28 October 2016	31 July 2022	41 635 085,32	22 649 414,68
NSF/16/1/2/27	OP: TVET -2- Ikhala	39 882 000,00	18 October 2016	30 June 2021	16 922 549,76	22 674 950,23
NSF/16/1/2/28	OP: TVET-2-Ingwe	27 025 000,00	21 November 2017	30 June 2022	11 070 438,97	15 573 706,32
NSF/16/1/2/29	OP: TVET -2- King Hintsa	27 025 000,00	01 February 2017	31 March 2021	3 930 303,08	22 770 772,77
NSF/16/1/2/30	OP: TVET-2- King Sabata	66 606 500,00	22 September 2017	30 June 2022	30 302 198,04	35 554 744,24
NSF/16/1/2/31	OP: TVET -2- Lovedale	39 882 000,00	23 November 2016	31 December 2020	8 521 656,71	31 360 343,29
NSF/16/1/2/32	OP: TVET -2- Port Elizabeth	57 877 500,00	25 October 2016	30 April 2020	6 354 115,80	51 260 376,17
NSF/16/1/2/33	OP: TVET -2- Flavius Mareka	27 025 000,00	01 July 2018	30 September 2020	12 647 537,48	14 230 868,07
NSF/16/1/2/34	OP: TVET -2- Goldfields	27 025 000,00	27 June 2018	31 March 2020	1 035 899,60	25 912 551,80
NSF/16/1/2/35	OP: TVET -2- Maluti	27 025 000,00	03 August 2017	31 December 2020	10 413 476,80	16 611 523,20
NSF/16/1/2/36	OP: TVET -2- Motheo	46 332 000,00	28 September 2016	30 September 2021	22 714 295,33	23 006 350,00
NSF/16/1/2/37	OP: TVET -2- Central JHB	33 475 000,00	30 April 2018	31 October 2021	24 665 890,01	8 803 284,94
NSF/16/1/2/38	OP: TVET -2- Ekurhuleni East	51 427 500,00	01 May 2018	31 December 2022	41 835 760,14	9 576 649,92
NSF/16/1/2/39	OP: TVET -2- Ekurhuleni West	27 025 000,00	01 June 2018	30 September 2021	16 133 860,45	10 745 371,64
NSF/16/1/2/40	OP: TVET -2- Sedibeng	39 882 000,00	29 September 2016	31 March 2022	16 179 977,30	23 439 996,75
NSF/16/1/2/41	OP: TVET -2- South West	33 475 000,00	01 November 2016	31 March 2021	19 908 494,67	13 463 594,60
NSF/16/1/2/43	OP: TVET -2- Tshwane South	33 475 000,00	01 January 2018	31 March 2021	13 517 317,43	19 866 269,12
NSF/16/1/2/44	OP: TVET -2- Western Gauteng	27 025 000,00	01 January 2019	31 March 2022	27 024 184,86	-
NSF/16/1/2/45	OP: TVET -2- Coastal	38 155 000,00	28 September 2016	31 August 2021	17 337 320,65	20 817 679,35
NSF/16/1/2/46	OP: TVET -2- Elangeni	39 882 000,00	08 December 2016	31 December 2020	17 730 007,59	21 889 153,84
NSF/16/1/2/47	OP: TVET -2- Esayidi	64 284 500,00	28 November 2016	31 December 2020	16 487 240,85	47 548 891,38

NSF Reference Number	NSF Project Name	Contract Value (Project Budget)	Project Start Date	Project End Date	Remaining Commitment (Remaining Budget)	Total skills development grant disbursed as at 31 March 2020
NSF/16/1/2/48	OP: TVET -2- Majuba	64 284 500,00	16 November 2016	30 June 2020	8 021 216,80	56 222 393,92
NSF/16/1/2/49	OP: TVET -2- Mnambithi	27 025 000,00	15 November 2016	31 December 2020	7 038 670,09	19 823 467,86
NSF/16/1/2/50	OP: TVET -2- Mthashana	64 284 500,00	28 March 2017	31 December 2020	36 911 803,96	27 337 630,12
NSF/16/1/2/51	OP: TVET -2- Thekwini	27 025 000,00	28 March 2017	31 December 2020	9 822 062,22	17 074 673,01
NSF/16/1/2/53	OP: TVET -2- Umgungundlovu	64 284 500,00	29 September 2016	31 March 2021	25 216 836,19	38 986 246,42
NSF/16/1/2/54	OP: TVET -2- Capricorn	57 877 500,00	08 November 2016	31 December 2021	28 265 021,21	29 433 162,36
NSF/16/1/2/55	OP: TVET -2- Lephalale	39 882 000,00	24 October 2016	30 August 2020	10 568 925,86	28 978 643,70
NSF/16/1/2/56	OP: TVET-2- Letaba	27 025 000,00	16 October 2017	30 June 2021	13 825 731,82	13 028 107,98
NSF/16/1/2/57	OP: TVET -2- Mopani South East	64 284 500,00	01 December 2016	31 December 2022	42 790 354,80	21 449 810,28
NSF/16/1/2/58	OP: TVET -2- Sekhukhune	64 284 500,00	08 November 2016	31 December 2021	44 064 272,21	20 079 031,60
NSF/16/1/2/59	OP: TVET -2- Vhembe	65 783 398,22	05 December 2016	31 March 2022	49 693 553,23	15 972 266,77
NSF/16/1/2/60	OP: TVET -2- Waterberg	64 284 500,00	15 March 2017	31 October 2022	44 809 111,28	19 129 751,33
NSF/16/1/2/62	OP: TVET -2- Gert Sibande	64 284 500,00	23 January 2017	30 September 2022	9 321 849,84	54 701 654,27
NSF/16/1/2/63	OP: TVET -2- Nkangala	27 025 000,00	01 August 2017	31 December 2020	23 122 065,15	3 896 051,88
NSF/16/1/2/64	OP: TVET -2- Orbit	39 882 000,00	14 October 2016	31 March 2022	30 684 970,42	9 152 718,83
NSF/16/1/2/65	OP: TVET-2-Taletso	39 882 000,00	01 November 2016	31 December 2020	18 344 182,75	21 461 321,22
NSF/16/1/2/66	OP: TVET -2- Vuselela	39 882 000,00	09 September 2016	31 December 2020	27 282 972,42	12 537 065,46
NSF/16/1/2/67	OP: TVET -2- Northern Cape Rural	64 284 500,00	18 October 2016	30 April 2021	13 097 197,93	50 987 392,12
NSF/16/1/2/68	OP: TVET -2- Northern Cape Urban	39 882 000,00	06 October 2016	31 December 2020	3 938 969,81	35 898 064,36
NSF/16/1/2/70	OP: TVET -2- College of Cape Town	67 877 500,00	12 December 2016	31 July 2020	11 640 885,25	55 936 934,89
NSF/16/1/2/71	OP: TVET -2- False Bay	51 427 500,00	19 January 2017	30 September 2020	17 198 949,76	34 182 320,03
NSF/16/1/2/73	OP: TVET -2- South Cape	64 284 500,00	12 January 2017	30 September 2020	5 284 336,28	58 897 967,01
NSF/16/1/2/74	OP: TVET -2- West Coast	64 284 500,00	23 January 2017	28 February 2021	16 420 692,66	47 476 308,81
NSF/16/1/2/81	OP: Umfolozi Maritime	102 363 757,08	30 November 2016	30 June 2021	48 241 074,04	53 831 728,74
NSF/16/1/2/83	NSF:NAD: DSPP - IOPSA	24 983 372,95	01 August 2016	31 December 2022	18 191 605,41	6 735 494,69
NSF/16/1/2/84	DSPP ECA	17 320 920,30	01 April 2018	31 October 2021	6 281 648,29	10 987 529,32
Skills Programmes (Part Qualifications)					231 703 548,97	568 197 895,56
NSF/16/1/3/11	SP: SEDA (BESD) Programme	84 000 000,00	17 April 2012	31 December 2021	5 540 113,43	74 463 195,51

NSF Reference Number	NSF Project Name	Contract Value (Project Budget)	Project Start Date	Project End Date	Remaining Commitment (Remaining Budget)	Total skills development grant disbursed as at 31 March 2020
NSF/16/1/3/2	SP: Department of Public Works (EPWP)	310 000 000,00	10 November 2009	30 June 2020	22 199 257,94	287 800 742,06
NSF/16/1/3/21	SP: Yikhonolakho Women and Youth Primary Co-operative Limited (YWYPC)	39 613 750,00	01 January 2018	30 June 2020	3 422 018,89	35 681 646,18
NSF/16/1/3/22	Catholic Institute of Education	23 405 721,00	01 July 2018	30 June 2020	10 012 095,66	13 249 902,08
NSF/16/1/3/25	MPUMALANGA - DARDLEA	89 923 750,00	15 June 2018	31 December 2021	48 767 741,40	41 126 416,13
NSF/16/1/3/26	LHR SOLUTIONS RURAL DEVELOPEMNT - RURAL DEV.	31 546 950,00	10 September 2018	31 May 2020	220 093,45	31 326 856,55
NSF/16/1/3/31	SP: Umthombolwazi Consultants - RURAL DEV	1 952 825,65	01 October 2018	30 September 2020	155 477,37	1 797 348,28
NSF/16/1/3/32	DATAComb PTY LTD - RURAL DEV	12 497 143,75	08 October 2018	30 June 2020	574 681,23	11 892 981,04
NSF/16/1/3/38	Asante Management & Dev Services - Rural Dev.	7 109 190,00	24 October 2018	31 March 2020	1 173 399,01	5 935 790,99
NSF/16/1/3/39	Lawrance Anthony Earth Organisation - Rural Dev	3 805 580,63	01 October 2018	30 June 2020	48 630,04	3 751 732,52
NSF/16/1/3/41	Aveng Grinaker - Rural Dev	6 955 680,00	04 February 2019	31 March 2020	234 538,87	6 707 505,65
NSF/16/1/3/42	Dept of Correctional Services - DCS	87 201 694,00	20 December 2018	31 March 2022	52 732 245,89	34 469 448,11
NSF/16/1/3/43	United Khayelitsha Informal Traders - Rural Dev	6 619 473,75	03 April 2019	30 November 2020	716 143,29	5 903 330,46
NSF/17/1/3/1	DAFF - DEV of Young Producers & Entrepreneurs	99 998 112,50	30 January 2020	31 December 2022	85 907 112,50	14 091 000,00
Workplace-based learning					990 769 909,60	1 287 110 368,47
NSF/16/1/4/101	WL: Tourism World - Rural Dev	7 186 375,00	10 October 2018	31 March 2020	21 946,63	7 149 325,55
NSF/16/1/4/104	Kgabo Cars - RURAL DEV	5 321 250,00	01 October 2018	31 March 2022	3 462 689,37	1 858 560,63
NSF/16/1/4/107	Dinaledi Management & Services - Rural Dev	8 868 750,00	10 October 2018	31 December 2021	2 075 226,61	6 793 523,39
NSF/16/1/4/109	WL: African Global Skills-Rural Dev	9 711 012,50	04 October 2018	30 September 2020	2 140 220,14	7 538 891,11
NSF/16/1/4/112	Masakane Trust - Rural Dev	2 558 500,00	24 October 2018	31 March 2021	1 694 020,59	864 479,41
NSF/16/1/4/116	Tekmation - Rural Dev	8 868 750,00	24 October 2018	31 March 2022	4 488 523,37	4 380 226,63
NSF/16/1/4/117	Aviwe Business Dev Services - Rural Dev	12 362 500,00	05 November 2018	30 June 2020	86 250,00	12 276 250,00
NSF/16/1/4/118	Dithipe Development Institute - Rural Dev	11 644 233,75	01 October 2018	31 March 2020	2 194 179,35	9 450 054,40
NSF/16/1/4/119	Mthunazi Consulting - Rural Dev	4 138 750,00	29 October 2018	31 March 2020	91 125,45	4 041 881,41

NSF Reference Number	NSF Project Name	Contract Value (Project Budget)	Project Start Date	Project End Date	Remaining Commitment (Remaining Budget)	Total skills development grant disbursed as at 31 March 2020
NSF/16/1/4/121	DTI: MONYETLA 5	64 292 182,29	12 October 2018	31 March 2020	3 576 264,97	60 715 623,58
NSF/16/1/4/122	MTL Training and Projects - Rural Dev	17 175 490,00	05 November 2018	30 September 2020	1 746 994,20	15 428 495,80
NSF/16/1/4/124	Networx for Career Development CC - Rural Dev	12 580 725,00	05 November 2018	30 September 2020	932 563,71	11 635 030,67
NSF/16/1/4/125	Blind SA - Rural Dev	3 122 926,92	01 October 2018	31 December 2020	619 293,23	2 488 718,72
NSF/16/1/4/126	SA Digial Content Organisation - Rural Dev	2 292 975,00	27 November 2018	30 April 2020	311 758,12	1 973 645,35
NSF/16/1/4/127	kgabo Cars (POI)	1 511 431,73	01 September 2018	31 May 2020	69 649,91	1 441 781,82
NSF/16/1/4/128	DTI: ITUKISE 2	56 135 423,70	01 October 2018	31 December 2021	16 346 286,63	39 789 137,07
NSF/16/1/4/129	Dzunde Farming -Rural Dev	34 942 713,75	28 November 2018	30 September 2020	1 560 365,11	33 199 099,16
NSF/16/1/4/130	NECSA 2	17 698 800,00	02 January 2018	30 June 2021	4 438 522,44	13 147 058,09
NSF/16/1/4/131	Elgin Community College - Rural Dev	7 043 077,50	01 October 2018	31 March 2020	683 948,62	6 356 615,32
NSF/16/1/4/132	Future & Overall Deliveries - Rural Dev	5 321 250,00	01 October 2018	31 December 2021	3 042 267,60	2 278 348,63
NSF/16/1/4/133	ILINGE LABANTU DEBT SOLUTIONS CC - RURAL DEV	8 348 235,00	04 February 2019	30 June 2020	57 164,63	8 286 949,40
NSF/16/1/4/134	WL: Ithunga Development - Rural Dev	4 193 575,00	04 February 2019	30 June 2020	463 718,35	3 723 989,94
NSF/16/1/4/135	Mvula Trust - Rural Dev	7 040 820,00	15 February 2019	30 April 2020	399 811,00	6 641 009,00
NSF/16/1/4/136	Department of Public Works (DPW) - Extended Public Works Programme (EPWP) - WL: NDPW: EPWP (2018-2023)	228 831 488,00	01 October 2018	31 December 2023	195 340 588,00	33 490 900,00
NSF/16/1/4/137	Kalideen Management Services - Rural Dev	3 844 737,50	04 February 2019	30 September 2020	26 823,75	3 817 913,75
NSF/16/1/4/138	SA Wildlife College - Rural Dev	2 821 875,00	12 April 2019	30 June 2021	1 692 484,33	1 129 390,67
NSF/16/1/4/139	NMMU -SAIMI 2	14 849 071,75	01 April 2018	30 September 2021	8 240 266,78	6 608 804,97
NSF/16/1/4/140	Goats Unlimited - Rural Dev	1 889 850,00	16 May 2019	30 June 2020	633 385,53	1 248 872,23
NSF/16/1/4/141	KMK TRAINING - Rural Dev	11 557 325,00	04 June 2019	30 June 2020	3 252 022,34	8 275 859,59
NSF/16/1/4/142	WL:NID 4	6 977 789,00	01 May 2019	31 October 2020	1 607 299,65	5 347 155,34
NSF/16/1/4/143	VPK - (EMANZINI LEARNERS)	2 584 300,00	16 August 2019	30 April 2020	18 030,00	2 566 270,00
NSF/16/1/4/17	WL: Nelson Mandela Childrens Hospital Trust	70 328 312,00	05 June 2013	30 September 2020	8 485 797,87	60 828 678,48
NSF/16/1/4/27	WL: SA Airways Technical (SAAT)	23 796 600,00	30 March 2015	31 December 2020	18 449 129,88	5 346 660,00
NSF/16/1/4/29	WL: NMMU (SAIMI Project)	311 301 443,09	01 April 2015	31 March 2020	35 689 737,71	269 101 241,41

NSF Reference Number	NSF Project Name	Contract Value (Project Budget)	Project Start Date	Project End Date	Remaining Commitment (Remaining Budget)	Total skills development grant disbursed as at 31 March 2020
NSF/16/1/4/3	WL: DPW (DPWP Learnerships & Artisans)	52 499 520,00	01 April 2011	30 June 2020	20 363 323,50	36 121 451,49
NSF/16/1/4/37	WL: EC Office of the Premier	75 285 000,00	29 February 2016	31 December 2021	14 129 148,94	61 155 851,06
NSF/16/1/4/39	WL: Furniture World Training Centre	37 244 900,00	12 September 2016	30 June 2020	1 859 214,39	35 385 685,61
NSF/16/1/4/64	WL: EOH Abantu	60 919 219,05	14 December 2016	31 March 2020	5 513 243,22	54 849 112,90
NSF/16/1/4/67	WL: Educo Trust of Africa	11 913 300,00	02 December 2016	30 September 2020	2 430 907,07	9 461 540,12
NSF/16/1/4/68	WL: Transnet 2	64 500 000,00	11 January 2017	31 August 2021	16 665 840,34	47 596 918,39
NSF/16/1/4/72	WL: Chippa Training Academy	97 831 125,00	01 August 2019	31 March 2020	5 466 043,89	92 362 640,25
NSF/16/1/4/77	WL: Lepelle Northern Water 2	28 698 250,00	02 August 2017	30 June 2020	14 236 334,60	14 461 915,40
NSF/16/1/4/78	WL: Imperial Technical Training Academy	96 916 840,00	11 January 2018	31 December 2022	59 214 266,88	37 314 276,27
NSF/16/1/4/79	WL: Qualitas Training	37 676 600,00	01 January 2018	30 June 2021	11 150 557,35	26 510 189,13
NSF/16/1/4/80	WL: SFERA TRAINING AND DEVELOPMENT	54 234 180,00	17 January 2018	30 June 2021	39 209 956,61	15 024 193,05
NSF/16/1/4/81	WL: Richards Bay Technical and Assessment Centre	45 932 858,00	01 January 2018	30 June 2021	3 145 276,83	42 650 871,28
NSF/16/1/4/82	wl: Electrical Contractors Association (ECA)	29 691 500,00	01 January 2018	30 June 2021	5 214 066,21	24 415 077,39
NSF/16/1/4/85	WL: CEP - Sulinyembezi	38 186 257,50	12 March 2018	31 March 2020	132 320,21	38 037 488,74
NSF/16/1/4/87	VERGE (PTY) LTD - RURAL DEV.	8 277 500,00	01 August 2018	31 July 2020	64 471,97	8 189 603,47
NSF/16/1/4/89	Scientific Roets - RURAL DEV.	9 051 500,00	01 September 2018	30 November 2020	1 512 193,83	7 506 593,94
NSF/16/1/4/90	HOUSE OF LEMBA - RURAL DEV.	1 698 500,00	01 September 2018	31 August 2020	149 630,32	1 548 869,68
NSF/16/1/4/91	UMGANO FOUNDATION - RURAL DEV.	2 294 050,00	18 September 2018	30 June 2020	104 463,89	2 181 473,12
NSF/16/1/4/94	Africa Skills Village - Rural Dev.	17 737 500,00	03 October 2018	31 December 2021	10 016 769,77	7 710 157,61
NSF/16/1/4/97	WL: Macadamia Skills Academy - Rural Dev	13 324 302,50	01 October 2018	30 September 2020	505 614,58	12 784 001,28
NSF/16/1/4/98	IN-TOUCH Community Development - Rural Dev	13 303 125,00	04 October 2018	31 December 2021	6 898 845,84	6 385 603,76
NSF/16/1/4/99	Mahube Training & Development - RURAL DEV	17 737 500,00	13 August 2018	30 November 2021	8 653 555,07	9 083 944,93
NSF/17/1/4/1	CSA - FISHERIES WILD COST	54 834 137,50	12 February 2020	30 April 2021	39 054 547,57	15 779 589,93
NSF/17/1/4/2	CEP - UIF	43 645 000,00	12 February 2020	31 March 2022	28 166 250,00	15 478 750,00
NSF/17/1/4/22	African Global Skills Academy - UIF	16 452 112,50	11 March 2020	31 January 2022	16 452 112,50	-
NSF/17/1/4/4	TOURISM WORLD - UIF	7 543 625,00	10 March 2020	31 July 2021	4 220 368,75	3 323 256,25

NSF Reference Number	NSF Project Name	Contract Value (Project Budget)	Project Start Date	Project End Date	Remaining Commitment (Remaining Budget)	Total skills development grant disbursed as at 31 March 2020
NSF/17/1/4/5	PIONEER BUSINESS CONSULTING - UIF	6 749 375,00	09 March 2020	31 July 2021	4 178 503,10	2 570 871,90
NSF/17/1/4/TBC 1	African Skills Village (Training and Management Services) (Pty) Ltd - UIF	5 526 575,00	11 March 2020	31 March 2022	5 526 575,00	-
NSF/17/1/4/TBC 10	Future and Overall Deliveries - UIF	7 454 937,50	11 March 2020	31 March 2022	7 454 937,50	-
NSF/17/1/4/TBC 11	Ilinge Labantu Debt Solutions - UIF	4 273 125,00	11 March 2020	31 March 2022	4 273 125,00	-
NSF/17/1/4/TBC 12	Liston Agri Solutions - UIF	11 428 125,00	11 March 2020	31 March 2022	11 428 125,00	-
NSF/17/1/4/TBC 13	LNT Trading Enterprise - UIF	9 983 875,00	11 March 2020	31 March 2022	9 983 875,00	-
NSF/17/1/4/TBC 14	Macadamia Skills Academy - UIF	13 165 187,50	11 March 2020	31 March 2022	13 165 187,50	-
NSF/17/1/4/TBC 15	Masakhane Trust - UIF	9 895 000,00	11 March 2020	31 March 2022	9 895 000,00	-
NSF/17/1/4/TBC 16	Masana Social Training and Development - UIF	8 957 812,50	11 March 2020	31 March 2022	8 957 812,50	-
NSF/17/1/4/TBC 17	Mlasimbi Catering - UIF	6 183 750,00	11 March 2020	31 March 2022	6 183 750,00	-
NSF/17/1/4/TBC 18	MTL Training and Projects - UIF	16 493 600,00	11 March 2020	31 October 2021	16 493 600,00	-
NSF/17/1/4/TBC 19	National Institute for the Deaf - UIF	18 614 025,00	11 March 2020	31 March 2022	18 614 025,00	-
NSF/17/1/4/TBC 2	AGB Mathe Foundation - UIF	8 464 650,00	11 March 2020	31 March 2022	8 464 650,00	-
NSF/17/1/4/TBC 20	Ndally's Trading Enterprise - UIF	14 847 227,50	11 March 2020	31 March 2022	14 847 227,50	-
NSF/17/1/4/TBC 21	Passionate About People - UIF	11 428 125,00	11 March 2020	31 March 2022	11 428 125,00	-
NSF/17/1/4/TBC 22	Ratidzo Training Solutions - UIF	9 598 125,00	11 March 2020	31 March 2022	9 598 125,00	-
NSF/17/1/4/TBC 23	Sector Education and Skills Training Organisation - UIF	20 296 350,00	11 March 2020	31 March 2022	20 296 350,00	-
NSF/17/1/4/TBC 24	Silalele Consultants (Pty) Ltd - UIF	5 105 721,50	11 March 2020	31 March 2022	5 105 721,50	-
NSF/17/1/4/TBC 25	Talent Emporium Academy - UIF	15 004 125,00	11 March 2020	31 March 2022	15 004 125,00	-
NSF/17/1/4/TBC 26	Thabelanang Trading Enterprise - UIF	16 409 312,50	11 March 2020	31 March 2022	16 409 312,50	-
NSF/17/1/4/TBC 27	The Royal Dish - UIF	6 534 375,00	11 March 2020	31 March 2022	6 534 375,00	-
NSF/17/1/4/TBC 28	Tsiku Consulting - UIF	9 217 750,00	11 March 2020	31 March 2022	9 217 750,00	-
NSF/17/1/4/TBC 29	Umthombolwazi Consultants - UIF	14 957 512,50	11 March 2020	31 March 2022	14 957 512,50	-
NSF/17/1/4/TBC 3	Aubrey Nyiko Business Enterprise - UIF	16 378 350,00	11 March 2020	31 March 2022	16 378 350,00	-
NSF/17/1/4/TBC 30	VPK Business Venture - UIF	12 829 750,00	11 March 2020	31 March 2022	12 829 750,00	-

NSF Reference Number	NSF Project Name	Contract Value (Project Budget)	Project Start Date	Project End Date	Remaining Commitment (Remaining Budget)	Total skills development grant disbursed as at 31 March 2020
NSF/17/1/4/TBC 4	Aviwe Business Development Services - UIF	7 507 250,00	11 March 2020	31 March 2022	7 507 250,00	-
NSF/17/1/4/TBC 5	Caroline's Fashion Enterprise - UIF	26 346 375,00	11 March 2020	31 March 2022	26 346 375,00	-
NSF/17/1/4/TBC 6	Dithipe Development Institute - UIF	9 184 000,00	11 March 2020	31 March 2022	9 184 000,00	-
NSF/17/1/4/TBC 7	Dzunde Farming Cooperative Limited - UIF	18 399 715,00	11 March 2020	31 March 2022	18 399 715,00	-
NSF/17/1/4/TBC 8	Electrical Contractors Association - UIF	8 664 500,00	11 March 2020	31 March 2022	8 664 500,00	-
NSF/17/1/4/TBC 9	EOH Abantu (Pty) Ltd - UIF	4 974 500,00	11 March 2020	31 March 2022	4 974 500,00	-
Workers Education					52 222 092,25	55 706 210,44
NSF/16/1/5/2	WE: Ditsela - Project 2	12 654 093,93	01 January 2016	31 March 2020	-	12 654 093,93
NSF/16/1/5/3	WE: Chris Hani Institute	45 902 166,00	01 April 2017	31 March 2022	28 346 855,18	17 555 310,82
NSF/16/1/5/4	Workers College - Project 3	14 326 147,35	01 January 2018	31 March 2021	2 524 043,25	11 802 104,10
NSF/16/1/5/5	WE: Labour Research Service	3 683 272,50	01 January 2018	31 March 2021	1 566 519,53	2 108 023,07
NSF/16/1/5/6	WE: Ditsela-Project 3	9 576 459,05	01 January 2018	31 March 2021	5 852 890,28	3 668 685,09
NSF/16/1/5/7	NSA:CCBA: 3- NACTU	4 829 760,00	01 March 2018	31 May 2021	2 192 267,55	2 637 492,45
NSF/16/1/5/8	WE: NALEDI	4 752 575,00	01 January 2018	31 March 2021	2 166 650,88	2 583 668,48
NSF/17/1/5/1	NSA:CCBA: 3- FEDUSA	3 841 352,00	01 July 2019	31 March 2022	2 602 724,50	1 238 627,50
NSF/17/1/5/2	NSA:CCBA: 3- COSATU	8 428 430,00	01 July 2019	31 March 2022	6 970 141,08	1 458 205,00
NIHSS						
NSF/16/2/1/1	CCPSET: NIHSS	554 819 183,47	01 April 2014	31 March 2020	(5 837 813,65)	534 916 642,70
PSET SYSTEM DEVELOPMENT AND CAPACITY BUILDING					1 108 999 136,59	8 757 203 154,31
Cross-cutting PSET System Development, Capacity Building and Support					900 455 995,24	8 408 942 926,15
NSF/10/4/6	DHET Projects	10 462 689 391,39	06 March 2014	31 March 2023	881 370 146,81	8 406 741 230,79
NSF/16/2/1/33	CCPSET:QCTO - ACCREDITATION	1 754 615,00	01 July 2018	31 December 2021	1 007 986,22	725 559,11
NSF/16/2/1/34	QCTO:Digitisation Learner Records	19 575 750,00	01 July 2018	31 March 2022	18 077 862,21	1 476 136,25
TVET College Sub-System Development, Capacity Building and Support					109 692 008,37	297 124 512,43
NSF/16/2/4/27	GTAC - PROJECT CHARTER	17 175 484,00	01 August 2016	31 December 2021	5 697 964,06	11 472 815,06

NSF Reference Number	NSF Project Name	Contract Value (Project Budget)	Project Start Date	Project End Date	Remaining Commitment (Remaining Budget)	Total skills development grant disbursed as at 31 March 2020
NSF/16/2/4/36	TVET: SCBS Saica CFO Support	153 305 320,00	01 August 2017	31 December 2020	21 127 649,14	132 176 595,39
NSF/16/2/4/38	East Cape Midlands TVET College (COS)	7 162 472,38	01 August 2018	31 March 2020	789 002,49	6 367 063,21
NSF/16/2/4/39	South Cape TVET College (COS)	4 416 193,00	01 August 2018	31 March 2020	777 646,66	3 620 187,75
NSF/16/2/4/40	False Bay TVET College (COS)	12 514 373,34	01 August 2018	31 March 2020	1 983 056,80	10 334 468,99
NSF/16/2/4/41	College of Cape Town TVET College (COS)	8 604 915,53	01 August 2018	31 March 2020	833 231,41	7 354 451,88
NSF/16/2/4/42	Umfolozu TVET College (COS)	13 819 884,23	01 August 2018	31 March 2020	1 347 808,69	12 215 796,10
NSF/16/2/4/43	Majuba TVET college (COS)	7 562 322,99	01 August 2018	31 December 2020	653 510,71	6 752 976,99
NSF/16/2/4/44	Port Elizabeth College TVET College (COS)	3 216 989,87	01 August 2018	31 March 2020	598 512,31	2 423 795,21
NSF/16/2/4/45	Sekhukhune TVET College (COS)	3 443 129,07	01 August 2018	31 March 2020	796 274,00	2 646 855,07
NSF/16/2/4/46	Boland TVET College (COS)	10 782 771,38	01 August 2018	31 March 2020	607 901,98	10 012 963,88
NSF/16/2/4/47	Gert Sibande TVET College (COS)	8 808 850,74	01 August 2018	31 March 2020	484 271,52	8 000 697,99
NSF/16/2/4/48	Mopani South East TVET College (COS)	7 711 677,13	01 August 2018	31 March 2020	1 338 602,34	6 187 557,71
NSF/16/2/4/49	Tshwane South TVET College (COS)	15 214 906,86	01 August 2018	31 March 2020	(223 862,60)	15 126 214,02
NSF/16/2/4/50	West Coast College (COS)	8 179 527,18	01 August 2018	31 March 2020	605 637,23	7 369 643,68
NSF/16/2/4/51	Flavius Mareka TVET College (COS)	10 896 081,26	01 August 2018	31 March 2020	1 472 491,46	9 309 230,23
NSF/16/2/4/52	Ekurhuleni East TVET College (COS)	7 896 755,17	01 August 2018	31 March 2020	563 178,26	7 087 409,17
NSF/16/2/4/53	Northlink TVET College (COS)	11 213 835,63	01 August 2018	31 March 2020	415 650,30	10 424 495,38
NSF/16/2/4/54	Vuselela TVET College (COS)	4 062 097,94	01 August 2018	31 March 2020	454 424,80	3 607 673,14
NSF/16/2/4/55	Orbit TVET College (COS)	9 455 613,64	01 August 2018	31 March 2020	1 273 943,90	7 873 078,73
NSF/16/2/4/56	Northern Cape Urban TVET College (COS)	4 524 847,82	01 August 2018	31 March 2020	751 223,55	3 728 573,82
NSF/16/2/4/58	HEAIDS-2	80 501 443,00	01 April 2019	30 June 2023	67 343 889,36	13 031 969,03
Community College Sub-System Development,Capacity Building and Support						
NSF/16/2/5/2	SAICA CET - CFO SUPPORT	149 994 108,00	01 March 2018	31 May 2021	98 851 132,98	51 135 715,73

NSF Reference Number	NSF Project Name	Contract Value (Project Budget)	Project Start Date	Project End Date	Remaining Commitment (Remaining Budget)	Total skills development grant disbursed as at 31 March 2020
SKILLS INFRASTRUCTURE DEVELOPMENT					1 800 705 131,74	1 905 482 654,86
University Infrastructure Development					28 559 831,27	260 950 624,97
NSF/16/3/1/1	UV:ID: Saica Walter Sisulu University	189 454 020,00	03 January 2012	31 December 2020	11 774 481,52	177 903 832,72
NSF/16/3/1/4	UV:ID: CPUT Renewable Energy Infrastructure Project	105 578 322,00	25 January 2013	31 March 2022	16 785 349,75	83 046 792,25
TVET College Infrastructure Development					1 772 145 300,47	1 644 532 029,89
NSF/16/3/2/1	TVET:ID: DHET - FET Infrastructure	2 880 000 000,00	09 December 2013	31 March 2021	1 354 641 213,77	1 525 358 786,23
NSF/16/3/2/10	TVET:ID: DSPP - Eastcape Midlands TVET College	15 315 000,00	01 July 2016	31 December 2021	4 080 342,20	11 234 657,80
NSF/16/3/2/11	TVET:ID: DSPP - Port Elizabeth TVET College	7 265 183,11	02 January 2016	31 December 2022	(82 299,05)	7 265 000,00
NSF/16/3/2/13	TVET:ID: False Bay (Swartklip)	180 000 000,00	30 May 2018	30 June 2021	155 147 543,08	24 354 852,36
NSF/16/3/2/14	SANREN- SABEN - TVET CONNECTIVITY PROJECT	286 031 469,78	03 May 2018	30 June 2022	246 418 620,88	38 930 979,88
NSF/16/3/2/15	TVET:ID: DSPP:UMFOLOZI TVET COLLEGE	11 080 325,00	01 July 2019	31 March 2023	10 117 974,93	958 953,67
NSF/16/3/2/4	TVET:ID: LG Seta/Lovedale FET	-			-	-
NSF/16/3/2/8	TVET:ID: DSPP - Ekurhuleni East TVET College	23 065 000,00	02 January 2016	31 December 2022	1 866 625,75	21 195 554,95
NSF/16/3/2/9	TVET:ID: DSPP - Ekurhuleni West TVET College	15 251 301,62	02 January 2016	31 October 2021	(44 721,09)	15 233 245,00
SKILLS DEVELOPMENT RESEARCH, INNOVATION AND COMMUNICATION					67 708 817,30	117 780 059,63
Human Resource Development and Council (HRDCSA) Research, Planning, Advocacy and Communication						
NSF/16/4/1/1	HRDC: HRDSA	105 200 000,00	28 March 2013	31 March 2020	7 419 193,13	96 825 738,88
National Skills Authority Monitoring, Research, Planning, Policy Development and Communication						
NSF/16/4/3/2	Nexia SAB&T - NSA FUND MANAGER	45 096 250,00	10 April 2018	10 July 2021	26 082 118,19	18 483 000,00
DHET Research, Planning, Advocacy and Communication					34 207 505,98	2 471 320,75
NSF/16/4/4/1	Stellenbosch University- US -Macro Indicator	807 556,13	08 February 2018	30 April 2020	563 552,13	244 004,00
NSF/16/4/4/2	Stellenbosch University- US - Investment Trends	872 663,50	08 February 2018	30 April 2020	231 762,50	640 901,00
NSF/17/4/4/1	University of Western Cape (TVET RESEARCH)	35 000 000,00	01 April 2019	30 June 2024	33 412 191,35	1 586 415,75

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