



National Skills Fund

ANNUAL REPORT 2017/18



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

THE NATIONAL SKILLS FUND IS PROUDLY PART OF
THE DEPARTMENT OF HIGHER EDUCATION AND TRAINING



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ANNUAL REPORT

2017/18



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PART A:

GENERAL INFORMATION

I. PUBLIC ENTITY'S GENERAL INFORMATION

Registered name: National Skills Fund

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178 Francis Baard Street
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Postal address: Private Bag X174
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Fax number: +27 012 323 0291

Website address: www.dhet.gov.za

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 I
135 Rivonia Road
Sandown
Sandton
2196

2. LIST OF ABBREVIATIONS/ACRONYMS

A2I	Artisan of the 21st Century
AgriSETA	Agricultural SETA
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
ARPL	Artisan Recognition of Prior Learning
B-BBEE	Broad-based Black Economic Empowerment
BESD	Basic Entrepreneurial Skills Development
BUSA	Business Unity South Africa
CATHSETA	Culture, Arts, Tourism and Hospitality SETA
CEO	Chief Executive Officer
CET	Community Education and Training
CETA	Construction Education and Training Authority
CFO	Chief Financial Officer
CHIETA	Chemical Industries Education and Training Authority
CIDB	Construction Industry Development Board
CIPC	Companies and Intellectual Property Commission
COS	Centres of Specialisation
CTA	Certificate for Theory in Accounting
CTFL	Clothing, Textiles, Footwear and Leather
DHET/The Department	Department of Higher Education and Training
EPWP	Expanded Public Works Programme
ETDP SETA	Education Training and Development Practices SETA
EWSETA	Energy and Water SETA
FASSET	Finance and Accounting Services SETA

FoodBev SETA	Food and Beverages SETA
FP&M SETA	Fibre Processing and Manufacturing SETA
GDP	Gross Domestic Product
GEPF	Government Employee Pension Fund
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GRAP	Generally Recognised Accounting Practice
HEAIDS	Higher Education HIV/Aids Programme
HIV/Aids	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HRDCSA	Human Resource Development Council of South Africa
HRDS	Human Resource Development Strategy
HRM	Human Resources Management
HWSETA	Health and Welfare SETA
ICT	Information and Communication Technology
IESB Code	International Ethics Standards Board for Accountants' Code of ethics for professional accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IGRAP	Interpretations of GRAP
INSETA	Insurance SETA
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
LGSETA	Local Government SETA
M&E	Monitoring and Evaluation
MERSETA	Manufacturing, Engineering and Related Services SETA

MICT SETA	Media, Information and Communication Technologies SETA
MQA	Mining Qualifications Authority
MTEF	Medium-term Expenditure Framework
MTSF	Medium-term Strategic Framework
NAMB	National Artisan Moderation Body
NARYSEC	National Rural Youth Service Corps
NDP	National Development Plan
Necsa	South African Nuclear Energy Corporation
NEDLAC	National Economic Development and Labour Council
NIHSS	National Institute for Humanities and Social Sciences
NQF	National Qualifications Framework
NRF	National Research Foundation
NSA	National Skills Authority
NSDP	National Skills Development Plan
NSDS	National Skills Development Strategy
NSF/The Fund	National Skills Fund, established in terms of section 27(1) of the Skills Development Act, 1998 (Act No. 97 of 1998)
NSFAS	National Student Financial Aid Scheme
PAA	Public Audit Act of South Africa, 2004 (Act No. 25 of 2004)
PERSAL	Personnel Salary System
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
PGC	Project Grants Committee
PIC	Public Investment Corporation
PSET	Post-school Education and Training

PSETA	Public Service SETA
QCTO	Quality Council for Trades and Occupations
SAIVCET	South African Institute for Vocational and Continuing Education and Training
SAIMI	South African International Maritime Institute
SANReN	South African National Research Network
SAQA	South African Qualifications Authority
SARS	South African Revenue Service
SASSETA	Safety and Security SETA
SDA	Skills Development Act, 1998 (Act No. 97 of 1998)
SDL	Skills Development Levy
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SHE&Q	Safety, Health, Environment and Quality
SIP	Strategic Integrated Project
SMME	Small, Medium and Micro Enterprise
SOE	State-owned Entity
STI	Sexually Transmitted Infection
TB	Tuberculosis
TETA	Transport Education and Training Authority
The dti	Department of Trade and Industry
TVET	Technical and Vocational Education and Training
W&RSETA	Wholesale and Retail SETA
WIL	Work-integrated Learning

3. STRATEGIC OVERVIEW

3.1. OUR VISION

Funding to skill our nation.

3.2. OUR MISSION

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

3.3. OUR SEVEN VALUES

The National Skills Fund (NSF) upholds the following seven values:

- Passion
- Integrity
- Collaborative
- Accountability
- Service excellence
- Objectivity
- Developmental

3.4. STRATEGIC OUTCOME-ORIENTATED GOALS

The strategic goal of the NSF is to provide funds to support projects that are national priorities in the National Skills Development Strategy (NSDS), that advance the Human Resource Development Strategy (HRDS) of South Africa, and that support the National Skills Authority (NSA) in its work.

4. LEGISLATIVE AND OTHER MANDATES

4.1 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 NSF's money may be used for the following primary objectives as defined by the prescripts of the SDA:

- Fund projects identified in the NSDS as national priorities (section 28(1) of the SDA)
- Fund projects related to the achievement of the purposes of the SDA as the Director-General of the Department of Higher Education and Training (DHET) determines (section 28(1) of the SDA)
- 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)
- 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 as follows:

- A total of 20% of the skills development levies (SDLs), as contemplated in the Skills Development Levies Act, 1999 (Act No. 9 of 1999)
- Interest earned on investments held at the Public Investment Corporation (PIC)

The NSF may also receive revenue from the following sources:

- The SDLs collected and transferred to the NSF in terms of the Skills Development Levies Act, 1999 (Act No. 9 of 1999) in respect of those employers or sectors for which there are no Sector Education and Training Authorities (SETAs)
- Money appropriated by Parliament for the NSF
- Donations to the NSF
- Money received from any other source

4.2 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.

4.3 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, 1999 (Act No. 1 of 1999) (PFMA), retrospectively effective from 1 April 2012 (Notice No. 821, *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 DHET.

4.4 KEY LEGISLATION APPLICABLE TO THE NSF

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

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

SUCCESS STORY

KING SABATA DALINDYEBO TVET COLLEGE INFRASTRUCTURE PROJECT

The DHET decries the lack of private sector involvement in resolving the accommodation crisis experienced at universities and technical and vocational education and training (TVET) colleges.

As the DHET is developing a funding model to ease access to affordable education, accommodation has also proven to be a developing crisis with a shortage of housing for 200 000 students in higher learning institutions.

While the government was prioritising accommodation for students, it needed assistance from the private sector. The Department had requested more funding from National Treasury to expand student housing infrastructure, and renewed its call to companies and investors to assist.

“While we have made some progress in securing an increased budget allocation for student residences, it is nowhere near enough to meet the need.”

In the past three years, R1.6 billion in government grants to universities for student housing projects has been supplemented by university funds of R700 million. The combined amount of R2.3 billion provided only 9 000 additional beds, but the Department has now teamed up with other role players to find a solution to the issue.

The refurbishment of the King Sabata Dalindyebo TVET College in Mthatha in the Eastern Cape is one of the TVET college infrastructure development projects that is supported by the NSF. This contract had a duration of 18 months, with a total budget of R59 259 966.16.



The project involved the infrastructure upgrade, renovation and refurbishment of the male and female student residences. The King Sabata Dalindyebo TVET College will now accommodate 600 additional students.

After completion of the project, the college will have a significant impact on increasing the number of students residing on campus and will impact positively on the quality of students' lives and contribute to the college's academic core project.

SUCCESS STORY

BODULONG CONSTRUCTION

Historically, the NSF has partnered with the Department of Trade and Industry (the dti) through the Small Enterprise Development Agency (SEDA), which focuses primarily on the micro segments of the small, medium and micro enterprise (SMME) sector and the Basic Entrepreneurial Skills Development (BESD) programme, due to the sheer volumes and number of people who want to start a business.

A number of initiatives have been implemented through the BESD programme to balance the emerging need to maximise impact measures such as the employment, profitability and sustainability of assisted clients

One of these is prioritising the upper end of the small enterprise sector, i.e. businesses employing between 21 and 200 people as the market segment with job-creation potential

Bodulong Construction was one of the SMMEs that was supported through the BESD programme in partnership with the NSF. Bodulong was established in October 2014. It is owned by Stoffel Jackson, who previously worked for a welding company, and decided to open his own business as he had acquired the necessary skills and knowledge to build carports and burglar bars, so that he could become an independent contractor.

After completing the BESD programme presented by SEDA, he was able to obtain a piece of land for his business, which he fenced in. He erected part of the structure, and obtained equipment such as a small grinder, a big grinder and a compressor, as well as a second truck for the business. He is now busy building a tuck shop, and succeeded in employing seven employees during the course of this project.



SUCCESS STORY

BRAVOFIVE SECURITY SERVICE (PTY) LTD

Bravofive Security Service (Pty) Ltd was initiated and registered with the Companies and Intellectual Property Commission (CIPC) in 2011. The owner came up with the idea when he was still working for a security company in Krugersdorp. He identified a need for these services and decided to resign and start his own company. He started to operate from his home and later converted his house into an administration office block for his business.

The company operates in the West Rand, specifically at the industrial park sites in Krugersdorp. Its core business is security and armed response services. He has managed to secure five-year contracts with three clients.

After completing the BESD programme presented by SEDA, the owner succeeded in promoting his business by distributing pamphlets. He also produced posters and placed them at his business venue. He registered his business on the databases of various local departments, and managed to identify several other business opportunities.

Following the business operation module, he was able to apply the knowledge he had gained and the skills he had acquired by improving his operational space, and creating space to run training programmes. He has also installed a wendy house for a security guard at his business access point.

In addition to his primary business, he identified the need to address the unemployment challenge in his operational area, Rietvlei, and started presenting basic computer lessons to the unemployed youth and young adults.

These services were well received and he has considered registering the school with the Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) for accreditation. In addition, he has diversified into information technology training.

He is offering an internet service to the local communities. This platform provides space for the newly trained participants to help the nearby community with CV writing, printing and other related secretarial services at a minimal cost.

The business has increased its customer base and sales target. The demand for its services led it to employ additional staff members, so that it now has a staff complement of seven employees.

The business is registered with the Department of Labour for compensation for occupational injuries, the Unemployment Insurance Fund and occupational health and safety. He also registered the business with the relevant security regulation body and obtained a registration and operating license, as well as a broad-based black economic empowerment (B-BBEE) rating certificate.

The partnership between SEDA and the NSF has capacitated the respective SMMEs with the necessary skills so that they have the ability to do business with corporate sector entities and also the following;

- Contributing to the goals of the National Development Plan (NDP) of increasing economic growth, employment creation and skills development
- Contributing to B-BBEE
- Developing local industries to supply high-quality, globally competitive goods and services



SUCCESS STORY

CAROLINE FASHION ENTERPRISE

Caroline Fashion Enterprise has been funded by the NSF to provide clothing and textile learnership training to unemployed individuals such as the youth, women and people with disabilities. The training was earmarked to assist targeted learners to be employable and self-employed, to establish successful cooperatives, and to contribute to the development of a sustainable clothing industry. This initiative aimed to promote a positive contribution to the socio-economic development of the country and to aid in decreasing the high rate of unemployment and poverty.

In 2013, the Clothing, Textiles, Footwear and Leather (CTFL) industry accounted for about 14% of manufacturing employment and represented South Africa's second-largest source of tax revenue. The industry facilitates an estimated 60 000 to 80 000 jobs (down from 120 000 jobs) and contributes around 8% to the country's gross domestic product (GDP). The domestic industry can be found mostly in the Western Cape and KwaZulu-Natal, with some activity taking place in Gauteng.

Owing to technological developments that are closing the major product gaps, local textile production has evolved into a capital-intensive industry, producing synthetic fibres in ever-increasing proportions. The apparel industry has also undergone significant technological change and has benefitted from the country's sophisticated transport and communications infrastructure. The sector displays regional differences. Broadly speaking, the Cape Metropolitan Area is renowned for the high fashion orientation of its industry, while KwaZulu-Natal focuses on mass market production.

The South African market demand increasingly reflects the sophistication of First World markets, and the local clothing and textile industry has grown accordingly to offer the full range of services – from natural and synthetic fibre production to non-woven textiles, spinning, weaving, tufting, knitting, dyeing and finishing.

Identified as a labour-absorbing sector for South Africa, the dti has managed to stabilise the CTFL sector through improved monitoring of imports to ensure compliance with customs and excise regulations and by reducing unfair and illegal imports.

During 2017/18, the project recruited 200 learners to be trained in the Clothing Manufacturing Process Learnership National Qualifications Framework (NQF) Level 1. The training included the design and manufacture of clothes over a period of 12 months. It covered both theory and practical learning, running concurrently. The targeted learners were trained in Pretoria, Gauteng and Ga-Moletsisi village, Limpopo.

To date, the project has successfully trained all the targeted learners in accordance with the project implementation plan. The project also worked closely with different stakeholders with the aim of promoting community development, especially in rural areas.

The project started on 3 July 2017 with the selection and induction of the learners. During the training phase, learners had to present a non-organic fashion show at the



Pretoria Training Centre, using material such as leaves, recycled paper and plastic. This allowed the learners to tap into their creativity.

During the course of the training, the project formed and registered 18 cooperatives for its learners in Gauteng and Limpopo. It has formed a relationship with Standard Bank, which has assisted the learners in opening and registering business accounts. They have also presented programmes to provide the learners with business knowledge and financial literacy training. This will help them to make sound financial decisions to ensure the success of their cooperatives. This will also enable the learners to access government grants or funding that will help them launch their businesses through their cooperatives.

Beneficiaries have been invited to showcase their work at several exhibitions, including an exhibition of the Department of Arts and Culture in Soweto on 16 June 2018, with the theme “Live the legacy: towards a socio-economically empowered youth”, as well as an exhibition of the dti at the Cape Town International Convention Centre from 19 to 22 June 2018.



SUCCESS STORY: NSF BURSARY HOLDER

CONSTANCE MATHALA

Clinical associates are medical professionals who are in possession of a rare but critical skill in South Africa. The number of graduating students is gradually increasing each year. The aim of the programme is to develop a group of clinical associates with the knowledge, attitudes and psychomotor skills to be able to assist doctors in district hospitals so as to improve patient care, especially in disadvantaged rural communities.

Out of thousands of NSF-funded students who completed their studies during the past financial year, Constance Mathala was one of the few students to recently have graduated as a clinical associate. She completed her Bachelor of Clinical Medical Practice from the University of Witwatersrand in December 2017. She hails from the rural area of Leeuwfontein in Limpopo and was raised in a family of nine members. She is the first child to have had the opportunity to study beyond high school.

Among her daily duties at Emalahleni Private Hospital, she is responsible for assessing patients, making diagnoses, prescribing treatments and performing minor surgeries under the supervision of a physician.



She expresses great appreciation for the NSF bursary she received to pave the way for a successful future for herself and her family. Her motto is: “Help where you would have wanted to be helped”. With this in mind, she aims to uplift her community by mentoring upcoming students that require academic coaching in order to qualify in the sector of medical sciences. Her long-term goal is to qualify as a medical doctor.

SUCCESS STORY: NSF BURSARY HOLDER

THATO MOGOJE

In the 2013 academic year, Thato Mogoje was awarded an NSF bursary when he enrolled for his BCom studies at the University of the North West. He recently completed his honours degree at the same university with the assistance of an NSF bursary.

Thato's home town is Klerksdorp and he comes from a disadvantaged background. He is passionate about entrepreneurship, research and small business development, which motivated him to register for an MCom degree in Commerce Management at the University of KwaZulu-Natal in 2017. Thato is in the process of starting up his own small business. He plans to continue with his PhD in 2019, and will then focus on his business going forward.

"I hope that the NSF will continue with its great work of supporting students and researchers nationally so as to enable research and development in South Africa," he says.



SUCCESS STORY: NSF BURSARY HOLDER

KWANDA SIKATELE

Kwanda Sikatele has a Certificate for Theory in Accounting (CTA). He is part of a group of students at the University of Fort Hare who were awarded the NSF bursary in 2013 as part of an initiative to increase the number of chartered accountants in South Africa. This partnership was initiated between the NSF and the University of Fort Hare in collaboration with the South African Institute for Chartered Accounts, and is still ongoing.

He completed his Bachelor of Accounting qualification in 2016 and continued to attain his CTA in 2017.

Kwanda is from the small rural town of Mbizana in the Eastern Cape. He emphasises his passion for taxation, as he wishes to bring more awareness to his community and to South Africa as a whole. He also saw a gap in the audit reports of most municipalities and wanted to be part of the broader solution.



He is currently working for the Office of the Auditor-General South Africa and is pursuing his honours studies in Taxation. He is equally passionate about community service and serves as an academic trainee to impart knowledge, tricks and experience that he acquired throughout his academic life to other students.

SUCCESS STORY: NSF BURSARY HOLDER

JUSTIN TELLO MAKHALE

A matriculant from Rearabetswe Secondary School in 2013, Justin Makhale, was one of the students who met the NSF bursary criteria. He was subsequently awarded the financial support to begin his Bachelor of Science in Geology at the University of the Free State, which he completed in December 2017.

His choice of career was due to the mining environment of Odendaalsrus where he grew up. This propelled his fascination with earth processes such as earthquakes, floods and volcanic eruptions. He also enjoys the process of investigating earth materials and coming up with varying ways of extracting them.

He believes that his attainment of the degree has made him a role model in his rural community and close family. Justin is currently in the process of enrolling for a second qualification in Mining



Metallurgy before he settles down in the world of work.

He is thankful to the NSF for the bursary, and hopes that it will fund more students in need of financial support

SUCCESS STORY: NSF BURSARY HOLDER

UNATHI KOSINI

“Without NSF funding, I don’t know if I would have been able to finish my studies.” These are the words of appreciation of Unathi Kosini, a young accounting graduate from the University of Fort Hare.

She was born and raised in King Williams Town in the Eastern Cape and completed her BCom Accounting studies in 2017. In 2018, she started working at the institution as a mentor while completing her Postgraduate Diploma in Accounting.

Unathi plans to qualify as a chartered accountant and to play a big role in the management of large-scale businesses in South Africa.



5. ORGANISATIONAL STRUCTURE

5.1 OFFICE OF THE EXECUTIVE OFFICER



Executive Officer
Mr MV Macikama



NSF SENIOR MANAGEMENT

Front row from left to right: Azwifaneli Sidimela, Kgaogelo Hlongwane, Conny Makhabane, Cindy Smit

Back row from left to right: Shaafiq Fredericks, Zakariya Alli, Wean Minnie, Eubert Mashabane, Mvuyisi Macikama, Frans Strydom, Lubabalo Lokwe

Absent: Sanel Theron, Nyawa Dikwayo

5.1 OFFICE OF THE EXECUTIVE OFFICER (continued)



Director: Internal Audit
Ms C Smit



Director: Legal, Governance, Risk and Compliance
Adv. A Sidimela



OFFICE OF THE EXECUTIVE OFFICER

Front row from left to right: Cindy Smit, Mvuyisi Macikama, Azwifaneli Sidimela

Back row from left to right: Itumeleng Legoabe, Tumelo Matjebe, Kholofelo Mogola, Dineo Lekula

5.2 STRATEGY AND ORGANISATIONAL PERFORMANCE



Director: Strategy, Partnerships and Innovation
Mr ME Mashabane



Director: ICT and Analytics
Mr L Lokwe



STRATEGY, PARTNERSHIPS AND INNOVATION

Front row from left to right: Nokuthula Mbatha, Nomusa Chivoze, Mavis Gijima, Winnie Manell

Back row from left to right: Khunedi Moloisi, John Zulu, Mohau Malebye, Bongani Mkhize, John Dihashu, Eubert Mashabane, Lubabalo Lokwe, Loyiso Soyipha, Given Malange, Mphela Legodi

5.3 INITIATION AND EVALUATION



Director: Initiation and Evaluation
Ms KF Hlongwane



INITIATION AND EVALUATION

Front row from left to right: Meriam Malebo, Khensani Ramothwala, Thifhelimbilu Rathogwa, Kgaogelo Hlongwane, Morithi Makina

Absent: Slindile Nkiwane, Tendani Moila, Lindiwe Okufo, Joe Magabane

5.4 REGIONAL SKILLS DEVELOPMENT IMPLEMENTATION



Director: Programme Monitoring
Mr FDEL Strydom



PROGRAMME MONITORING

Front row from left to right: Tebogo Selepe, Shelly Makhesa

Middle row from left to right: Carol Seleka, Felicia Kgobe, Kgaugelo Molaba

Back row from left to right: Edgar Mothlabane, Clement Nkuna, Frans Strydom, Kenneth Maluleka

Absent: Elsabe Horton, Claudia Mboya, Humphrey Masemola

5.4 REGIONAL SKILLS DEVELOPMENT IMPLEMENTATION (continued)



REGIONAL SKILLS DEVELOPMENT MONITORING

From left to right: Buntu Msengi, Londiwe Twumasi, Theresia Mmora, Gedion Sauls, Shaafig Fredericks



REGIONAL SKILLS DEVELOPMENT MONITORING

Front row from left to right: Meriam Malebo, Mabel Mawasha, Maureen Rannyama
Back row from left to right: Galoome Moseki, Simphiwe Mashinini, Sally Mangubewa, Granny Mphahlele, Hellen Sebopetsa



REGIONAL SKILLS DEVELOPMENT MONITORING

Front row from left to right: Mfundo Radebe, Simphiwo Fass, Gedieon Sauls, Sinoyolo Mlamla

Back row from left to right: Kamenthren Govendor, Droby Matsimane, Norman Sithole, Magdonald Raganya, Innocent Nyambi, John Nchabeieng

Absent: Eliphus Sako, Lydia Mathagu, Phumudzo Ramawa, Ramakwale Boshielo, Njabulo Sithole, Claudelle Crick Dunn, Sinovuyo Fikeni, Nisha Daya

5.5 OFFICE OF THE CHIEF FINANCIAL OFFICER



Acting Chief Director: Project Siyaphambili
Mr W Minnie



Director: Financial Planning and Reporting
Ms N Dikwayo



CHIEF DIRECTORATE: PROJECT SIYAPHAMBILI, FINANCIAL PLANNING AND REPORTING

Front row from left to right: Tselabotse Moloto, Sheron Ramaloko, Ndamulelo Musetsho, Tsebisang Mahlo

Back row from left to right: Wean Minnie, Cilesta Ramarumo, Bridgette Setuki, Phumudzo Netshimbupfe

Absent: Nyawa Dikwayo

5.5 OFFICE OF THE CHIEF FINANCIAL OFFICER (continued)



Director: Fund Management
Ms S Theron



FUND MANAGEMENT

Front row from left to right: Nomangelengele Mokgolela, Ruth Boshomane, Anelisa Phohole, Babalwa Adonis

Back row from left to right: Siphon Ndlovu, Witness Moroko, Kagiso Lekalakala, Wiseman Phakula

Absent: Sanel Theron

5.5 OFFICE OF THE CHIEF FINANCIAL OFFICER (continued)



Director: Financial Management and Administration
Mr Z Alli (Acting Chief Financial Officer)



FINANCIAL MANAGEMENT AND ADMINISTRATION

Front row from left to right: Funanani Magidi, Thabo Mogotshane, Rietjie Souwitzsky, Millicent Moloisane

Back row from left to right: Phumzile Maleka, Prince Mahlangu, Jabulile Tshabalala, Mamontsho Mojela, Zakariya Alli, Thembelihle Molefe, Mary Monosi, Cecilia Pieterse, Caudette Grobler, John Magoro

Absent: Belinda Bouwer, Marinda Ferreira, Kgaugelo Tjale

5.6 BURSARIES



Director: Bursaries
Ms C Makhabane



BURSARIES

Front row from left to right: Sandisa Maqubela, Bagcinile Khumalo, Brigitte Sehaswana, Dipolelo Matentsi

Back row from left to right: Thabang Sephai, Nditsheni Ramakokovhu, Conny Makhabane, Dumo Zongo, Myiko Hlekane

Absent: Miriam Mosethla, Ivy Moroko

5.7 INTERNS



INTERNS

Front row from left to right: Carol Seleka, Brigette Sehaswana, Khensani Ramothwala, Kgaugelo Molaba
Back row from left to right: Jabulile Tshabalala, Kholofelo Mogola, Granny Mphahlele, Lucia Nzuza, Simphiwe Mashinini, Ellen Selepe, Tumelo Matjebe, Millicent Moloisane



INTERNS

Front row from left to right: Thifhelimbilu Rathogwa, Mfundo Radebe, Itumeleng Legoabe, phela Legodi
Back row from left to right: Innocent Nyambi, Mohau Malebye, Prince Mahlangu, Given Malange, Wiseman Phakula, Loyiso Soyipha

5.8 WORK-INTEGRATED LEARNING (WIL) INTERNS



WIL INTERNS

Front row from left to right: Dipolelo Matentsi, Ndamulelo Musetsho, Felicia Kgobe
Back row from left to right: Witness Moroko, Tselabotse Moloto, Magdonald Raganya, Ruth Boshomane, Sheron Ramaloko
Absent: Kgaugelo Monyai, Rheinette Sebei, Tsebisang Mahlo, Thoko Mahlangu, Mothabelo Luceth.

5.9 SUPPORT STAFF



SUPPORT STAFF

Front row from left to right: Shirley Ramakhokha, Khensani Malaka, Wendy Mashava

Back row from left to right: Lopang Matho, Ruth Lelaka, Rachel Mahlabela, Lenah Merafe, Simon Sathekge



TEA LADIES

From left to right: Maggie Kwashu, Sarah Mabitsa

6. FOREWORD BY THE MINISTER



MRS GNM PANDOR, MP
MINISTER OF HIGHER EDUCATION
AND TRAINING

It gives me great pleasure to present the annual report for the NSF for 2017/18. I am honoured to report that significant strides continue to be made towards meeting the demands for post-school education and training (PSET).

The overall strategic goal of the NSF is to provide funds to support programmes and projects that are national priorities, as envisaged in the NSDS III. These include programmes and projects that advance the HRDS, as well as those that support the work of the NSA, and those that advance the broader strategies of government. The investment of the Fund towards skills development increased from R4.322 billion in the previous financial year (2016/17) to R6.970 billion in the year under review.

South Africa has seen the PSET sector fundamentally impacted on by protests related to fees and other transformation-related grievances. The higher education component of the post-school system was hardest hit by these protests. The country has also seen a growing need for the accelerated production of high-level skilled and capable personnel to contribute towards an inclusive growth path and economic relevance at the onset of the Fourth Industrial Revolution, which carries with it wide-ranging implications and possibilities for education, business and society.

In response to these critical demands, the NSF continued to invest in key catalytic programmes and projects that contribute towards building a skilled and capable workforce. The NSF has had to redirect and disburse a significant portion of its historic surpluses to universities and TVET colleges to meet the promise of a no-fee increase for the 2017 academic year. This resulted in expenditure of R3.445 billion in the year under review from R1.895 billion in 2016/17 to meet the no-fee increase obligation. The NSF further invested R700 million to cover the full cost of study for financially deserving students enrolling in scarce and critical skills disciplines. Such bursaries are administered through a long-term partnership with the National Student Financial Aid Scheme (NSFAS). A further R260 million has been invested in bursaries for postgraduate programmes, ranging from honours to postdoctoral engagements. This is administered through a longstanding partnership with the National Research Foundation (NRF).

The NSF invested R2.88 billion towards education and training opportunities, benefitting 57 238 learners during the year under review. The majority of these learners are receiving training on an ongoing basis as training extends over periods longer than one year. These training opportunities include workplace-based learning (including apprentices) and skills programmes.

The NSF also invested just over R3.9 billion in PSET System Development and Capacity Building programmes, which include TVET college capacity and lecturer development, new infrastructure for TVET colleges and the refurbishment of existing infrastructure in some colleges.

To give effect and meaning to the production of a better-trained artisan, the NSF further committed R150 million towards the establishment of 26 Centres of Specialisation (COS), which will respond to new technology demands in modernising TVET colleges, and will ensure that they contribute towards the creation of employment and increased participation by citizens in the economy. It is believed that one of the main reasons for the poor quality of artisans is the lack of intensive, well-planned and integrated workplace exposure. This initiative seeks to address and embed a new ethos for skills development in our system.

In the period under review, the NSF also expended R69 million towards the continued establishment and operationalisation of the South African International Maritime Institute (SAIMI), which we regard as a national asset, tasked with the responsibility to develop and coordinate all training and education in the marine and maritime sector. SAIMI is further responsible for facilitating collaboration and cooperation within the education sector (with a specific focus on cadetship training), and between the education sector and the maritime industry. The objective of this initiative is to develop and continuously ensure the availability and responsiveness of maritime education and training in order to contribute towards sustainability and the growth of the sector.

In conclusion, I wish to thank my predecessors, the honourable ministers Dr Blade Nzimande and Prof Hlengiwe Mkhize, as I was able to proceed with my tasks seamlessly, as well as the Deputy Minister, Mr Buti Manamela, and Director-General, Mr GF Qonde, for their guidance and support. Particular gratitude goes out to the NSF's management and employees for their continued commitment to their work.



MRS GNM PANDOR, MP

MINISTER OF HIGHER EDUCATION AND TRAINING

7. FOREWORD BY THE DEPUTY MINISTER



MR BK MANAMELA, MP
DEPUTY MINISTER OF HIGHER
EDUCATION AND TRAINING

The 2017/18 financial year saw great strides made towards the achievement of the vision of the NDP of producing 30 000 artisans annually by 2030. There has been overwhelming support from all artisan-development role players, especially industry, and committed political leadership for the resounding achievement of 22 859 artisans channelled annually by the PSET system, state-owned entities (SOEs) and private-sector employers. We applaud the unwaveringly strong support and partnerships with SOEs to produce qualified artisans for the economy, as envisaged in the strategies of government. The partnerships with Transnet, Denel, Eskom, the South African Nuclear Energy Corporation (Necsa) and South African Airways Technical continue to produce impressive results with more than 700 qualified artisans exiting the programme.

The NSF has been actively supporting the COS programme, which addresses the demand for 13 priority trades needed to implement government's NDP and its National Integrated Infrastructure Plan. The programme intends to contribute to building the capacity of public TVET colleges to deliver Quality Council for Trades and Occupations (QCTO) trade qualifications in a dual system approach, in partnership with employers and SETAs. To date, 26 TVET colleges have been selected to pilot the COS programme. We will continue to monitor and support this worthwhile initiative.

As we continue to increase access to the PSET system, with a special focus on artisan skills, the NSF supports the work of the National Artisan Moderation Body (NAMB), including the development of the National Artisan Development Strategy, which the Department gazetted for public comment. The strategy, among other things, aims to roll out the Artisan of the 21st Century (A21) by reengineering the artisan curriculum and focusing on future skills in light of the Fourth Industrial Revolution. The robust strategic engagements and buy-in from all the key artisan development stakeholders will significantly enhance the roll-out of the National Artisan Development Strategy.

The Artisan Recognition of Prior Learning (ARPL) regulations that were approved by the Minister of Higher Education and Training in December 2016 continue to offer opportunities for our people to become qualified artisans. Eight new ARPL toolkits have been developed and are being implemented through the different trade test centres nationally. The Department is conducting provincial ARPL road shows for the monitoring and evaluation of the new toolkits. The Fund is committed, in partnership with NAMB and the TVET colleges, to support artisan development through continuous engagements with industry.

The work of the Dual System Pilot Project, which is an integrated training system that is being piloted at two TVET colleges in the Eastern Cape and two in Gauteng, has seen an increase in enrolments to 200 for two targeted qualifications: electrician and plumbing. We applaud the relentless participation of the employers and TVET colleges in championing the programme. It is going a long way in laying a practical foundation for the implementation of the COSs for an increased number of trades.

The DHET participated in the World Skills International Competitions in Abu Dhabi, United Arab Emirates, with enthusiasm, and further demonstrated its commitment to continuously strive for excellence in line with world standards. The competition highlights

the work of its vocational skills education and training for the youth, industry and society in achieving a strong and relevant artisan training system that contributes positively to the economic growth of our country. The competitions also contribute towards ensuring that TVET colleges become institutions of choice for millions of young people. We extend our appreciation and support to our team as they proudly represented the country in such a prestigious competition. We expect, once again, to participate in the coming competition in 2019, which is to take place in Russia, to further showcase our efforts and perfect our skills.

The Fund is supporting the Community Education and Training (CET) colleges around the country with a view to expanding educational access for adults who were not afforded opportunities to complete school. The NSF's support is aimed at establishing the necessary financial management and governance infrastructure to assist the CET colleges to fulfil their crucial role within South Africa's higher education and training sector.

We continue to actively support the First Things First programme of the Higher Education and Training HIV/Aids Programme (HEAIDS), which is now in its eighth year. First Things First provides a comprehensive health advisory service and advocates the importance of the health of young South Africans, especially those in the PSET system, and the need of making one's well-being a priority. The services offered include HIV testing and counselling, sexually transmitted infections (STIs), and tuberculosis (TB) screening in response to the National Strategic Plan on HIV/Aids to eradicate the scourge of HIV/Aids.

The year once again witnessed the successful roll-out of the Apply Now Campaign, which is a flagship programme aimed at encouraging learners to apply on time for admission to post-school institutions in order to avoid the stampedes and long queues that take place at the beginning of each academic year. Our work continues to inspire and demonstrate positive impact as we reach learners in often marginalised rural areas, villages and townships, to help them make informed career choices. Our partnership with Department of Basic Education in the training of Orientation teachers to offer support to learners is yielding positive results. Career Guidance further promotes the "100 occupations in high demand" list that is released by the Minister of Higher Education and Training on a regular basis.

The NSF, through the bursary scheme, has been unwavering in its support of students with disabilities and the implementation of the Social Inclusion Policy Framework, which advocates for the establishment of disability units in all post-school education and training institutions to be accessed by students with disabilities.

I would like to thank the Minister of Higher Education and Training, Mrs Naledi Pandor, for her unwavering support, leadership and strategic guidance, the Director-General, Mr GF Qonde, and the NSF's management and staff for their commitment, teamwork and hard work.



MR BK MANAMELA, MP
DEPUTY MINISTER OF HIGHER EDUCATION AND TRAINING

8. FOREWORD BY THE DIRECTOR-GENERAL OF HIGHER EDUCATION AND TRAINING AS THE ACCOUNTING AUTHORITY



**MR GWEBINKUNDLA FELLIX
QONDE**

DIRECTOR-GENERAL OF HIGHER
EDUCATION AND TRAINING

The NSF continues in its role in line with the objectives and goals of the NSDS III to advance human resource development strategies and support key national skills initiatives in education and training. Furthermore, the NSDS III emphasises the need to build and strengthen innovative partnerships in government and the private sector for highly skilled personnel to steer the country's economy. Through the strategic partnership with NSFAS and the NRF, the NSF is able to drive key skills strategies, and promote equity targets of race and access, especially for doctoral students, towards the transformation of the researcher cohort. For the 2017/18 financial year, the NSF awarded over R960 million towards scholarships and bursaries to benefit more than 11 000 academically strong, financially deserving undergraduate and postgraduate students in scarce and critical skills programmes.

National Student Financial Aid Scheme

NSFAS remains a strategic partner in awarding bursaries in scarce and critical skills programmes at higher education institutions that further contribute to the human resource development strategies outlined by government. In the year under review, the NSF – through NSFAS – awarded more than R700 million in bursary awards to benefit more than 8 866 academically able students from disadvantaged communities.

National Research Foundation

Through the strategic partnership with the NRF, over R260 million was allocated to support 2 788 postgraduate students and postdoctoral research fellows through the Scarce Skills Development Fund programme. There were 1 503 awards made for honours, 676 for master's, 522 for doctoral studies and 87 for postdoctoral fellowships. Furthermore, 381 awards were made through the strategic initiative with the South African Institute of Chartered Accountants for students studying towards the Certificate for Theory in Accounting. This innovative partnership continues to be an enabling tool towards the development of highly skilled individuals to contribute to the national skills pool in the fields of finance, science and technology.

International scholarships

The NSF remains committed to collaborations for international scholarship opportunities made available to South African students by various governments to study at institutions of higher learning abroad towards developing skilled personnel that will contribute to global demands that are aligned to the country's national priorities. During the period under review, 129 students were supported. Since the inception of this programme in the 2013/14 financial year, the NSF has approved over R92 million to support and augment this programme.

Student success stories

Despite the many challenges faced in the year under review, I am pleased to see continuous progress and commitment from students. It is my pleasure to share some of the success stories. Zodidi Vacu was born and raised by her mother in Libode, Eastern Cape, after her father passed away when she was only two years old. She completed her Postgraduate Diploma in Accounting at the University of Fort Hare. She is currently on a training contract with the Auditor-General South Africa. Zanele Mthembu, from Ntuzuma in KwaZulu-Natal, is enrolled for her PhD in Genetics at the University of Stellenbosch. She was awarded the NSF bursary in 2017 through the strategic partnership with the NRF. In her own words: "Without this Fund, I would not be here doing my PhD this year. The Fund has helped me a lot in achieving my dreams as an emerging scientist as I see myself achieving more in the years to come." Boitumelo Thara, from Pampierstad in the Northern Cape, completed her BCom honours degree in Industrial Psychology at the University of the Free State and is currently employed on an internship programme by the same University.

In conclusion

I remain optimistic about the future of our youth. Throughout the past financial year, I have seen our strategic partners, students and people from all walks of life contribute to the debate on free education and its implementation. I look forward to further engagements and inputs towards sustainable solutions to skills development programme initiatives that will lead to an inclusive growth path. To all our strategic partners, we extend our heartfelt gratitude for your continued support and guidance.

Finally, I would like to thank the Minister of Higher Education and Training, Mrs Naledi Pandor, and the Deputy Minister, Mr Buti Manamela, for the unwavering support, steadfast leadership and guidance given to the Department and me during this year. I would also like to thank the staff of the Department and the NSF for the commitment displayed in the discharge of their services to the public of South Africa.



MR GWEBINKUNDLA FELLIX QONDE

DIRECTOR-GENERAL OF HIGHER EDUCATION AND TRAINING

9. EXECUTIVE OFFICER'S OVERVIEW



**MR MVUYISI VUSIKAYA
MACIKAMA**
EXECUTIVE OFFICER: NATIONAL
SKILLS FUND

It gives me pleasure to provide you with this report of the National Skills Fund's sixth year of establishment as a public entity. I am proud to report again that the NSF has obtained an unqualified audit outcome for the 2017/18 financial year end from the Auditor-General South Africa. This is indicative that due processes related to the Public Finance Management Act (PFMA) and all other applicable legislations were adhered to.

The NSF's internal audit function continues to provide independent assurance in relation to the internal control environment, enabling the organisation to remain functional, compliant and supportive of good governance at all collective levels. This has ensured accurate performance, and financial reporting and accountability in all areas of administration, such as the disbursement of grants, performance reporting and cost control measures. The NSF's own internal performance monitoring processes have assisted greatly in its continuous monitoring against the required criteria, thus ensuring that the NSF remains accountable in all areas. Obtaining this positive audit outcome is as a result of the NSF's optimised business processes.

The NSF is still on course in providing the necessary support to wider government strategies, and national development strategies and priorities, including building linkages within the skills system and providing funds for government strategies such as youth programmes, building small businesses and cooperatives, and rural development in partnership with government. Therefore, the NSF has continued in its role of operating as a "catalytic" fund that enables the state to further drive key skills strategies, as well as meeting the objectives of the National Skills Development Plan (NSDP).

The NSF's role, as envisaged in terms of the proposed NSDP, will further continue to focus on programmes that will address the needs of the poor (marginalised and disadvantaged groups) in a manner that supports the equity imperatives. Skills development that is offered through the community education and training system receives centre stage. To this effect, in the 2017/18 financial year, the NSF has continued to play a critical role in investing in education and skills development by providing resources amounting to over R5 billion.

Furthermore, the NSF provided R700 million for 8 866 undergraduate students pursuing different qualifications in scarce skills such as accountancy during the 2017 academic year. It also provided R260 million for 2 788 honours, master's and doctoral students, as well as postdoctoral fellows. The NSF has committed R150 million towards the recently announced centres of specialisation in TVET colleges.

These impressive results provide a positive outcome to the NSF's recent structural improvement, as well as improved managerial processes that are aimed at improving the delivery to the Department's response to Outcome 5 of government's performance outcome: "A skilled and capable workforce to support an inclusive growth path."

All the NSF's strategic priorities are aligned to the four sub-outcomes of government's Outcome 5, which aim to provide the following:

- Skills development towards priority occupations
- Rural skills development
- SMME and cooperative skills development
- Community-based skills development and worker education
- An expanded, integrated and effective PSET system
- A skills development infrastructure
- Skills development research, innovation and communication
- Improving the NSF's efficiency and effectiveness through an improved organisational structure

Financial performance of the NSF

The NSF's total revenue for 2017/18 decreased to R3.756 billion from R3.874 billion in the previous year. This was caused by the decrease in revenue from exchange transactions. The levy is currently indicating a nominal growth of 4.6% in comparison with the prior year (2016/17), in which the total received from the SDL was R3.051 billion. In comparison to the previous four financial years, it grew by 0.6% in 2015/16 (when the total received from the SDL was R3.033 billion), 9.3% in 2014/15 (when the total received from the SDL was R2.751 billion), 8.6% in 2013/14 (when the total received from the SDL was R2.515 billion) and 10.3% in 2012/13 (when the total received from the SDL was R2.254 billion). Given the current economic climate, the levy growth projection has been limited to 5% per year over the Medium-term Expenditure Framework (MTEF) period.

The NSF's investment income grew significantly in the 2014/15, 2015/16 and 2016/17 financial years due to additional once-off funding received from the SETAs, effectively increasing the NSF's investment held at the PIC. However, the NSF's investment income is expected to decline significantly due to the steep decline in the NSF's surpluses. The steep decline in the NSF's surpluses is as a result of its contribution towards funding the no-fees increases for the 2017 and 2018 academic years for university and TVET college students, as well as utilising the surpluses towards funding priority PSET system development and capacity building projects, and priority skills infrastructure development projects. Given the current projections on utilising its surpluses, the NSF's investment income is expected to decline significantly over the MTEF period.

The NSF was required to fund 50% of the no-fee increase for the 2016 academic year (R1.274 billion). It is further required to fund 100% of the no-fee increase for the 2017 academic year (R5.288 billion) from its accumulated surpluses (including SETA uncommitted surpluses transferred to the NSF). The NSF's total contribution towards the no-fee increase in the two academic years amounts to R6.563 billion in total, representing 59% of the NSF's accumulated surpluses prior to the contribution.

The redirection of the NSF's accumulated surpluses towards the no-fee increase in the respective years has the following implications:

- The NSF's annual investment income has declined significantly from R766 million per annum to R490 million per annum. This means that the NSF received R276 million less revenue due to a decline in its reserves. This will have a direct impact on the funding that is available for undergraduate and postgraduate bursaries for university students in scarce and critical skills, as these bursary allocations were funded from the NSF's investment income stream.
- An estimated R1.5 billion has been lost for artisan development.
- An estimated R1.5 billion has been lost for priority systemic improvements within the PSET system. Other PSET system functions that are currently funded solely by the NSF can only be sustained until 2019/20. Thereafter, all the NSF's surplus funds will have been utilised and the NSF cannot sustain these critical PSET system functions. These functions include funding the operations of the NAMB, Career Development Services, three new TVET college campuses, the National Artisan Development Support Centre, the South African Institute for Vocational Education and Training and a number of critical posts in the TVET branch of the NSF. Most of these operations and capacity are critical towards improving the quality and efficiency of the TVET colleges, especially with regard to artisan development.


Organisational environment

For the year under review, the NSF has started the process of implementing its new organisational structure, business process, and information and communication technology (ICT) system to improve the overall efficiency and effectiveness of the Fund. This work was due for completion during the 2017/18 financial year.

Significant progress has been made in each of the following areas:

- Dedicated project initiation and evaluation capacity has been established. The purpose of the Initiation and Evaluation Unit with regard to initiation is two-fold. Firstly, it is to improve the efficiency of the initiation process of projects to be funded by the NSF, especially with regard to time frames. Secondly, it is to improve the effectiveness of the NSF's funding by ensuring the initiation of strategically aligned projects. The NSF's Monitoring and Evaluation Framework is also being aligned to the key strategies of government to ensure clear alignment between the strategic objectives of the NSF and those of the key strategies of government.
- The NSF's monitoring capacity has been strengthened through the implementation of the new organisational structure, ensuring dedicated monitoring of skills development projects being funded.
- The NSF has appointed a dedicated high-level finance capacity that will act as a business partner and support its core skills development functions, which are aimed at strengthening financial management throughout the skills development lifecycle at all levels.
- The NSF has appointed a service provider to implement an integrated Microsoft Dynamics ICT system. Its deployment is well on track.

In conclusion, I would like to thank the Minister of Higher Education and Training, Mrs Naledi Pandor, MP, the Deputy Minister, Mr Buti Manamela, and the Director-General, Mr GF Qonde, for their remarkable support, leadership and strategic guidance towards realising these achievements. I cannot neglect to thank the NSF's management and staff for their dedication and support in ensuring that the mandate entrusted to this organisation is achieved. I thank you, Ndiyabulela.



MR MVUYISI VUSIKAYA MACIKAMA
EXECUTIVE OFFICER: NATIONAL SKILLS FUND



PART B:

PERFORMANCE INFORMATION

I. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2018

The Accounting Authority is responsible for the preparation of the public entity's performance information and the judgements 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 public entity's Strategic Plan and Annual Performance Plan for the financial year ended 31 March 2018.

The entity's performance information, set out on page 39 to page 56, was approved by the Director-General of Higher Education and Training, as the Accounting Authority of the NSF.



MR GF QONDE
DIRECTOR-GENERAL: HIGHER EDUCATION AND TRAINING
31 July 2018



MR MV MACIKAMA
EXECUTIVE OFFICER: NATIONAL SKILLS FUND
31 July 2018

2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General 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 "Predetermined objectives" in the "Report on other legal and regulatory requirements" in the Auditor's Report.

Refer to the Report of the Auditor-General to Parliament on the NSF (pages 74 to 77), published in "Part E: Financial information".

3. OVERVIEW OF THE NATIONAL SKILLS FUND'S PERFORMANCE

3.1 SERVICE DELIVERY ENVIRONMENT

On 12 October 2012, the NSF was listed as a Schedule 3A public entity retrospectively effective from 1 April 2012. Since the listing of the NSF, the Fund reports on its performance against its Strategic Plan and Annual Performance Plan to relevant stakeholders, who include the following:

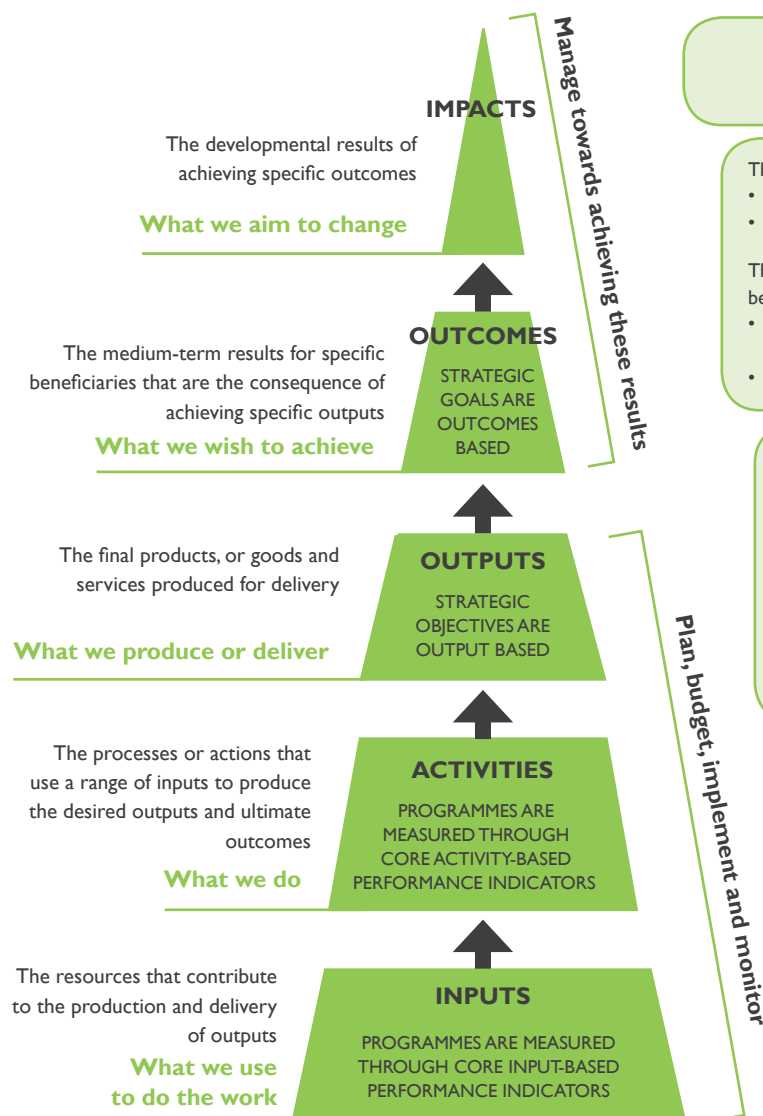
- The Minister and Director-General of Higher Education and Training, through the relevant structures of the DHET. Reports of the NSF are discussed in the DHET's senior management meetings at various levels, including a dedicated review session with the Executive Authority. The NSF is also part of the Annual Review and Planning workshops, where annual performance is discussed and planning of the new financial year is undertaken.
- Relevant Parliamentary Portfolio committees.
- A committee of the NSA also provides monitoring with respect to the contribution of the NSF to the targets of the NSDS.

These performance reports include the quarterly monitoring of performance, derived from the NSF's Annual Performance Plan and reported via the DHET. Since the transfer of the NSF to the newly formed DHET, the NSF's performance has increased significantly, considering the fact that the Fund's disbursement towards skills development increased to R6.97 billion (2016/17: R4.322 billion) during the current financial year. The NSF could not escape the sweeping effect of national student protests, which resulted in a redirection of reserves to universities and TVET colleges to

meet the promise of government for a no-fee increase to students from poor and working class families for the 2016 and 2017 academic years. These reserves are being transferred in monthly payment instalments to the universities and TVET colleges, resulting in an expenditure of R3.445 billion for the 2017/18 financial year (2016/17: R1.895 billion).

The remainder of the NSF's funds disbursement towards the education and training of learners, excluding the funds towards the no-fee increase, amounts to R2.88 billion. This funding benefitted 57 238 learners for the year under review through the various projects funded by the NSF. The majority of these 57 238 learners are still receiving training in ongoing courses as their training courses extend over periods longer than one year. The NSF remains committed towards funding these learners over their entire qualification period in instances where the learning programme leads to a qualification. 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 education and training from one year to the next.

The NSF's strategic plans 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 National Treasury. The aim of the theory of change is to measure the outputs, outcomes and ultimate impact of skills development projects funded by the NSF. The theory of change, as contained in the NSF's Annual Performance Plan 2017/18, is as follows:



Contribute towards creating employability and reducing inequality and poverty

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

- Learners funded by the NSF for skills development
- The PSET system through which learners' skills are developed

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

- For the learners funded by the NSF: the attainment of employment (or self-employment) as a result of successfully acquiring relevant skills
- For the PSET system: an expanded, more effective and integrated PSET system

Performance measured mainly through the Strategic Plan on a medium- to longer-term basis.

The final products of the NSF are the following:

- The number of NSF learners that completed their education and training through the NSF's skills development initiatives
- The number of cooperatives and SMMEs that benefitted from the NSF's skills development initiatives
- The number of workers that were educated through the NSF's skills development initiatives
- A variety of outputs produced through NSF-funded projects aimed at expanding, improving effectiveness and integrating the PSET system (including skills infrastructure development)
- A variety of outputs produced through NSF-funded skills development research, innovation and communication projects

Performance measured mainly through the Strategic Plan and Annual Performance Plan (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 their execution to achieve the outputs and evaluates their final output and outcome

Performance measured mainly through the APP and Operational Plan on an annual basis.

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

- The NSF uses funding to deliver skills development initiatives, received through SDLs
- The NSF employs human capacity to manage and support the delivery of the desired output through the skills development initiatives
- The NSF utilises technology (ICT systems) to improve efficiency in the delivery of skills development initiatives

Performance measured mainly through the APP, Operational Plan and budget on a medium-term and/or an annual basis.

3.2 ORGANISATIONAL ENVIRONMENT

For the year under review, the NSF continued the process of implementing its new organisational structure, new business processes and new ICT system to improve the overall efficiency and effectiveness of the Fund and its work.

Significant progress was made in each of the following areas:

1. Dedicated project initiation and evaluation capacity was established. The purpose of the Initiation and Evaluation Unit with regard to initiation is twofold. Firstly, it aims to improve the efficiency of the initiation process of projects to be funded by the NSF, especially in respect of time frames. Secondly, it aims to improve the effectiveness of the NSF's funding by ensuring the initiation of strategically aligned projects. The Unit is currently being capacitated to develop and implement the NSF's Monitoring and Evaluation (M&E) framework at project level, with the assistance of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The NSF's M&E Framework is also being aligned to government's key strategies, such as the NDP and the Medium-term Strategic Framework (MTSF) to further ensure clear alignment between the strategic objectives of the NSF and those of the key strategies of government.
2. The NSF's monitoring capacity was strengthened through the implementation of the new organisational structure, which ensures the dedicated monitoring of skills development projects being funded. The skills development projects are monitored at two levels: at regional level through the NSF's regional monitoring units and at national level through the NSF's Programme Monitoring Unit. The capabilities of these monitoring units are strengthened through various capacity-building workshops, as well as the introduction of new standardised monitoring templates and new improved monitoring processes. The new ICT system that is currently being implemented will also be a key enabler for more efficient and effective monitoring and reporting of NSF-funded projects on an ongoing basis. It will further enhance the new monitoring and reporting processes by automating certain aspects of these processes.
3. The NSF has appointed dedicated high-level finance capacity, referred to as fund managers, who provide dedicated financial management support to the core skills development functions that are aimed at strengthening financial management throughout the skills development life cycle at all levels.
4. The NSF finalised the envisioning and design phase of the new integrated Microsoft Dynamics ICT system during the financial year under review, with the development of the ICT system at 70% completion. The first phase of the system is planned to go live during the 2018/19 financial year. The following benefits are to be realised from the implementation of the new ICT system:

- Enable simpler, faster and more accurate reporting
- Improve the monitoring of skills development programmes and projects (including learners, learning sites and funds utilisation)
- Improve monitoring of the NSF's performance
- Enable evaluation of outputs, outcomes and impact
- Assist strategic planning and enable strategic analysis
- Enable measurement of cost efficiency and return on investment to maximise return on investment
- Improve accountability and transparency
- Improve communication and stakeholder management
- Improve financial management
- Strengthen the control environment

Further work is being undertaken to ensure that the remaining key vacant positions in the NSF's new organisational structure are filled. The NSF's new business processes are also under implementation and will be closely monitored to ensure that they improve the NSF's efficiency and effectiveness.

3.3 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 PSET system. This will result in the review of all PSET legislation and a drive towards a higher degree of integration with the PSET system.

The National Plan for Post-school Education and Training is currently being finalised for the implementation of the White Paper, which will include the new National Skills Development Plan. This plan has been approved by the National Economic Development and Labour Council (NEDLAC) and the Minister, which sets out the vision for the skills development system. Once the National Plan for Post-school Education and Training is approved, the NSF will ensure that it aligns its strategic plans and annual performance plans to the National Plan for Post-school Education and Training.

3.4 CHANGES TO PLANNED TARGETS

No changes were made to planned targets during the 2017/18 financial year.

4. PERFORMANCE INFORMATION 2017/18 (CURRENT YEAR)

4.1 SUMMARY OF ACHIEVEMENTS

	Strategic objectives' performance indicators (output based)					Budget programme performance indicators (activity and input based)				
	Total targets	Achieved		Not achieved		Total targets	Achieved		Not achieved	
Budget Programme 1: Funding Skills Development	5	3	60%	2	40%	12	11	92%	1	8%
Budget Programme 2: NSF Business Excellence (Administrative Programme)	3	0	0%	3	100%	3	0	0%	3	100%
All programmes	8	3	38%	5	62%	15	11	73%	4	27%

4.2 PROGRAMME 1: FUNDING SKILLS DEVELOPMENT

4.2.1 Sub-Programme 1.1: Education and Training

STRATEGIC OBJECTIVES AND ANNUAL TARGETS (specifically related to Sub-Programme 1.1: Education and Training)										
Strategic target for 2016/17–2020/21		Performance indicator	Audited/actual performance			Baseline	Annual (all quarters)		Difference for the year to date	Comment on deviations
			2013/14	2014/15	2015/16	2016/17	2017/18			
			Actual achieve- ment	Actual achieve- ment	Actual achieve- ment	Actual achieve- ment	Annual planned target	Year-to- date actual achieve- ment		
Strategic Objective 1: Skills development towards priority occupations To develop skills required for priority occupations										
STRATEGIC OBJECTIVE TARGET 1										
I.	35 000 NSF-funded learners to complete their education and training towards priority occupations over the five-year strategic period.	Number of NSF-funded learners that completed their education and training towards priority occupations over the five-year strategic period (output-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	3 267	7 000	8 521	Over-achievement of 1 521	The target has been achieved, mainly due to skills development programmes delivered in partnership with SEDA, skills development programmes linked to the Expanded Public Works Programme (EPWP) and specific skills development projects with TVET colleges.

STRATEGIC OBJECTIVES AND ANNUAL TARGETS
(specifically related to Sub-Programme I.I: Education and Training)

Strategic target for 2016/17–2020/21	Performance indicator	Audited/actual performance			Baseline	Annual (all quarters)		Difference for the year to date	Comment on deviations	
		2013/14	2014/15	2015/16	2016/17	2017/18				
		Actual achievement	Actual achievement	Actual achievement	Actual achievement	Annual planned target	Year-to-date actual achievement			
Strategic Objective 2: Rural skills development To develop the skills of people from rural areas										
STRATEGIC OBJECTIVE TARGET 2										
2.	35 000 NSF-funded learners from rural areas to complete their education and training over the five-year strategic period.	Number of NSF-funded learners from rural areas that completed their education and training over the five-year strategic period (output-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	3 418	7 000	6 856	Under-achievement of 144	The target has not been achieved by a small margin. Most of the learners funded by the NSF from rural areas were still undergoing education and training programmes and had not yet completed their education and training programmes as at the financial year-end.
Strategic Objective 3: SMME and cooperative skills development To support SMME and cooperative development through skills development										
STRATEGIC OBJECTIVE TARGET 3										
3.	800 SMMEs and cooperatives to benefit from NSF-funded skills development initiatives over the five-year strategic period.	Number of SMMEs and cooperatives that benefitted from NSF-funded skills development initiatives over the five-year strategic period (output-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	2 158	150	1 705	Over-achievement of 1 555	NSF achieved target. The over-achievement is mainly due to the NSF's collaboration with SEDA, aimed at skills development related to SMMEs.
Strategic Objective 4: Community-based skills development To benefit poor, disadvantaged and/or vulnerable communities through skills development										
STRATEGIC OBJECTIVE TARGET 4										
4.	7 000 NSF-funded learners that acquired skills through community-based skills development initiatives over the five-year strategic period.	Number of NSF-funded learners that acquired skills through community-based skills development initiatives over the five-year strategic period (output-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	3 289	1 400	5 281	Over-achievement of 3 881	NSF achieved target. The over-achievement is mainly due to NSF's skills development partnership with SEDA.

STRATEGIC OBJECTIVES AND ANNUAL TARGETS
(specifically related to Sub-Programme 1.1: Education and Training)

Strategic target for 2016/17–2020/21	Performance indicator	Audited/actual performance			Baseline	Annual (all quarters)		Difference for the year to date	Comment on deviations
		2013/14	2014/15	2015/16	2016/17	2017/18			
		Actual achievement	Actual achievement	Actual achievement	Actual achievement	Annual planned target	Year-to-date actual achievement		
Strategic Objective 5:Worker education To educate workers through worker education initiatives									
STRATEGIC OBJECTIVE TARGET 5									
5.	5 600 workers to be educated through worker education initiatives over the five-year strategic period	Number of workers educated through worker education initiatives over the five-year strategic period (output-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	0	840	-	Under-achievement of 840 The target has not been achieved due to budgetary reprioritisation, resulting in funding for worker education projects being delayed.

SUB-PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS
(specifically related to Sub-Programme 1.1: Education and Training)

Strategic target for 2016/17–2020/21	Performance indicator	Audited/actual performance			Baseline	Annual (all quarters)		Difference for the year to date	Comment on deviations	
		2013/14	2014/15	2015/16	2016/17	2017/18				
		Actual achievement	Actual achievement	Actual achievement	Actual achievement	Annual planned target	Year-to-date actual achievement			
BUDGET PROGRAMME TARGET 1										
1.	121 800 learners funded by NSF for education and training over the five-year strategic period.	Number of learners funded by NSF for education and training (activity-based).	77 913	62 617	63 903	48 169	43 000	57 238	Over-achievement of 14 238	NSF achieved its target on the number of learners to be funded during the 2017/18 financial year, which can mainly be attributed to scarce and critical skills bursaries funded through NSFAS and the NRF, as well as NSF's partnership with SEDA, which further contributed towards skills development.
BUDGET PROGRAMME TARGET 2										
2.	65 800 learners funded by NSF for education and training towards priority occupations over the five-year strategic period.	Number of learners funded by NSF for education and training towards priority occupations (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	29 052	30 100	38 365	Over-achievement of 8 265	NSF achieved its target on the number of learners to be funded during the 2017/18 financial year, which can mainly be attributed to scarce and critical skills bursaries funded through NSFAS and the NRF.

SUB-PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS
(specifically related to Sub-Programme 1.1: Education and Training)

Strategic target for 2016/17–2020/21	Performance indicator	Audited/actual performance			Baseline	Annual (all quarters)		Difference for the year to date	Comment on deviations	
		2013/14	2014/15	2015/16	2016/17	2017/18				
		Actual achievement	Actual achievement	Actual achievement	Actual achievement	Annual planned target	Year-to-date actual achievement			
BUDGET PROGRAMME TARGET 3										
3.	48 720 learners from rural areas funded by NSF for education and training over the five-year strategic period.	Number of learners from rural areas funded by NSF for education and training (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	22 633	17 200	32 888	Over-achievement of 15 688	The target has been achieved.The NSF's over-achievement can mainly be attributed to bursaries awarded to students to study at universities that are located outside the metropolitan areas. Furthermore, the NSF's partnership with SEDA further contributed towards rural skills development.
BUDGET PROGRAMME TARGET 4										
4.	1 000 SMMEs and cooperatives funded by NSF for skills development over the five-year strategic period.	Number of SMMEs and cooperatives funded by NSF for skills development (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	2 158	150	2 222	Over-achievement of 2 072	The annual target has been met. The over-achievement is mainly due to NSF's collaboration with SEDA, aimed at skills development related to SMMEs.
BUDGET PROGRAMME TARGET 5										
5.	10 000 learners funded by NSF for skills development through community-based skills development initiatives over the five-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.	New indicator. No data available.	New indicator. No data available.	6 877	2 000	8 675	Over-achievement of 6 675	NSF achieved target.The over-achievement is mainly due to NSF's skills development partnership with SEDA.
BUDGET PROGRAMME TARGET 6										
6.	7 500 workers funded by NSF for worker education over the five-year strategic period.	Number of workers funded by NSF for worker education (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	237	1 125	823	Under-achievement of 302	Under- achievement of 302 The target has not been achieved, due to budgetary reprioritisation, resulting in funding for worker education projects being delayed.

4.2.2 Sub-Programme 1.2: PSET System Development and Capacity Building

STRATEGIC OBJECTIVES AND ANNUAL TARGETS (specifically related to Sub-Programme 1.2: PSET System Development and Capacity Building)										
Strategic target for 2016/17–2020/21	Performance indicator	Audited/actual performance			Baseline	Annual (all quarters)		Difference for the year to date	Comment on deviations	
		2013/14	2014/15	2015/16	2016/17	2017/18				
		Actual achieve- ment	Actual achieve- ment	Actual achieve- ment	Actual achieve- ment	Annual planned target	Year-to- date actual achieve- ment			
Strategic Objective 6:An expanded, integrated and effective PSET system To expand the PSET system, improve effectiveness of the PSET system and integrate the PSET system more										
STRATEGIC OBJECTIVE TARGET 6										
6.	100% of priority projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excluding 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 (excluding skills infrastructure development) that have successfully achieved the envisaged outputs (output-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	0	Longer-term projects, thus the successful completion will only be measured closer to the end of the five-year strategic period.			
BUDGET PROGRAMME TARGET 7										
7.	100% of NSF-funded projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excluding skills infrastructure development projects) 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 (excluding skills infrastructure development projects) with a clear business plan and value-for-money budget breakdown (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100%	100%	100%	Achieved	Achieved target.
BUDGET PROGRAMME TARGET 8										
8.	100% of NSF-funded projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excluding 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 (excluding skills infrastructure development) where the actual project expenditure to date is in line with the actual project performance to date (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100%	100%	100%	Achieved	Achieved target.

4.2.3 Sub-Programme 1.3: Skills Infrastructure Development

STRATEGIC OBJECTIVES AND ANNUAL TARGETS (specifically related to Sub-Programme 1.3: Skills Infrastructure Development)										
Strategic target for 2016/17–2020/21		Performance indicator	Audited/actual performance			Baseline	Annual (all quarters)		Difference for the year to date	Comment on deviations
			2013/14	2014/15	2015/16	2016/17	2017/18			
			Actual achieve- ment	Actual achieve- ment	Actual achieve- ment	Actual achieve- ment	Annual planned target	Year-to- date actual achieve- ment		
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 OBJECTIVE TARGET 7										
7.	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 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.	Longer-term projects, thus the successful completion will only be measured closer to the end of the five-year strategic period.			
BUDGET PROGRAMME 9										
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 value-for-money budget breakdown (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100%	100%	100%	Achieved	Achieved target.
BUDGET PROGRAMME 10										
10.	100% of NSF-funded skills infrastructure development projects have incurred actual project expenditure to date that is in line with the 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.	New indicator. No data available.	New indicator. No data available.	100%	100%	100%	Achieved	Achieved target.

4.2.4 Sub-Programme 1.4: Skills Development, Research, Innovation and Communication

STRATEGIC OBJECTIVES AND ANNUAL TARGETS (specifically related to Sub-Programme 1.4: Skills Development Research, Innovation and Communication)										
Strategic target for 2016/17–2020/21	Performance indicator	Audited/actual performance			Baseline	Annual (all quarters)		Difference for the year to date	Comment on deviations	
		2013/14	2014/15	2015/16	2016/17	2017/18				
		Actual achieve- ment	Actual achieve- ment	Actual achieve- ment	Actual achieve- ment	Annual planned target	Year-to- date actual achieve- ment			
Strategic Objective 8: Skills development research innovation and communication To research priority areas related to skills development (including areas identified for innovation) and to communicate and advocate skills development										
STRATEGIC OBJECTIVE TARGET 8										
8.	100% of skills development, research, innovation and communication projects have successfully achieved the project outputs.	Percentage of skills development, research, innovation and communication projects that have successfully achieved 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.	Longer-term projects, thus the successful completion will only be measured closer to the end of the five-year strategic period.			
BUDGET PROGRAMME 11										
11.	100% of NSF-funded research, innovation and communication projects have a clear business plan and value-for-money budget breakdown.	Percentage of NSF-funded research, innovation and communication projects with a clear business plan and value-for- money budget breakdown (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100%	100%	100%	Achieved	Achieved target.
BUDGET PROGRAMME 12										
12.	100% of NSF-funded research, innovation and communication projects have incurred project expenditure to date that is in line with the actual project performance to date.	Percentage of NSF-funded research, innovation and communication 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.	New indicator. No data available.	New indicator. No data available.	100%	100%	100%	Achieved	Achieved target.

4.3 PROGRAMME 2: NSF BUSINESS EXCELLENCE (ADMINISTRATIVE PROGRAMME)

STRATEGIC OBJECTIVES AND ANNUAL TARGETS (specifically related to Programme 2: NSF Business Excellence)										
Strategic target for 2016/17–2020/21		Performance indicator	Audited/actual performance			Baseline	Annual (all quarters)		Difference for the year to date	Comment on deviations
			2013/14	2014/15	2015/16	2016/17	2017/18			
			Actual achievement	Actual achievement	Actual achievement	Actual achievement	Annual planned target	Year-to-date actual achievement		
Strategic Objective 9: Improve the 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 five-year strategic period through the implementation of an improved organisational structure										
STRATEGIC OBJECTIVE TARGET 9										
9.	90% of key positions filled.	Percentage of key positions filled (output-based).	100%	100%	20%	35%	90%	57%	Under-achievement of 33%	The NSF is dependent on DHET's Human Resources Management (HRM) to perform its recruitment functions. Due to severe capacity constraints experienced by DHET's HRM there were significant delays in the filling of vacant positions.The NSF tried to augment this situation by availing its interns to assist DHET's HRM with the sorting of job applications, appointing service providers to capture job applications and arranging the shortlisting and interview panels on behalf of DHET's HRM.The NSF also assisted DHET's HRM to draft terms of reference to implement an e-recruitment system for DHET, and assisted DHET's HRM to draft a motivation for deviation from National Treasury's moratorium to implement an e-recruitment system.
STRATEGIC OBJECTIVE TARGET 10										
10.	90% of other positions filled.	Percentage of other positions filled (output-based).	100%	100%	20%	40%	90%	72%	Under-achievementof 18%	The NSF is dependent on DHET's HRM to perform its recruitment functions. Due to severe capacity constraints experienced by DHET's HRM there were significant delays in the filling of vacant positions.The NSF tried to augment this situation by availing its interns to assist DHET's HRM with the sorting of job applications, appointing service providers to capture the job applications and arranging the shortlisting and interview panels on behalf of DHET's HRM.The NSF also assisted DHET's HRM to draft terms of reference to implement an e-recruitment system for DHET, and assisted DHET's HRM to draft a motivation for deviation from National Treasury's moratorium to implement an e-recruitment system.
STRATEGIC OBJECTIVE TARGET 11										
11.	Implement 90% of key ICT needs.	Percentage of key ICT needs implemented (output-based).	71%	71%	70%	80%	90%	67%	Under-achievement of 23%	The under-achievement was due to delays in the implementation of the NSF's new Microsoft Dynamics ICT system, delays in the implementation of the NSF's new website and portal, and delays in connecting DHET to the South African National Research Network (SANReN).

STRATEGIC OBJECTIVES AND ANNUAL TARGETS
(specifically related to Programme 2: NSF Business Excellence)

Strategic target for 2016/17–2020/21		Performance indicator	Audited/actual performance			Baseline	Annual (all quarters)		Difference for the year to date	Comment on deviations
			2013/14	2014/15	2015/16	2016/17	2017/18			
			Actual achievement	Actual achievement	Actual achievement	Actual achievement	Annual planned target	Year-to-date actual achievement		
BUDGET PROGRAMME TARGET 13										
13.	90% of key positions filled.	Percentage of key positions filled (output-based).	100%	100%	20%	35%	90%	57%	Under-achievement of 33%	The NSF is dependent on DHET's HRM to perform its recruitment functions. Due to severe capacity constraints experienced by DHET's HRM there were significant delays in the filling of vacant positions.The NSF tried to augment this situation by availing its interns to assist DHET's HRM with the sorting of job applications, appointing service providers to capture the job applications and arranging the shortlisting and interview panels on behalf of DHET's HRM.The NSF also assisted DHET's HRM to draft terms of reference to implement an e-recruitment system for DHET and assisted DHET's HRM to draft a motivation for deviation from National Treasury's moratorium to implement an e-recruitment system.
BUDGET PROGRAMME TARGET 14										
14.	90% of other positions filled.	Percentage of other positions filled (output-based).	100%	88%	45%	40%	90%	72%	Under-achievement of 18%	The NSF is dependent on DHET's HRM to perform its recruitment functions. Due to severe capacity constraints experienced by DHET's HRM there were significant delays in the filling of vacant positions.The NSF tried to augment this situation by availing its interns to assist DHET's HRM with the sorting of job applications, appointing service providers to capture the job applications and arranging the shortlisting and interview panels on behalf of DHET's HRM.The NSF also assisted DHET's HRM to draft terms of reference to implement an e-recruitment system for DHET and assisted DHET's HRM to draft a motivation for deviation from National Treasury's moratorium to implement an e-recruitment system.
BUDGET PROGRAMME TARGET 15										
15.	Implement 90% of key ICT needs.	Percentage of key ICT needs implemented (output-based).	71%	71%	70%	80%	90%	67%	Under-achievement of 23%	The under-achievement is due to delays in the implementation of the NSF's new Microsoft Dynamics ICT system, delays in the implementation of NSF's new website and portal, and delays in connecting DHET to SANReN.

5. PERFORMANCE INFORMATION 2016/17 (PRIOR YEAR)

5.1 SUMMARY OF ACHIEVEMENTS

	Strategic objectives' performance indicators (output based)					Budget programme performance indicators (activity and input based)				
	Total targets	Achieved		Not achieved		Total targets	Achieved		Not achieved	
Budget Programme 1: Funding Skills Development	5	2	(40%)	3	(60%)	12	11	(92%)	1	(8%)
Budget Programme 2: NSF Business Excellence (Administrative Programme)	3	1	(33%)	2	(67%)	3	1	(33%)	2	(67%)
All programmes	8	3	(38%)	5	(62%)	15	12	(80%)	3	(20%)

5.2 PROGRAMME 1: FUNDING SKILLS DEVELOPMENT

5.2.1 Sub-Programme 1.1: Education and Training

STRATEGIC OBJECTIVES (specifically related to Sub-Programme 1.1: Education and Training)										
Strategic target for 2016/17–2020/21	Performance indicator	Audited/actual performance			Baseline	Planned target	Actual achieve- ment	Deviation from planned target to actual achievement	Comment on deviations	
		2012/13	2013/14	2014/15	2015/16	2016/17				
Strategic Objective 1: Skills development towards priority occupations To develop skills required for priority occupations										
STRATEGIC OBJECTIVE TARGET 1										
I.	36 000 NSF-funded learners to complete their education and training towards priority occupations over the five-year strategic period.	Number of NSF-funded learners that completed their education and training towards priority occupations over the five-year strategic period (output-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	6 500	3 267	Under-achievement of 3 233	Most of the NSF's funded learners were still enrolled in various education and training programmes as at year-end and are expected to complete their education and training programmes within the next two financial years.

STRATEGIC OBJECTIVES

(specifically related to Sub-Programme 1.1: Education and Training)

Strategic target for 2016/17–2020/21	Performance indicator	Audited/actual performance			Baseline	Planned target	Actual achievement	Deviation from planned target to actual achievement	Comment on deviations	
		2012/13	2013/14	2014/15	2015/16	2016/17				
Strategic Objective 2: Rural skills development To develop the skills of people from rural areas										
STRATEGIC OBJECTIVE TARGET 2										
2.	36 000 NSF-funded learners from rural areas to complete their education and training over the five-year strategic period.	Number of NSF-funded learners from rural areas that completed their education and training over the five-year strategic period (output-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	6 500	3 418	Under-achievement of 3 082	Most of the NSF's funded learners were still enrolled in various education and training programmes as at year-end and are expected to complete their education and training programmes within the next two financial years.
Strategic Objective 3: SMME and cooperative skills development To support SMME and cooperative development through skills development										
STRATEGIC OBJECTIVE TARGET 3										
3.	1 000 SMMEs and cooperatives to benefit from the NSF's funded skills development initiatives over the five-year strategic period.	Number of SMMEs and cooperatives that benefitted from NSF-funded skills development initiatives over the five-year strategic period (output-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100	2158	Over-achievement of 2 058	The NSF's funding towards skills development through SEDA's BESD project has contributed significantly towards skills development that is benefitting SMMEs, resulting in a significant over-achievement of the NSF's target.
Strategic Objective 4: Community-based skills development To benefit poor, disadvantaged and/or vulnerable communities through skills development										
STRATEGIC OBJECTIVE TARGET 4										
4.	7 000 NSF-funded learners that acquired skills through community-based skills development initiatives over the five-year strategic period.	Number of NSF-funded learners that acquired skills through community-based skills development initiatives over the five-year strategic period (output-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	1 400	3 289	Over-achievement of 1 889	The NSF's funding towards skills development through the EPWP has contributed significantly towards community-based skills development, resulting in an over-achievement of the NSF's target.
Strategic Objective 5: Worker education To educate workers through worker education initiatives										
STRATEGIC OBJECTIVE TARGET 5										
5.	5 600 workers to be educated through worker education initiatives over the five-year strategic period	Number of workers educated through worker education initiatives over the five-year strategic period (output-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	560	0	Under-achievement of 560	The impact of the funding of the no-fee increase through the NSF for two academic years resulted in new projects being delayed until certainty regarding funding had been secured. Funding for worker education was secured to achieve the NSF's targets.

SUB-PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS (specifically related to Sub-Programme 1.1: Education and Training)										
Strategic target for 2016/17–2020/21		Performance indicator	Audited/actual performance			Baseline	Annual planned target	Year-to- date actual achieve- ment	Difference for the year to date	Comment on deviations
			2012/13	2013/14	2014/15	2015/16	2016/17			
BUDGET PROGRAMME TARGET 1										
1.	121 800 learners funded by the NSF for education and training over the five-year strategic period.	Number of learners funded by the NSF for education and training (activity-based).	99 554	77 913	62 617	63 903	43 000	48 169	Over-achievement of 5 169	The NSF's over-achievement can be attributed to the NSF's high level of grants disbursements towards the education and training of learners.
BUDGET PROGRAMME TARGET 2										
2.	65 800 learners funded by the NSF for education and training towards priority occupations over the five-year strategic period.	Number of learners funded by the NSF for education and training towards priority occupations (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	26 600	29 052	Over-achievement of 2 452	The NSF's achievement is slightly higher than its target.This is due to the NSF ensuring that it continues to fund bursaries aimed at scarce and critical skills areas, as well as prioritising funding towards artisan development, which is mainly linked to priority trades related to the Strategic Integrated Projects (SIPs).
BUDGET PROGRAMME TARGET 3										
3.	48 720 learners from rural areas funded by the NSF for education and training over the five-year strategic period.	Number of learners from rural areas funded by the NSF for education and training (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	17 200	22 633	Over-achievement of 5 433	The NSF's over-achievement can mainly be attributed to the NSF's funding towards bursaries aimed at learners from rural areas, as well as funding skills development programmes through the National Rural Youth Service Corps (NARYSEC) programme, the EPWP, SEDA's BESD project, as well as programmes in partnership with the Department of Agriculture, Forestry and Fisheries.
BUDGET PROGRAMME TARGET 4										
4.	1 000 SMMEs and cooperatives funded by the NSF for skills development over the five-year strategic period.	Number of SMMEs and cooperatives funded by the NSF for skills development (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100	2 158	Over-achievement of 2 058	The NSF's funding towards skills development through SEDA's BESD project has contributed significantly towards skills development that is benefitting SMMEs, resulting in a significant over-achievement of the NSF's target.
BUDGET PROGRAMME TARGET 5										
5.	10 000 learners funded by the NSF for skills development through community-based skills development initiatives over the five-year strategic period.	Number of learners funded by the NSF for skills development through community-based skills development initiatives (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	2 000	6 877	Over-achievement of 4 877	The NSF's funding towards skills development through the EPWP has contributed significantly towards community-based skills development, resulting in an over-achievement of the NSF's target.

SUB-PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS (specifically related to Sub-Programme 1.1: Education and Training)										
Strategic target for 2016/17–2020/21	Performance indicator	Audited/actual performance			Baseline	Annual planned target	Year-to-date actual achievement	Difference for the year to date	Comment on deviations	
		2012/13	2013/14	2014/15	2015/16	2016/17				
BUDGET PROGRAMME TARGET 6										
6.	7 500 workers funded by the NSF for worker education over the five-year strategic period.	Number of workers funded by the NSF for worker education (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	750	237	Under-achievement of 513	The impact of the funding of the no-fee increase through the NSF for two academic years resulted in new projects being delayed until certainty regarding funding had been secured. Funding for worker education was secured to achieve the NSF's targets.

5.2.2 Sub-Programme 1.2: PSET System Development and Capacity Building

STRATEGIC OBJECTIVES (specifically related to Sub-Programme 1.2: PSET System Development and Capacity Building)										
Strategic target for 2016/17–2020/21		Performance indicator	Audited/actual performance			Baseline	Planned target	Actual achieve- ment	Deviation from planned target to actual achievement	Comment on deviations
			2012/13	2013/14	2014/15	2015/16	2016/17			
Strategic Objective 6:To expand the PSET system, improve its effectiveness and integrate it more To expand the PSET system, improve effectiveness of the PSET system and integrate the PSET system more										
STRATEGIC OBJECTIVE TARGET 6										
6.	100% of priority projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excluding 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 (excluding skills infrastructure development) that have successfully achieved 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.	Longer-term projects, thus the successful completion will only be measured closer to the end of the five-year strategic period.			
BUDGET PROGRAMME TARGET 7										
7.	100% of NSF-funded projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excluding skills infrastructure development projects) 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 (excluding skills infrastructure development projects) with a clear business plan and value-for-money budget breakdown (activity-based).	New indicator: No data available.	New indicator: No data available.	New indicator: No data available.	New indicator: No data available.	100%	100%	Achieved.	All PSET system development and capacity-building projects have a clear business plan and value-for-money budget breakdown.

STRATEGIC OBJECTIVES (specifically related to Sub-Programme 1.2: PSET System Development and Capacity Building)										
Strategic target for 2016/17–2020/21		Performance indicator	Audited/actual performance			Baseline	Planned target	Actual achieve- ment	Deviation from planned target to actual achievement	Comment on deviations
			2012/13	2013/14	2014/15	2015/16	2016/17			
BUDGET PROGRAMME TARGET 8										
8.	100% of NSF-funded projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excluding 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 (excluding skills infrastructure development) where the actual project expenditure to date is in line with the actual project performance to date (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100%	100%	Achieved.	Expenditure incurred on PSET system development and capacity-building projects is in line with the actual project performance to date.

5.2.3 Sub-Programme 1.3: Skills Infrastructure Development

STRATEGIC OBJECTIVES (specifically related to Sub-Programme 1.3: Skills Infrastructure Development)										
Strategic target for 2016/17–2020/21		Performance indicator	Audited/actual performance			Baseline	Planned target	Actual achievement	Deviation from planned target to actual achievement	Comment on deviations
			2012/13	2013/14	2014/15	2015/16	2016/17			
Strategic Objective 7: Skills infrastructure development To expand the PSET system, improve its effectiveness and integrate it through infrastructure development										
STRATEGIC OBJECTIVE TARGET 7										
7.	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 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.	Longer-term projects, thus the successful completion will only be measured closer to the end of the five-year strategic period.			

SUB-PROGRAMME PERFORMANCE INDICATORS AND TARGETS (Sub-Programme 1.3: Skills Infrastructure Development)										
Strategic target for 2016/17–2020/21	Performance indicator	Audited/actual performance			Baseline	Planned target	Actual achieve- ment	Deviation from planned target to actual achievement	Comment on deviations	
		2012/13	2013/14	2014/15	2015/16	2016/17				
BUDGET PROGRAMME TARGET 9										
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 value-for-money budget breakdown (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100%	100%	Achieved.	All skills infrastructure development projects have a clear business plan and value-for-money budget breakdown.
BUDGET PROGRAMME TARGET 10										
10.	100% of NSF-funded skills infrastructure development projects have incurred actual project expenditure to date that is in line with the 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.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100%	100%	Achieved.	Expenditure incurred on skills infrastructure development projects is in line with the actual project performance to date.

5.2.4 Sub-Programme 1.4: Skills Development Research, Innovation and Communication

STRATEGIC OBJECTIVES (specifically related to Sub-Programme 1.4: Skills Development Research, Innovation and Communication)									
Strategic target for 2016/17–2020/21	Performance indicator	Audited/actual performance			Baseline	Planned target	Actual achievement	Deviation from planned target to actual achievement	Comment on deviations
		2012/13	2013/14	2014/15	2015/16	2016/17			
Strategic Objective 8: Skills Development Research, Innovation and Communication To research priority areas related to skills development (including areas identified for innovation) and to communicate and advocate skills development									
STRATEGIC OBJECTIVE TARGET 8									
8.	100% of skills development research, innovation and communication projects have successfully achieved the project outputs.	Percentage of skills development research, innovation and communication projects that have successfully achieved 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.	Longer-term projects, thus the successful completion will only be measured closer to the end of the five-year strategic period.		

SUB-PROGRAMME PERFORMANCE INDICATORS AND TARGETS (Sub-Programme 1.4: Skills Development Research, Innovation and Communication)										
Strategic target for 2016/17–2020/21		Performance indicator	Audited/actual performance			Baseline	Planned target	Actual achievement	Deviation from planned target to actual achievement	Comment on deviations
			2012/13	2013/14	2014/15	2015/16	2016/17			
BUDGET PROGRAMME TARGET 11										
11.	100% of NSF-funded research, innovation and communication projects have a clear business plan and value-for-money budget breakdown.	Percentage of NSF-funded research, innovation and communication projects with a clear business plan and value-for-money budget breakdown (activity-based).	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100%	100%	Achieved.	All skills development research, innovation and communication projects have a clear business plan and value-for-money budget breakdown.
BUDGET PROGRAMME TARGET 12										
12.	100% of NSF-funded research, innovation and communication projects have incurred project expenditure to date that is in line with the actual project performance to date.	Percentage of NSF-funded research, innovation and communication 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.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100%	100%	Achieved.	Expenditure incurred on skills development research, innovation and communication projects is in line with the actual project performance to date.

5.3 PROGRAMME 2: NSF BUSINESS EXCELLENCE (ADMINISTRATIVE PROGRAMME)

STRATEGIC OBJECTIVES (specifically related to Programme 2: NSF Business Excellence)										
Strategic target for 2016/17–2020/21		Performance indicator	Audited/actual performance			Baseline	Planned target	Actual achievement	Deviation from planned target to actual achievement	Comment on deviations
			2012/13	2013/14	2014/15	2015/16	2016/17			
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 five-year strategic period through the implementation of an improved organisational structure										
STRATEGIC OBJECTIVE TARGET 9										
9.	90% of key positions filled.	Percentage of key positions filled (output-based).	100%	100%	100%	20%	50%	35%	Under-achievement of 15%	Delays in approval from the relevant supporting departments, as well as capacity constraints in DHET's HRM have resulted in the appointment process being slow. The NSF has subsequently addressed capacity constraints in DHET's HRM through the appointment of service providers on a short-term basis to perform HRM administrative functions, as well as the appointment of a dedicated NSF director responsible for the implementation of the new structure. These interventions are resulting in a faster implementation of the NSF's organisational structure. Most of the candidates for the vacant posts were interviewed during the financial year, with many of the recommended candidates having assumed duty shortly after year-end and some awaiting final approval. The rest of the vacant posts were advertised shortly after year-end.
STRATEGIC OBJECTIVE TARGET 10										
10.	80% of other positions filled.	Percentage of other positions filled (output-based).	100%	100%	100%	20%	50%	40%	Under-achievement of 10%	
STRATEGIC OBJECTIVE TARGET 11										
11.	Implement 90% of key ICT needs.	Percentage of key ICT needs implemented (output-based).	60%	71%	71%	70%	80%	80%	Achieved	Achieved target for NSF's ICT needs.

PROGRAMME PERFORMANCE INDICATORS AND TARGETS
(Programme 2: NSF Business Excellence)

Strategic target for 2016/17–2020/21		Performance indicator	Audited/actual performance			Baseline	Planned target	Actual achievement	Deviation from planned target to actual achievement	Comment on deviations
			2012/13	2013/14	2014/15	2015/16	2016/17			
BUDGET PROGRAMME TARGET 13										
13.	90% of key positions filled.	Percentage of key positions filled (output-based).	100%	100%	100%	20%	50%	35%	Under-achievement of 15%	Delays in approval from the relevant supporting departments, as well as capacity constraints in DHET's HRM have resulted in the appointment process being slow. The NSF has subsequently addressed capacity constraints in DHET's HRM through the appointment of service providers on a short-term basis to perform HRM administrative functions, as well as the appointment of a dedicated NSF director responsible for the implementation of the new structure. These interventions are resulting in a faster implementation of the NSF's organisational structure. Most of the candidates for the vacant posts were interviewed during the financial year, with many of the recommended candidates having assumed duty shortly after year-end and some awaiting final approval. The rest of the vacant posts were advertised shortly after year-end.
BUDGET PROGRAMME TARGET 14										
14.	80% of other positions filled.	Percentage of other positions filled (output-based).	100%	100%	88%	45%	50%	40%	Under-achievement of 10%	
BUDGET PROGRAMME TARGET 15										
15.	Implement 90% of key ICT needs.	Percentage of key ICT needs implemented (output-based).	60%	71%	71%	70%	80%	80%	Achieved	Achieved target for NSF's ICT needs.

6. SUMMARY OF FINANCIAL INFORMATION

6.1 REVENUE COLLECTION

Sources of revenue	2017/18			2016/17		
	Budget	Actual amount collected	(Over)/ Under-collection	Budget	Actual amount collected	(Over)/ Under-collection
	R'000	R'000	R'000	R'000	R'000	R'000
Skills Development Levies	3 154 111	3 199 737	(45 626)	3 033 122	3 051 030	(17 909)
Income from SETAs	-	5 000	(5 000)	-	-	-
Finance income	494 299	490 298	4 001	577 611	766 906	(189 295)
Other income	55 898	60 718	(4 820)	42 344	55 898	(13 554)
Total	3 704 308	3 755 753	(51 445)	3 653 077	3 873 834	(220 758)

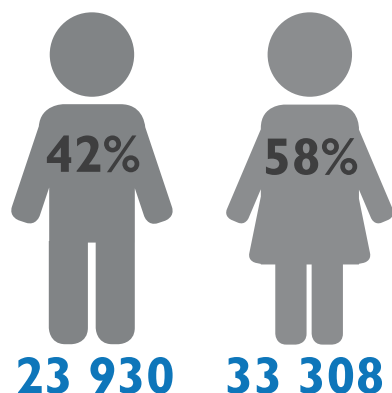
6.2 PROGRAMME EXPENDITURE

Sources of revenue	2017/18			2016/17		
	Budget	Actual amount collected	(Over)/ Under-collection	Budget	Actual amount collected	(Over)/ Under-collection
	R'000	R'000	R'000	R'000	R'000	R'000
Pogramme 1: Funding Skills Development	8 333 251	6 970 099	1 363 152	6 017 408	4 321 987	1 695 421
Pogramme 2: NSF Business Excellence	144 190	119 782	24 408	146 550	123 305	23 245
Total	8 477 441	7 089 881	1 387 560	6 163 958	4 445 292	1 718 666

7. 2017/18 BENEFICIARY FACT SHEET

2017/18 beneficiary fact sheet

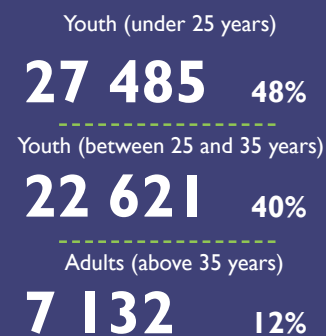
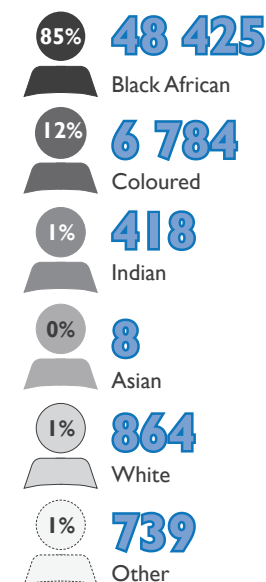
Total number
57 238
of beneficiaries



TOP 10

Eastern Cape	Free State	Gauteng	<p>International 141 0.25%</p>		
9 271 16%	2 148 4%	9 781 17%			
KwaZulu-Natal	Limpopo	Mpumalanga			
10 450 18%	6 649 12%	2 040 4%			
North West	Northern Cape	Western Cape		RURAL	URBAN
3 204 6%	1 602 3%	11 952 21%		32 892 57%	24 346 43%
OCCUPATIONS FUNDED	Small Business Manager	3 472	Technical (ICT) Support Services Manager	1 508	
	Accountant (General)	2 194	Personnel/Human Resource Manager	1 472	
	Personal Assistant	1 959	Early Childhood Development Practitioner	1 172	
	Electrical Engineering Technician	1 848	Agricultural Scientist	1 161	
	Security Officer	1 756			
PRIORITY OCCUPATIONS FUNDED	Small Business Manager	3 472	Early Childhood Development Practitioner	1 172	
	Accountant (General)	2 194	Agricultural Scientist	1 161	
	Electrical Engineering Technician	1 848	Electrician	1 081	
	Technical (ICT) Support Services Manager	1 508	Finance Manager	1 072	
	Personnel/Human Resource Manager	1 472			

Equity



8. 2016/17 BENEFICIARY FACT SHEET

2016/17 beneficiary fact sheet

Total number

48 169

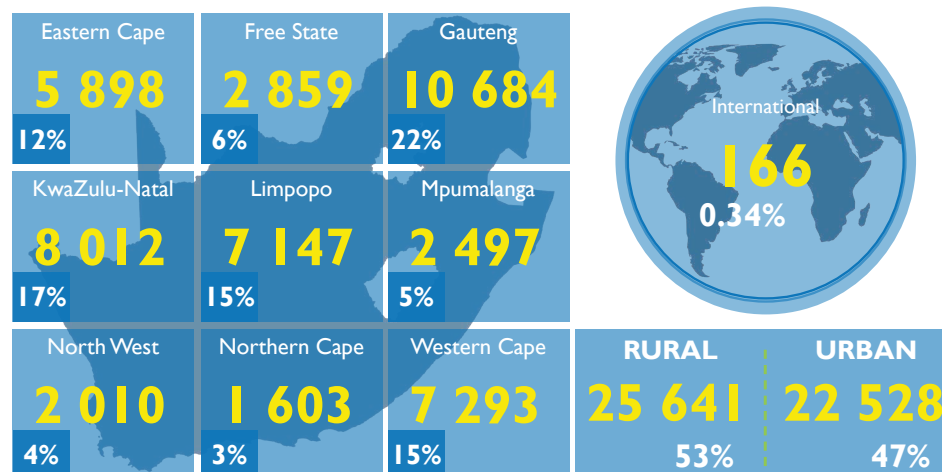
of beneficiaries



21 467 26 702



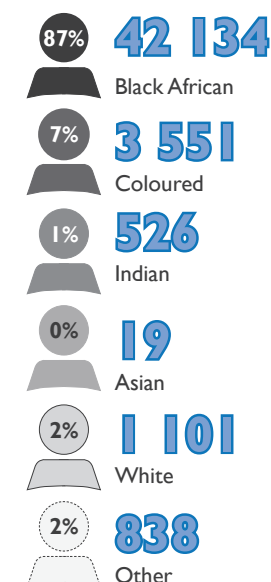
522



TOP 10

OCCUPATIONS FUNDED	Small Business Manager	2 846	Finance Manager	1 306
	Accountant (General)	2 574	Agriculture Consultant	1 210
	Office Administrator	1 915	Chemist	943
	Electrician	1 369	Economist	836
	Electrical Engineering Technician	1 341	Mathematics Teacher (Grade 10-12)	784
PRIORITY OCCUPATIONS FUNDED	Small Business Manager	2 846	Chemist	943
	Accountant (General)	2 574	Economist	836
	Electrician	1 369	Mathematics Teacher (Grades 10-12)	784
	Electrical Engineering Technician	1 341	Safety, Health, Environment and Quality (SHE&Q) Practitioner	718
	Finance Manager	1 306	Earthmoving Plant Operator	712

Equity



Youth (under 25 years)

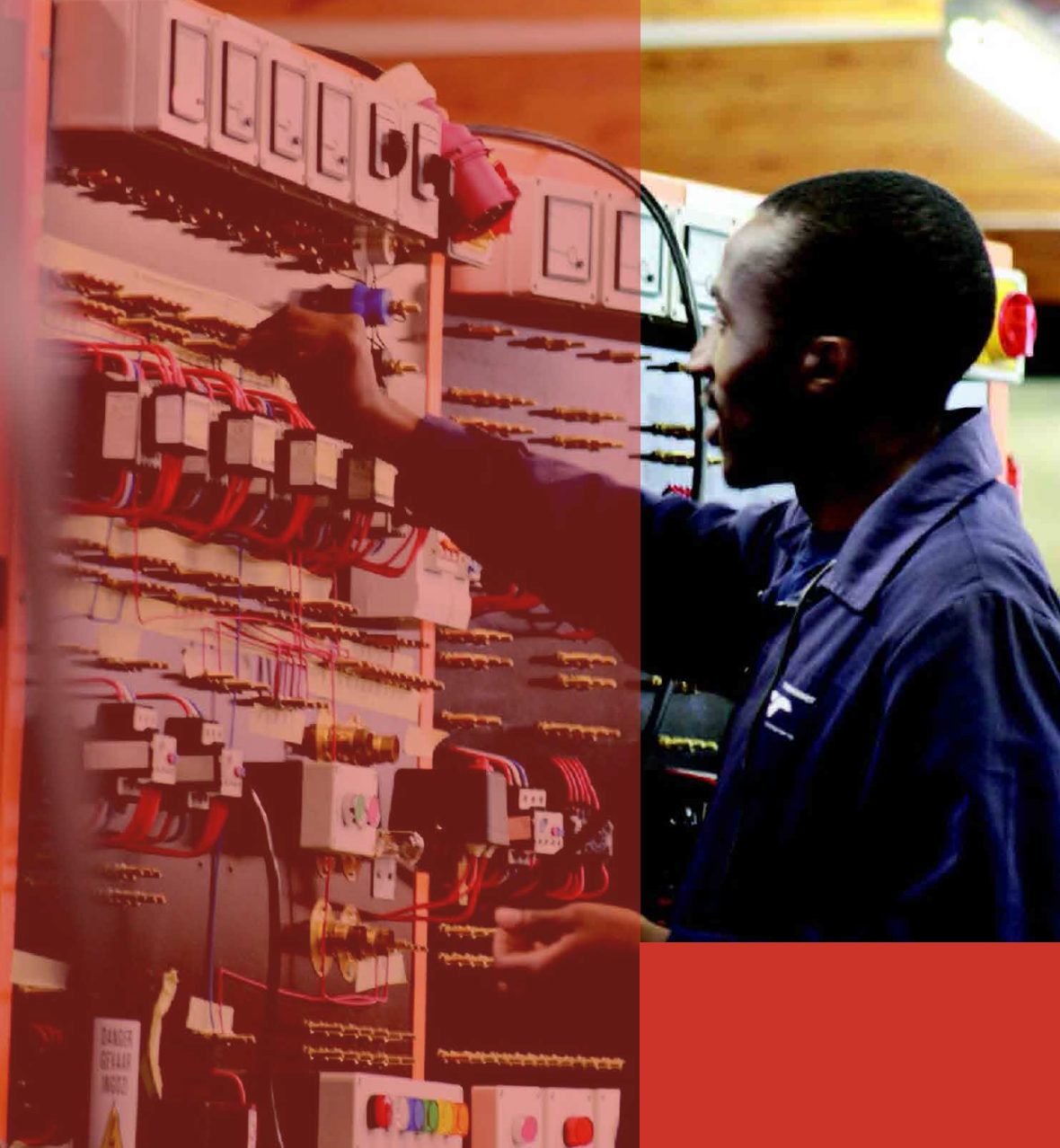
24 284 50%

Youth (between 25 and 35 years)

17 638 37%

Adults (above 35 years)

6 247 13%



PART C:

GOVERNANCE

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 regard to public entities is applied through the precepts of the Public Finance Management Act, 1999 (Act No. 1 of 1999) and run in tandem with the principles contained in the King Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

2. PORTFOLIO COMMITTEES

For the year under review, the NSF did not attend any portfolio committee meetings on higher education and training.

3. EXECUTIVE AUTHORITY

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

4. THE ACCOUNTING AUTHORITY

Introduction

The Director-General of the Department of Higher Education and Training is the NSF's Accounting Authority, as stipulated in section 29(1) of the Skills Development Act, 1998 (Act No. 97 of 1998).

The Director-General is responsible for the control of the NSF and is 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 DHET. These include the Skills Development Branch management meetings, the senior management meetings and the Ministerial management meetings.

The role of the Accounting Authority

As Accounting Authority of the NSF, the Director-General has the following responsibilities, among others:

- Manage the NSF in accordance with the PFMA
- Keep a proper record of all financial transactions, assets and liabilities of the NSF
- Prepare annual financial statements for the NSF in the prescribed form
- Subject to the laws governing the public service, appoint the Executive Officer of the NSF, who will, upon such appointment, be in the employ of the public service
- Prescribe a limit for the amount that can be used in the administration of the NSF
- 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 GF Qonde, is the Accounting Authority of the NSF as per section 29(1) of the Skills Development Act, 1998 (Act No. 97 of 1998).

Remuneration of the Accounting Authority

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

5. RISK MANAGEMENT

The risk management activities of the NSF are covered within the NSF's comprehensive risk assessment, which is facilitated by Internal Audit. The Director: Legal, Governance, Risk and Compliance was appointed during the current financial year. Risk management workshops were conducted to identify strategic risks for the 2018/19 financial year that emanated from the approved NSF Strategic Plan, Annual Performance Plan and the new Microsoft Dynamics ICT system. The process resulted in augmenting the existing risk register, which will be approved by the NSF Audit Committee. After the strategic risk register has been approved, management will work on the combined assurance framework and a project risk register in order to manage and address risks within the the NSF.

6. INTERNAL CONTROL

Management has focused on improving internal control through its partnership with DHET in terms of the Memorandum of Agreement with the latter, as well as with assistance from Internal Audit.

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 that are designed to add value and improve the NSF's operations. It assists the NSF to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control, risk management and governance processes.

The main activities of Internal Audit are as follows:

- Compile a three-year rolling strategic and annual internal audit plan
- Perform 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, as per the 2017/18 internal audit plan, were completed:

- Review of the Annual Performance Plan for 2018/19
- Grant allocation framework/due diligence process review
- Project life cycle review
- Project site visits
- Project reporting and monitoring review
- Performance information review
- Personnel Salary System (PERSAL) review
- Policies and procedures review
- Financial statement review, with a focus on commitments and related balances
- Ad hoc requests received from management
- Facilitation of risk assessment workshop
- Ongoing programme assurance over information technology system under development

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 as follows:

- Consider the effectiveness of internal control systems, including information technology and security
- Understand the scope of the internal and external auditor's 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 that 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, annually review the Annual Financial Statements and recommend their approval to the Director-General
- Review the NSF's performance information

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 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 laws and 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 their implementation is monitored regularly.

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

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 DHET. No cases of fraud have become known to the NSF during the last financial year, save for the reported maladministration by the NSF grant recipient in respect of the projects funded by the NSF.

10. MINIMISING CONFLICT OF INTEREST

Through the Memorandum of Agreement with DHET for shared services, the NSF has permission to use DHET's bid committees, which follow DHET's supply chain management policy. To date, no conflict of interest has been identified.

11. CODE OF CONDUCT

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

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 issues.

13. SOCIAL RESPONSIBILITY

This is not applicable to the NSF for the 2017/18 financial year.

14. MATERIALITY AND SIGNIFICANCE FRAMEWORK

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

15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2018.

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 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 comprises the following members, all of whom are independent and financially literate.

Member	Designation	Date of appointment
Prof DP van der Nest	Chairperson	19 May 2017
Ms S Padayachy	Member	19 May 2017
Mr S Makhubu	Member	19 May 2017

The terms of reference require the Committee to meet at least twice a year. For the year under review, the Committee held four formal and two special meetings as indicated below:

Member	Types and number of meetings attended	
	Formal meetings	Special meetings
Prof DP van der Nest	4	2
Ms S Padayachy	4	2
Mr S Makhubu	4	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 provide the Audit Committee and management with assurance that 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 a period of transition, 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, realigned business processes and an integrated information technology system. The Audit Committee receives regular updates on the progress with the project. Progress on the project implementation in all three areas has been slower than initially planned due to challenges experienced. This has also contributed to the fact that the system of internal control was not entirely effective during the period under review. Although there has been some improvement in internal controls, cases of non-adherence with internal controls were reported by both internal audit and the AGSA. The Audit Committee will continue to monitor progress against the corrective action plans implemented by management.

The system of control over the generation, collation and reporting of performance information has improved slightly and no material findings were reported by the AGSA. Material adjustments were, however, made to performance information as result of the external audit, indicating that the controls over reporting of performance information are not fully effective and require some improvement. Reporting on performance information is currently 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 quality of in-year management and monthly/quarterly reports submitted in terms of the PFMA

The Audit Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Authority of the NSF during the year under review.

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

Evaluation of financial statements

The Audit Committee has done the following:

- 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's compliance with legal and regulatory provisions
- Reviewed significant adjustments resulting from the audit
- Reviewed information on predetermined objectives to be included in the annual report

The Audit Committee concurs with, and accepts the AGSA's conclusions on the Annual Financial Statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the AGSA.

There were material misstatements identified during the audit of the financial statements, which were subsequently adjusted by management. Although the audit opinion remained unchanged compared to the prior year, enhanced controls over the preparation of financial statements were noted towards the end of the financial period. The implementation of an integrated financial management system will assist in improving the quality of financial 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. Co-sourced capacity was obtained for internal audit and it was able to complete the audits approved in the coverage plan by the Audit Committee, subject to minor adjustments to the plan, which were approved by the Audit Committee.

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 Acting Chief Financial Officer and staff for their efforts regarding the financial statements for the year and to the team from the AGSA for the value they continue to add to the NSF as an assurance provider. The Audit Committee will monitor the improvements made by management in addressing control deficiencies identified by external and internal audit.



PROF D.P. VAN DER NEST
CHAIRPERSON OF THE AUDIT COMMITTEE
DATE: 31 JULY 2018



AUDIT COMMITTEE

Front row from left to right: Sipho Makhubu, Prof D.P. van der Nest (Chairperson), Subathree Padayachy



PART D:

HUMAN RESOURCE MANAGEMENT

I. INTRODUCTION

The NSF has a current funded staff establishment of 129 posts, of which 39 posts are vacant. All employees of the NSF are currently employed by DHET within the public service as the NSF was operated as a programme under the Department prior to its listing as a public entity on 12 October 2012. The NSF refunds the Department for the employee costs incurred by the Department on behalf of the NSF. The key HR priorities to be addressed during the next financial year are the following:

- Addressing the current capacity constraints with regard to the initiation, monitoring and evaluation of projects, and the support services required for the establishment of the NSF as a fully-fledged public entity

- Finalising the implementation of the NSF's transformation project (Siyaphambili) in order to achieve the aforementioned, which includes a review of the entire organisation to ensure efficient workforce planning, as will result in an intensive recruitment campaign to attract and recruit a skilled and capable workforce to address the current capacity constraints

All employees are required to sign performance agreements with their immediate supervisors, which are assessed quarterly and annually. The NSF's performance management framework will be reviewed as part of improving the Fund's operations during the establishment of the Fund as a fully-fledged public entity.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

PERSONNEL COST BY PROGRAMME

Skills Development	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a percentage of total expenditure (R'000)	Number of employees	Average personnel cost per employee (R'000)
Skills Development	6 970 099	59 661	0.86%	234*	642

*234 includes 89 permanent employees, one contract employee, 27 interns, 95 WIL candidates and 22 terminations.

PERSONNEL COST BY SALARY BAND

Level	Personnel expenditure (R'000)	Personnel expenditure as a percentage of total expenditure (R'000)	Number of employees	Average personnel cost per employee (R'000)
Top management	11 950	20%	12	996
Senior management	23 041	39%	33	698
Skilled	24 670	41%	189*	363
Semi-skilled	0	0%	0	0
Total	59 661	100%	234	255

*189 includes 46 permanent employees, 27 interns, 95 WIL candidates and 21 terminations.

PERFORMANCE REWARDS

Programme	Personnel expenditure as a percentage of total expenditure (R'000)	Personnel expenditure (R'000)	Percentage of performance rewards to total personnel cost (R'000)
Top management	153	11 950	1.28%
Senior management	275	23 041	1.19%
Skilled	374	24 580	1.52%
Semi-skilled	0	0	0.00%
Total	802	59 571	1.35%

TRAINING COSTS

Directorate	Personnel expenditure as a percentage of total expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a percentage of personnel cost
NSF staff establishment	59 661	1243	2.08%

EMPLOYMENT AND VACANCIES

Programme	2016/17 Number of employees	2017/18 Approved posts	2017/18 Number of employees	2017/18 Vacancies	Percentage of vacancies
Skills Development	93	129	90	39	30%

Approved posts excluding interns and WIL candidates.

EMPLOYMENT AND VACANCIES (continued)

Programme	2016/17 Number of employees	2017/18 Approved posts	2017/18 Number of employees	2017/18 Vacancies	Percentage of vacancies
Top management	6	21	12	9	42.9%
Senior management	19	45	32*	13	28.9%
Professional qualified	0	0	0	0	0.0%
Skilled	68	63	46	17	27.0%
Semi-skilled	0	0	0	0	0.0%
Unskilled	0	0	0	0	0.0%
Total	93	129	90	39	30.2%

*32 senior management includes 31 permanent employees and one contract employee.

EMPLOYMENT CHANGES

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	8	4	0	12
Senior management	20	13	1	34
Professional qualified	0	0	0	0
Skilled	49	140*	21	210
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	77	157	22	212

*140 includes eight permanent employees, 32 interns and 100 WIL candidates.

REASONS FOR STAFF LEAVING

Reason	Number	Percentage of staff leaving to total staff
Death	0	0%
Resignation	13*	2%
Dismissal	0	0%
Retirement	1	1%
Ill health	0	0%
Expiry of contract	7	0%
Other	1	0%
Total	22	3%

*13 includes three permanent employees, five interns and five WIL candidates.

LABOUR RELATIONS

Nature of disciplinary action	Number
Verbal warning	0
Written warning	0
Final written warning	0
Dismissal	0

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS (MALE)

Levels	Male			
	African Current	Coloured Current	Indian Current	White Current
Top management	3	0	1	2
Senior management	14	2	1	0
Professional qualified	0	0	0	0
Skilled	58	0	0	1
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	75	2	2	3

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS (FEMALE)

Levels	Female			
	African Current	Coloured Current	Indian Current	White Current
Top management	4	0	0	2
Senior management	12	1	1	1
Professional qualified	0	0	0	0
Skilled	104	0	0	5
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	120	1	1	8

DISABLED STAFF

Levels	Disabled staff	
	Male Current	Female Current
Top management	0	0
Senior management	0	0
Professional qualified	0	0
Skilled	0	1
Semi-skilled	0	0
Unskilled	0	0
Total	0	1



PART E:

FINANCIAL INFORMATION

INDEX

The reports and statements set out below comprise the Annual Financial Statements presented to the shareholder:

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REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the NSF set out on pages 79 to 148, which comprise the Statement of Financial Position as at 31 March 2018, the Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flow and Statement of Comparison of Budget and Actual Amounts for the year then ended, as well as the Notes to the Annual Financial Statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the NSF as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of 1999 (Act No. 1 of 1999) and the Skills Development Act of South Africa of 1998 (Act No. 97 of 1998).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISA). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this Auditor's Report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA Code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

7. As disclosed in Note 24 to the Annual Financial Statements, the corresponding figures for 31 March 2017 were restated as a result of an error in the financial statements of the public entity at and for the year ended 31 March 2018.

Responsibilities of the Accounting Authority for the financial statements

8. The Accounting Authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and the SDA, and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. 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 a going concern and using the going-concern basis of accounting, unless the Accounting Authority 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

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an Auditor's Report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this Auditor's Report.

Report on the audit of the Annual Performance Report

Introduction and scope

12. 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 material findings on the reported performance information against predetermined objectives for selected programmes presented in the Annual Performance Report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated 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 2018:

Programme	Pages in the Annual Performance Report
Programme I – Funding Skills Development	39–56

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not raise any material findings on the usefulness and reliability of the reported performance information for Programme I – Funding Skills Development.

Other matters

17. I draw attention to the matters below.

Achievement of planned targets

18. Refer to the Annual Performance Report on pages 39 to 56 for information on the achievement of planned targets for the year and explanations provided for the under- or over-achievement of a number of targets.

Adjustment of material misstatements

19. I identified material misstatements in the Annual Performance Report submitted for auditing. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings, but not to gather evidence to express assurance.
21. The material findings on compliance with specific matters in key legislation are as follows:

Annual Financial Statements

22. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements on commitments disclosure note, grants disbursements, deferred

expenditure and prior period error note on commitments identified by the auditors in the submitted financial statements were corrected, resulting in the Annual Financial Statements receiving an unqualified audit opinion.

Other information

23. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the general information, governance report and human resources management report. The other information does not include the financial statements, the Auditor's Report thereon and the selected programme presented in the Annual Performance Report that has been specifically reported on in the Auditor's Report.
24. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
25. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the Annual Performance Report, or my knowledge obtained in the audit or otherwise appears to be materially misstated.
26. The other information I obtained prior to the date of this Auditor's Report is the governance and human resources management report. The general information is expected to be made available to me after 31 July 2018.
27. If, based on the work I have performed on the other information that I obtained prior to the date of this Auditor's Report, I conclude that there is a material misstatement of this other information, I am required to report that fact.
28. After I receive and read the general information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this Auditor's Report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

29. 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 findings on compliance with legislation included in this report.

Leadership

30. Leadership did not adequately exercise oversight responsibility over financial and performance reporting and compliance, as well as related controls, as sufficient monitoring controls were not in place to ensure accurate financial and performance reporting.
31. The public entity developed an action plan to address previously reported external audit findings. However, its implementation was not adequately monitored. As a result, there were some repeat findings from the prior year.

Financial and performance management

32. Management did not implement adequate daily, weekly and monthly processing and reconciliation controls, including the proper preparation of and reporting on commitments, deferred expenditure, grants disbursements and the prior period error note on commitments. This resulted in material adjustments to the Annual Financial Statements.

Auditor-General

PRETORIA
DATE: 31 JULY 2018



AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

ANNEXURE: AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISA, 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 programmes and on the public 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 do the following:
 - 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 public 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 related to events or conditions that may cast significant doubt on the public entity's ability 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 the 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 a public entity to cease continuing as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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, related safeguards.

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), 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 then 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 GRAP and the PFMA.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements 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 that are 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 that 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 2019, 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 79 to 148, which have been prepared on the going-concern basis.



MR GF QONDE

DIRECTOR-GENERAL: DEPARTMENT OF HIGHER EDUCATION
AND TRAINING ACCOUNTING AUTHORITY OF THE NATIONAL SKILLS FUND
31 JULY 2018

STATEMENT OF FINANCIAL POSITION

ASSETS

Non-current assets

Property, plant and equipment

Intangible assets

TVET college infrastructure assets

Current assets

Investments

Trade and other receivables from exchange transactions

Trade and other receivables from non-exchange transactions

Deferred expenditure on skills development grant disbursements

Cash and cash equivalents

TOTAL ASSETS

Notes	2017/18	2016/17
	R '000	R '000
		Restated
	594 632	546 023
2	5 187	7 735
3	18 554	2 077
4	570 891	536 211
	7 768 791	10 906 772
5	6 320 731	8 860 484
6	84	45
7	177 898	93 723
8	1 260 474	1 342 330
9	9 604	610 190
	8 363 423	11 452 795

	Notes	2017/18	2016/17
		R '000	R '000
			Restated
LIABILITIES			
Current liabilities		1 492 389	1 199 261
Trade and other payables from non-exchange transactions	10	35 107	15 127
Trade and other payables from exchange transactions	11	46 387	65 273
Accruals from non-exchange transactions	12	1 405 715	1 113 932
Accruals from exchange transactions	13	3 881	2 925
Provisions	14	1 299	2 004
TOTAL LIABILITIES		1 492 389	1 199 261
TOTAL NET ASSETS		6 871 034	10 253 534
FUNDS CONTRIBUTED BY:			
Capital and reserves		6 871 034	10 253 534
TVET college infrastructure development reserve		2 411 256	2 411 256
SETA uncommitted surplus reserve		-	1 980 827
Accumulated surplus		4 459 778	5 861 451
TOTAL CAPITAL AND RESERVES*		6 871 034	10 253 534

* As at year-end, the NSF has committed and earmarked its entire reserves and accumulated surplus towards skills development programmes and projects.

The NSF's mandate is to fund skills development as outlined in the Skills Development Act, 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 in skills development grants disbursements has increased consistently and significantly. The NSF started to utilise both its annual income and accumulated reserves towards funding skills development. The NSF's improved performance can be clearly noted through its high level of commitments towards skills development.

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2017/18 R '000	2016/17 R '000 Restated
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
Skills development levies	15	3 204 737	3 051 030
Income from SETAs	16	3 199 737	3 051 030
		5 000	–
REVENUE FROM EXCHANGE TRANSACTIONS			
Finance income	17	551 016	822 804
Finance income from advance payments to skills development programmes and projects	18	490 298	766 906
		60 718	55 898
TOTAL REVENUE		3 755 753	3 873 834
EXPENSES			
SKILLS DEVELOPMENT EXPENSES			
Skills development grant disbursements	19	6 970 099	4 321 987
ADMINISTRATIVE EXPENSES			
Employee costs	20	119 782	123 305
Operating expenses	21	59 661	45 742
Management fees and bank charges	22	53 241	68 434
Depreciation and amortisation	2 & 3	1 915	2 924
		4 965	6 205
LEVY COLLECTION COSTS TO SARS		48 353	48 465
TOTAL EXPENSES		7 138 234	4 493 757

	Notes	2017/18 R '000	2016/17 R '000 Restated
OTHER INCOME/(EXPENDITURE)			
	2	(19)	(5)
Loss on disposal of assets	5	–	1 734
Fair value adjustments – financial instruments at fair value			
TOTAL OTHER INCOME/(EXPENDITURE)		(19)	1 729
NET (DEFICIT)/SURPLUS FOR THE YEAR	**	(3 382 500)	(618 194)

** The NSF's mandate is to fund skills development as outlined in the Skills Development Act, 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 in skills development grants disbursements has increased consistently and significantly. The NSF started to utilise both its annual income and accumulated reserves towards funding skills development.

STATEMENT OF CHANGES IN NET ASSETS

Balance at 1 April 2016

Net restated deficit per Statement of Financial Performance

Total revenue and other income

Prior period correction (Note 24)

Total expenses

Restated balance at 31 March 2017

Balance at 1 April 2017

Net deficit per Statement of Financial Performance

Total revenue and other income

Total expenses

Balance at 31 March 2018 **

TVET college infrastructure development reserve	SETA uncommitted surplus reserve	Accumulated surplus	Total
R '000	R '000	R '000	R '000
2 618 628	1 980 827	6 272 273	10 871 728
(207 372)	–	(410 822)	(618 194)
–	–	3 875 569	3 875 569
–	–	691 366	691 366
(207 372)	–	(4 977 757)	(5 185 129)
2 411 256	1 980 827	5 861 451	10 253 534
2 411 256	1 980 827	5 861 451	10 253 534
	(1 980 827)	(1 401 673)	(3 382 500)
–	–	3 755 753	3 755 753
	(1 980 827)	(5 157 426)	(7 138 253)
2 411 256	–	4 459 778	6 871 034

** As at year-end, the NSF has committed and earmarked its entire reserves and accumulated surplus towards skills development programmes and projects.

The NSF's mandate is to fund skills development as outlined in the Skills Development Act, 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 in skills development grants disbursements has increased consistently and significantly. The NSF started to utilise both its annual income and accumulated reserves towards funding skills development. The NSF's improved performance can be clearly noted through its high level of commitments towards skills development.

STATEMENT OF CASH FLOW

	Notes	2017/18	2016/17
		R '000	R '000
			Restated
Cash flows from operating activities			
Cash receipts from stakeholders		3 203 981	3 053 565
Levies, interest and penalties received		3 198 981	3 049 884
Other cash receipts from stakeholders		5 000	3 681
 Cash paid to stakeholders, suppliers and employees		(6 781 024)	(4 803 315)
Skills development grant payments		(6 599 935)	(4 658 074)
Employee costs		(58 564)	(44 831)
Payments to suppliers and other		(122 525)	(100 410)
 Cash (utilised)/generated from operations	23	(3 577 043)	(1 749 750)
Finance income		490 298	766 906
Net cash from operating activities		(3 086 745)	(982 844)
 Cash flows from investing activities			
Additions to property, plant and equipment	2	(2 065)	(2 161)
Additions to intangible assets	3	(16 849)	(1 638)
Additions to TVET college infrastructure assets	4	(34 680)	(153 818)
Utilisation of/(additions to) investments		2 539 753	1 564 578
Net cash flows from investing activities		2 486 159	1 406 961
Increase/(decrease) in cash and cash equivalents		(600 586)	424 117
Cash and cash equivalents at beginning of the year		610 190	186 073
Cash and cash equivalents at end of the year	9	9 604	610 190

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Approved and final budget* Annual	Actual amounts on accrual basis	(Under)/over budget	(Under)/over budget
	R '000	R '000	R '000	Percentage
REVENUE				
REVENUE FROM NON-EXCHANGE TRANSACTIONS	3 154 111	3 204 737	50 626	1.6%
Skills development levies	3 154 111	3 199 737	45 626	1.4%
Income from SETAs	—	5 000	5 000	100.0%
REVENUE FROM EXCHANGE TRANSACTIONS	550 197	551 016	819	0.1%
Finance income	494 299	490 298	(4 001)	-0.8%
Other income	55 898	60 718	4 820	8.6%
TOTAL REVENUE	3 704 308	3 755 753	51 445	1.4%
EXPENSES				
SKILLS DEVELOPMENT GRANT DISBURSEMENTS	8 333 251	6 970 099	(1 363 152)	-16.4%
Education and Training	2 890 152	2 884 176	(5 976)	-0.2%
PSET System Development and Capacity Building	1 341 921	526 400	(815 521)	-60.8%
No-fee increase	3 698 230	3 444 541	(253 689)	-6.90%
Skills Infrastructure Development	325 948	70 477	(255 471)	-78.4%
Skills Development Research, Innovation and Communication	77 000	44 505	(32 495)	-42.2%
TOTAL SKILLS DEVELOPMENT EXPENSES	8 333 251	6 970 099	(1 363 152)	-16.4%

	Approved and final budget* Annual	Actual amounts on accrual basis	(Under)/over budget	(Under)/over budget
	R '000	R '000	R '000	Percentage
ADMINISTRATIVE EXPENSES				
Employee costs	61 014	59 661	(1 353)	-2.2%
Operating expenses	73 364	53 241	(20 123)	-27.4%
Management fees and bank charges	2 106	1 915	(191)	-9.1%
Depreciation	7 706	4 965	(2 741)	-35.6%
TOTAL ADMINISTRATIVE EXPENSES	144 190	119 782	(24 408)	-16.9%
COLLECTION COSTS TO SARS	50 266	48 353	(1 913)	-3.8%
TOTAL EXPENSES	8 527 707	7 138 234	(1 389 473)	-16.3%
TOTAL OTHER INCOME/(EXPENDITURE)	–	(19)	(19)	0.0%
NET (DEFECIT)/SURPLUS FOR THE YEAR	(4 823 399)	(3 382 500)	1 440 899	-29.9%

*The budget was prepared on the accrual basis and there are no changes between the approved and final budget.

* Refer to Note 33 of the Annual Financial Statements for reasons for movements in comparison of budget and actual amounts

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

I. ACCOUNTING POLICIES

I.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the effective Standards of 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 thousand (R'000). The financial statements have been prepared on the accrual basis, except for assets that 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 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 100: Discontinued operations
- GRAP 104: Financial instruments

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 FET 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 (IGRAP) 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

Approved guidelines of Standards of GRAP:

- Guide 1: Guideline on Accounting for Public-Private Partnerships

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

- IPSAS 20: Related-parties disclosure

Effective International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) 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.

1.3 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the NSF's accounting policies, management is required to make judgements, 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 with regard to the determination of estimated useful lives and residual values of items of property, plant and equipment, as discussed under Note 1.10.1.

Leases

Management has applied its judgement 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 judgement that it would classify the agreement in its entirety as an operating lease.

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 fact that the power to collect skills development levies will enable the NSF to be considered as a going concern for at least the next 12 months. The NSF's 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 Annual Financial Statements for the current financial year only, and forms part of the audited annual financial statements. (Refer to Note 29 for more detail.)

When the presentation or classification of items in the Annual Financial Statements is amended, 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.

1.7 EVENTS AFTER THE 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 the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. Events after the reporting date that have been classified as non-adjusting events have been disclosed in the disclosure notes to the Annual Financial Statements.

1.8 REVENUE RECOGNITION

Revenue is recognised when it is 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 describe the conditions under which revenue will be recorded by the management of the entity.

In making their judgement, 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.
- 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 income

SDL transfers are recognised when it is probable that future economic benefits can be measured reliably, and occurs when 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 DHET.

In terms of section 3(1) and 3(4) of the Skills Development Levies Act, 1999 (Act No. 9 of 1999), registered member companies pay an SDL of 1% of the total payroll cost to the South African Revenue Service (SARS), which collects the levies on behalf of DHET. A total of 20% of the SDLs is paid over to the NSF and 80% to the SETAs. The NSF's SDL income is set aside in terms of the Skills Development Act, 1998 (Act No. 97 of 1998), as amended, for the purpose of:

	2017/18	2016/17
Employee costs and other operating expenditure of the NSF	10%	10%

According to section 28(2) of the Skills Development Act, 1998, the Accounting Authority approved the utilisation of 10% of the money allocated to the Fund in terms of section 8(3)(a) of the Skills Development Levies 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 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 regard to TVET college infrastructure development. In terms of the Circular, each SETA's contribution towards TVET college infrastructure development is a fixed amount, which was based on 4.8% of the SETA's estimated Discretionary Grant. Income from SETAs towards 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 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.

1.8.2 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 the 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. 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 Skills Development Levies Act, 1999, the Accounting Authority must, on a monthly basis as may be 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's 10% employee costs and other operating expenses

According to section 28(2) of the Skills Development Act, 1998, the Accounting Authority approved the utilisation of 10% of the money allocated to the Fund in terms of section 8(3)(a) of the Skills Development Levies 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, 13th cheques, performance bonuses and non-monetary benefits such as medical care, housing and car allowances. The cost of short-term employee benefits are 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 grant disbursements

Skills development grant disbursements comprise:

- Costs that relate directly to the specific contract
- Costs that are attributable to contract activity in general and can be allocated to the project
- Such other costs as are specifically chargeable to the NSF under the terms of the contract

Skills development grant disbursements are recognised as expenses in the period in which they are incurred. Grant disbursements includes the following:

1.9.4.1 Payments for training of unemployed people

The training of unemployed people is undertaken by selected training contractors on the basis of a predetermined course fee per day. Upon completion of the training, certified claims are submitted by training contractors, upon which payments are made.

1.9.4.2 Funds allocated to training providers for skills development training

The NSF allocates funds in respect of skills development to training providers in terms of approved memoranda of agreement entered into between the parties. Funds not spent by the training providers at year-end are accounted for as prepaid 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.

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 Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999), 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. 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 liable in law. 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 the DHET is the Accounting Authority of the Fund in terms of the PFMA and must control the Fund. Property, plant and equipment comprise mainly computer equipment, office equipment, office furniture and office appliances.

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost to their 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'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 surplus/deficit in the Statement of Financial Performance.

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 the NSF's 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 the DHET is the Accounting Authority of the Fund in terms of the PFMA and must control the Fund. Intangible assets comprise mainly computer software. Intangible assets are stated at historical cost less amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential; or
- there are available technical, financial and other resources to complete the development and to use or sell the asset.

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

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

1.10.4 TVET college infrastructure assets

TVET college infrastructure assets comprise TVET college campuses developed on behalf of the respective colleges. 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 TVET college infrastructure assets are the respective colleges to whom the assets will be transferred upon their completion.

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

- 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.

The NSF shall derecognise the TVET college infrastructure asset upon its transfer to the respective colleges. TVET college infrastructure assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which includes site preparation costs.

1.10.5 Deferred expenditure on skills development grant disbursements

Deferred expenditure represents grant disbursement made in advance to training providers based on the signed Memorandum of Agreement between the parties. Deferred expenditure can be classified as either paid (cash flow payments were made) or incurred based on the stipulations contained in the Memorandum of Agreement. Deferred expenditure paid reflects the outstanding capital amounts, as well as accrued interest received by the training providers at financial year end. The NSF will only be entitled to the unspent funds, including any accrued interest, at the end of the project term.

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

1.10.6 Trade and other receivables from non-exchange transactions

Trade and other receivables from non-exchange transactions are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The provision is made in accordance with GRAP 104.64, whereby the recoverability of the outstanding advance is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics.

1.10.7 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 Skills Development Act, 1998 (Act No.97 of 1998), any money in the Fund not required for immediate use should be invested with the 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 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 the 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.

1.11.2 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 include annual leave, capped leave, 13th 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 a 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.

1.11.3 Payables to skills development programmes and projects

Due to the nature of the NSF's operations, numerous contracts exist that require management estimation and judgement to determine the provision amount at financial year-end relating to possible services rendered on these contracts not yet invoiced/claimed by the training providers.

Payables to skills development programmes and projects include accruals for programmes and projects that are estimated on an annual basis. These estimates and underlying assumptions are reviewed on an ongoing basis. For purposes of the accrual calculations, management deems the training to 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/claimed by the training providers. Actual results may differ from these estimates. Accruals recognised for the relevant financial year are deducted from the remaining contract commitment.

No accrual is made for projects approved at year-end, unless the service in terms of the contract has been delivered or the contract is of an onerous nature. Where a project has been approved, but has not been accrued for or provided for, it is disclosed as commitments in the Notes to the Annual Financial Statements.

1.11.4 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.

1.11.4.1 Provision for levies less than the threshold

Section 4(b) of the Skills Development Levies Act, Act No. 9 of 1999, stipulates that employers with a total annual remuneration expense of below R500 000 are exempt from contributing skills development levies. In practice, it happens 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 the 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 threshold claimed back. The historic levies less than threshold claimed back in comparison with total skills development levies received is used as a basis for estimating the provision.

1.11.4.2 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 had 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.

1.12 FINANCIAL INSTRUMENTS

The entity has various types of financial instruments. These can be broadly categorised as either financial assets or financial liabilities. The classification of financial assets and liabilities into categories is based on judgement by management. Financial assets and financial liabilities are recognised on the NSF's Statement of Financial Position when the NSF becomes a party to the contractual provisions of the instrument.

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 entity's principal 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
- 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 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.
- 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 12 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 entity's principal financial liabilities relate 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 is 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 (purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or that 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.

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

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

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 or services that have been received, together with an accompanying 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 are 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. A provision for impairment of accounts receivable is established when there is objective evidence that the NSF will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is based on long-outstanding, non-active supplier contracts where the recovery of the outstanding amount is uncertain as no new contracts exist for the recovery of

the outstanding balance. Based on past default experience, it is the policy of the entity to provide for 50% of non-active contracts between 180 days and 270 days outstanding and 100% of non-active contracts exceeding 270 days.

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 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 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 19 to the Annual Financial Statements.

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 that 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 Chief Executive Officer (CEO) of the NSF on post level 14 is currently regarded as being at key management level, including employees on post level 13 or below acting in the position of the CEO. Transactions conducted with key management, as well as with close family members of key management, are 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 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.

1.14.2 Earmarked funds

Earmarked funds includes the following:

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

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

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 GRAP STANDARDS THAT HAVE BEEN ISSUED, BUT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY-ADOPTED BY THE ENTITY

GRAP 20	Related Party Disclosures
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources

The following interpretations (IGRAP) have been issued, but are not yet effective and have not been early-adopted by the entity.

IGRAP 17	Interpretation of the Standard of GRAP on service concession arrangements where a grantor controls a significant residual interest in an asset
IGRAP 18	Interpretation of the Standard of GRAP on recognition and derecognition of land
IGRAP 19	Liabilities to pay levies

Management has considered all of the above-mentioned Standards of GRAP issued (both effective and not effective) and anticipates that the adoption of these standards will not have a significant impact on the financial performance, financial position or cash flows of the entity.

2. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of cost to net book value

	2017/18 R '000			2016/17 R '000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Owned assets						
Computer equipment	16 744	(13 675)	3 069	15 241	(10 075)	5 166
Office furniture	3 851	(2 325)	1 526	3 386	(1 634)	1 752
Office appliances	200	(109)	91	198	(69)	129
Office equipment	1 019	(518)	501	1 003	(315)	688
Total	21 814	(16 627)	5 187	19 828	(12 093)	7 735

Reconciliation of opening to closing net book value

	2017/18 R '000				
	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
Owned assets					
Computer equipment	5 166	1 582	(19)	(3 660)	3 069
Office furniture	1 752	465	–	(691)	1 526
Office appliances	129	2	–	(40)	91
Office equipment	688	16	–	(203)	501
Total	7 735	2 065	(19)	(4 594)	5 187

Reconciliation of opening to closing net book value

	2016/17 R '000				
	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
Owned assets					
Computer equipment	7 520	2 152	(5)	(4 501)	5 166
Office furniture	2 429	–	–	(677)	1 752
Office appliances	168	–	–	(39)	129
Office equipment	879	9	–	(200)	688
Total	10 996	2 161	(5)	(5 417)	7 735

3. INTANGIBLE ASSETS

Reconciliation of cost to net book value

	2017/18 R '000			2016/17 (restated) R '000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Owned assets						
Computer software	2 527	(2 460)	67	2 527	(2 088)	439
Microsoft Dynamics Integrated System	18 487	–	18 487	1 638	–	1 638
Total	21 014	(2 460)	18 554	4 165	(2 088)	2 077

Reconciliation of opening to closing net book value

	2017/18 R '000				
	Carrying value at beginning of year	Additions	Disposals	Amortisation	Carrying value at end of year
Owned assets					
Computer software	439	–	–	(371)	68
Microsoft Dynamics Integrated System	1 638	16 849	–	–	18 487
Total	2 077	16 849	–	(371)	18 555

The NSF is currently developing an integrated ICT system – Microsoft Dynamics Integrated System. This system will integrate all work done at project sites into the financial system to allow more effective and efficient monitoring and reporting. The current go-live dates are set for the beginning of August 2018.

Reconciliation of opening to closing net book value

	2016/17 (restated) R '000				
	Carrying value at beginning of year	Additions	Disposals	Amortisation	Carrying value at end of year
Owned assets					
Computer software	1 227	–	–	(788)	439
Microsoft Dynamics Integrated System	–	1 638	–	–	1 638
Total	1 227	1 638	–	(788)	2 077

4. TVET COLLEGE INFRASTRUCTURE ASSETS

Reconciliation of cost to net book value

TVET College Infrastructure Assets		2017/18 R '000			2016/17 R '000		
Site	TVET college	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Aliwal North	Ikhala	10 338	–	10 338	10 338	–	10 338
Balfour	Gert Sibande	10 513	–	10 513	10 513	–	10 513
Bhambanana	Umfolozi	171 987	–	171 987	159 010	–	159 010
Giyani	Letaba	10 362	–	10 362	10 362	–	10 362
Graaff-Reinet	Eastern Cape Midlands	10 338	–	10 338	10 338	–	10 338
Greytown	Umgungundlovu	10 338	–	10 338	10 338	–	10 338
Kwagqikazi	Mthashana	10 369	–	10 369	10 369	–	10 369
Msinga	Umgungundlovu	10 338	–	10 338	10 338	–	10 338
Ngqungqushe (Lusikisiki)	Ingwe	10 338	–	10 338	10 338	–	10 338
Nkandla A	Umfolozi	264 200	–	264 200	242 497	–	242 497
Nkandla B	Umfolozi	10 338	–	10 338	10 338	–	10 338
Nongoma	Mthashana	10 351	–	10 351	10 351	–	10 351
Sterkspruit	Ikhala	10 365	–	10 365	10 365	–	10 365
Thabazimbi	Waterberg	–	–	–	–	–	–
Umzimkhulu	Esayidi	10 378	–	10 378	10 378	–	10 378
Vryheid	Mthashana	10 338	–	10 338	10 338	–	10 338
Total		570 891	–	570 891	536 211	–	536 211

Initial costs for the design of the sites have been completed. However, the actual construction has not yet commenced due to challenges experienced in the procurement processes. These challenges have been addressed and movement on most sites will commence in the 2018/19 financial period.

Reconciliation of opening to closing net book value

TVET College Infrastructure Assets		2017/18 R '000				
Site	TVET College	Carrying value at beginning of	Additions	Disposals	Depreciation	Carrying value at end of year
Aliwal North	Ikhala	10 338	–	–	–	10 338
Balfour	Gert Sibande	10 513	–	–	–	10 513
Bhambanana	Umfolozi	159 010	12 977	–	–	171 987
Giyani	Letaba	10 362	–	–	–	10 362
Graaff-Reinet	Eastern Cape Midlands	10 338	–	–	–	10 338
Greytown	Umgungundlovu	10 338	–	–	–	10 338
Kwagqikazi	Mthashana	10 369	–	–	–	10 369
Msinga	Umgungundlovu	10 338	–	–	–	10 338
Ngqungqushe (Lusikisiki)	Ingwe	10 338	–	–	–	10 338
Nkandla A	Umfolozi	242 497	21 703	–	–	264 200
Nkandla B	Umfolozi	10 338	–	–	–	10 338
Nongoma	Mthashana	10 351	–	–	–	10 351
Sterkspruit	Ikhala	10 365	–	–	–	10 365
Thabazimbi	Waterberg	–	–	–	–	–
Umzimkhulu	Esayidi	10 378	–	–	–	10 378
Vryheid	Mthashana	10 338	–	–	–	10 338
Total		536 211	34 680	–	–	570 891

Reconciliation of opening to closing net book value

TVET College Infrastructure Assets		2016/17 R '000			
Site	TVET College	Carrying value at beginning of	Additions	Disposals	Carrying value at end of year
Aliwal North	Ikhala	10 338	—	—	10 338
Balfour	Gert Sibande	10 513	—	—	10 513
Bhambanana	Umfoloji	96 692	62 318	—	159 010
Giyani	Letaba	10 362	—	—	10 362
Graaff-Reinet	Eastern Cape Midlands	10 338	—	—	10 338
Greytown	Umgungundlovu	10 338	—	—	10 338
Kwagqikazi	Mthashana	10 369	—	—	10 369
Msinga	Umgungundlovu	10 338	—	—	10 338
Ngqungqushe (Lusikisiki)	Ingwe	10 338	—	—	10 338
Nkandla A	Umfoloji	158 565	83 932	—	242 497
Nkandla B	Umfoloji	10 338	—	—	10 338
Nongoma	Mthashana	10 351	—	—	10 351
Sterkspruit	Ikhala	10 365	—	—	10 365
Thabazimbi	Waterberg	199 804	7 568	(207 372)	—
Umzimkhulu	Esayidi	10 378	—	—	10 378
Vryheid	Mthashana	10 338	—	—	10 338
Total		589 765	153 818	(207 372)	536 211

TVET College Infrastructure Assets comprise the above TVET college campuses that were still in development as at year-end. The TVET college campuses are being developed on behalf of the respective colleges outlined above.

Skills Development Circular No. 08/2013 calls on the NSF and the SETAs to contribute towards funding the TVET college infrastructure development in support of Goal 4.3 of 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. 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 TVET college infrastructure assets are the respective colleges as outlined above to whom the assets will be transferred upon completion. Hence, the NSF is responsible for recognising the assets while under construction until their completion and transfer to the respective colleges.

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. The PIC revalues these investments once a year at the end of the reporting period. The latest revaluation was performed on 31 March 2018.

	Notes	2017/18 R '000	2016/17 R '000
Composition at fair value			
Investments with the PIC		6 320 731	8 860 484
Balance at the beginning of the year		8 860 484	10 423 328
Invested during the year		3 198 980	3 049 890
Interest received and capitalised	17	487 358	765 255
Management fees and expenses	22	(1 861)	(2 879)
Withdrawal		(6 224 230)	(5 376 844)
Fair value adjustment		–	1 734
Closing balance end of year (none of the financial assets are impaired)		6 320 731	8 860 484

The NSF has committed and earmarked its entire investment balance towards skills development initiatives as at year-end. Refer to Note 25.

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) were impaired on the reporting date.

Section 29(2) of the Skills Development Act, 1998 (Act No. 97 of 1998), 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 Public Finance Management Act, 1999 (Act No. 1 of 1999).

Treasury Regulation 31.3 requires that, unless exempted by National Treasury, the NSF, as a public entity that is listed in Schedule 3A of the Public Finance Management Act, 1999 (Act No. 1 of 1999), 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.

6. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Notes	2017/18	2016/17
	R '000	R '000
	84	45
Closing balance end of year	84	45

The carrying and fair value of trade and other receivables from exchange transactions are as follows:

Receivables from administrative expenditure

The balance of R84 000 is related to a deposit on parking space, as well as leave balances that were in credit as at 31 March 2018. These balances should reduce during the course of the 2018/19 financial year.

7. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2017/18	2016/17
	R '000	R '000
Current		
The carrying and fair value of current trade and other receivables from non-exchange transactions are as follows:		
Receivables from skills development programmes and projects	175 447	91 272
Carrying amount	175 447	91 272
Less: Provision for impairment	—	—
SETA receivable from SETAs' uncommitted surpluses	2 451	2 451
Carrying amount	2 451	2 451
Less: Provision for impairment	—	—
Current trade and other receivables – closing balance end of year	177 898	93 723

7. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

Trade and other receivables from non-exchange transactions are all considered for impairment. Based on past default experience, it is the policy of the entity to provide for 50% of non-active contracts between 181 days and 270 days outstanding and 100% of non-active contracts exceeding 270 days.

As at 31 March 2018, there were trade and other receivables from non-exchange transactions that were more than 180 days past due and not impaired due to the fact that these contracts are still active (2016/17: R0). The ageing of trade and other receivables from non-exchange transactions that is not impaired is as follows:

2017/18 R '000					
Current	31 to 180 days	181 to 270 days	Over 270 days	Total	
R '000	R '000	R '000	R '000	R '000	
- Receivables from skills development programmes and projects	152	5 849	40 857	128 589	175 447
- SETA receivable from SETAs' uncommitted surpluses	–	–	–	2 451	2 451
Total	152	5 849	40 857	131 040	177 898

2016/17 R '000					
Current	31 to 180 days	181 to 270 days	Over 270 days	Total	
R '000	R '000	R '000	R '000	R '000	
- Receivables from skills development programmes and projects	12 124	15 435	32 387	31 325	91 272
- SETA receivable from SETAs' uncommitted surpluses	–	–	–	2 451	2 451
Total	12 124	15 435	32 387	33 776	93 723

7.1 Ageing of trade and other receivables from non-exchange transactions impaired

As at 31 March 2018, no trade and other receivables (2016/17: R0) were impaired

8. DEFERRED EXPENDITURE ON SKILLS DEVELOPMENT GRANT DISBURSEMENTS

Notes	2017/18	2016/17
	R '000	R '000
Education and Training	1 190 600	1 248 695
Education and Training	1 190 600	1 248 695
PSET System Development and Capacity Building	24 587	10 416
PSET System Development and Capacity Building	24 587	10 416
Skills Infrastructure Development	30 359	31 147
Skills Infrastructure Development	30 359	31 147
Skills Development Research, Innovation and Communication	14 928	52 072
Skills Development Research, Innovation and Communication	14 928	52 072
Deferred expenditure – closing balance end of year	1 260 474	1 342 330

Deferred expenditure represents skills development grant disbursements 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 the skills development providers, the NSF disburses grants monthly, quarterly or annually in advance.

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

The increase in the deferred expenditure was due to initiatives implemented in the last quarter of the year (new projects where recruitment only commenced after year end). Low expenditure had actually been incurred on the various sites, which resulted in a higher deferred expenditure being recognised.

9. CASH AND CASH EQUIVALENTS

	Notes	2017/18	2016/17
		R '000	R '000
Favourable cash balances:			
Cash in bank		9 604	610 190
Closing balance end of year		9 604	610 190

As required in Treasury Regulation 31.2, National Treasury approved the banks where the NSF's bank accounts are held. The weighted average interest rate on short-term bank deposits was 6.75% for the reporting period (2016/17: 6.75%).

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, and deposits held at call with banks, net of bank overdrafts.

10. TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	Notes	2017/18	2016/17
		R '000	R '000
Payables to skills development programmes and projects	10.1	35 107	15 127
Closing balance end of year		35 107	15 127

10.1 Payables to skills development programmes and projects

Notes	2017/18	2016/17
	R '000	R '000
Education and Training	34 819	14 839
Education and Training	34 819	14 839
Skills Development Research, Innovation and Communication	288	288
Skills Development Research, Innovation and Communication	288	288
Closing balance end of year	35 107	15 127

11. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Notes	2017/18	2016/17
	R '000	R '000
Administrative payables due to the DHET	40 070	59 946
Other administrative payables	6 317	5 327
Closing balance end of year	46 387	65 273

12. ACCRUALS FROM NON-EXCHANGE TRANSACTIONS

	Notes	2017/18 R '000	2016/17 R '000
Accruals related to skills development programmes and projects	12.1	1 220 337	928 554
Other accruals	12.2	185 378	185 378
Closing balance end of year		1 405 715	1 113 932

12.1 Accruals related to skills development programmes and projects

	Notes	2017/18 R '000	2016/17 R '000
Education and Training		725 092	598 366
Education and Training		725 092	598 366
PSET System Development and Capacity Building		316 546	165 255
PSET System Development and Capacity Building		316 546	165 255
Skills Infrastructure Development		73 808	141 745
Skills Infrastructure Development		73 808	141 745
Skills Development Research, Innovation and Communication		4 891	23 188
Skills Development Research, Innovation and Communication		4 891	23 188
Closing balance end of year		1 120 337	928 554

As at 31 March 2018, accruals related to skills development grant projects and programmes amounting to R1.246 million (2016/17: R928 million) were recognised. Accruals related to skills development grant projects and programmes include accruals that are estimated on an annual basis. For purposes of the estimation of accruals, management deems the skills development activities to be rendered equally over the original contract term, while taking into consideration historical trends on each relevant project and programme. These estimates are based on the remaining portion of the contract for a specific year that has not been invoiced or claimed by the skills development providers. The accruals recognised for the relevant financial year are deducted from the remaining contractual commitments.

12.2 Other accruals

Other accruals from non-exchange transactions include the following:

Notes	2017/18	2016/17
	R '000	R '000
Accruals for overpayment of SETA-uncommitted surplus by the Services SETA*	185 378	185 378
	185 378	185 378

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

13. ACCRUALS FROM EXCHANGE TRANSACTIONS

Notes	2017/18	2016/17
	R '000	R '000
Leave and bonus accruals	13.1 3 881	2 925
Closing balance end of year	3 881	2 925

13.1 Leave and bonus accrual

Notes	2017/18	2016/17
	R '000	R '000
Balance at the beginning of the year	2 925	2 230
Amounts utilised during the year	(2 925)	(2 230)
Amount recognised during the year	3 881	2 925
Closing carrying amount	3 881	2 925

Leave and bonus accrual composition

	Notes	2017/18 R '000	2016/17 R '000
Current			
Leave accrual		2 404	1 953
Bonus accrual (13th cheque)		1 477	972
Closing balance end of year		3 881	2 925

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 13th cheque commitments owed to NSF employees at reporting date.

14. PROVISIONS

	Notes	2017/18 R '000	2016/17 R '000
Provision for levies less than threshold	14.1	339	1 095
Performance bonus provision	14.2	960	909
Closing balance end of year		1 299	2 004

14.1 Provision for levies less than threshold

Notes	2017/18	2016/17
	R '000	R '000
Balance at the beginning of the year	1 095	2 242
Levies less than threshold provision raised/(utilised) for the year	(756)	(1 147)
Closing balance end of year	339	1 095

14.2 Performance bonus provision

Notes	2017/18	2016/17
	R '000	R '000
Balance at the beginning of the year	909	749
Performance bonus provision unutilised	(159)	–
Performance bonus additional provision for prior-year performance bonuses	–	35
Performance bonus paid (utilisation of provision)	(750)	(784)
Performance bonus provision for the current year performance bonuses	960	909
Closing balance end of year	960	909

As at 31 March 2018, the performance bonus provision, amounting to R960 000 (2016/17: R909 000), 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.

15. SKILLS DEVELOPMENT LEVIES (NON-EXCHANGE REVENUE)

	Notes	2017/18	2016/17
		R '000	R '000
In terms of the Skills Development Act and the Skills Development Levies Act, the total levy income as 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		3 198 981	3 049 884
Skills Development Levies collected by SARS		15 994 905	15 249 414
Less:Amount withheld by the DHET and paid to the SETAs (80%)		(12 795 924)	(12 199 530)
		3 198 981	3 049 884
Movement in provision for levies less than threshold	14.1	756	1 147
Total		3 199 737	3 051 030

16. INCOME FROM SETAS (NON-EXCHANGE REVENUE)

	Notes	2017/18	2016/17
		R '000	R '000
Income from SETAs towards Indlela development and recapitalisation		5 000	–
Total		5 000	–

17. FINANCE INCOME (EXCHANGE REVENUE)

	Notes	2017/18 R '000	2016/17 R '000
Finance income from investments at the PIC	5	487 358	765 255
Finance income from other commercial banks		2 940	1 651
Total		490 298	766 906

18. FINANCE INCOME FROM ADVANCE PAYMENTS TO SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS

	Notes	2017/18 R '000	2016/17 R '000
Finance income from advance payments to skills development programmes and projects		60 718	55 898
Total		60 718	55 898

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. On contract finalisation, any unutilised funds (inclusive of accrued interest) should be refunded to the NSF.

19. SKILLS DEVELOPMENT GRANT DISBURSEMENTS

	Notes	2017/18	2016/17
		R '000	R '000
Education and Training		2 884 176	1 724 589
Education and Training		2 884 176	1 724 589
PSET System Development and Capacity Building		3 970 941	2 322 075
PSET System Development and Capacity Building		3 970 941	2 322 075
Skills Infrastructure Development		70 477	218 254
Skills Infrastructure Development		70 477	218 254
Skills Development Research, Innovation and Communication		44 505	57 069
Skills Development Research, Innovation and Communication		44 505	57 069
Closing balance end of year		6 970 099	4 321 987

20. EMPLOYEE COSTS

	Notes	2017/18	2016/17
		R '000	R '000
Salaries and wages		52 894	40 629
Basic salaries		43 068	32 287
Performance awards		802	944
Service bonuses		2 383	2 049
Other non-pensionable allowances		5 552	4 386
Overtime		160	68
Service benefits		13	57
Net movement: leave accrual		412	797
Net movement: service bonus accrual		504	41
 Social contributions		 6 302	 4 935
Pension Fund contributions: defined-contribution plans		4 889	3 577
Medical aid contributions		1 402	1 347
Bargaining council		11	11
 Bursaries to employees		 465	 178
 Total		 59 661	 45 742
 Average number of employees		 212	 90
Permanent employees		89	69
Internships/WIL		122	6
Contract employees		1	15
 Employees beginning of the financial year		 77	 91
Movement during the year: resignations/pensions/internships ended		(22)	(3)
Appointments/internships		157	2

21. OPERATING EXPENSES

	Notes	2017/18 R '000	2016/17 R '000
Advertising and marketing		750	545
Catering		133	195
Cleaning services		223	195
Computer services and consumables		2 738	1 992
Consultancy and service provider fees*	21.1	7 440	19 020
Consumables		146	14
Courier and delivery		–	4
DHET Shared Services charge	21.2	9 446	9 290
Entertainment		–	4
External auditor's remuneration		3 249	3 593
Internal auditor's remuneration		5 332	1 294
Audit Committee – meeting fees		342	272
Operating leases		519	412
Other		64	478
Printing and publications		140	342
Repairs and maintenance		–	164
Resettlement cost		42	–
Security		1 263	1 329
Software expenses		1 343	424
Stationery		558	950
Telephone and fax		1 099	1 134
Training and development		1 141	982
Travel and subsistence		9 641	8 080
Venues and facilities		350	350
Warranty costs		–	263
Information security services – IT systems	21.3	7 282	17 109
Total		53 241	68 434

21.1 Consultancy and service provider fees

2017/18

*The consulting and service provider fees relate to consultancy services to assist with the following :

- Technical supply chain processes and evaluation of the various committees within supply chain. These were specifically targeted at evaluation of construction contracts to ensure compliance with legislation.
- Media relations, strategic communication and public affairs. The need for consultants will continue to reduce as the NSF fills its vacant posts with the relevant skilled personnel.

21.2 DHET Shared Service charge

The DHET Shared Service charges relate to a signed service level agreement between the DHET and the NSF, in which the DHET commits to providing the NSF with services such as human resource management, IT management, supply chain management, asset management, legal support and security management in return for a fee paid by the NSF.

21.3 Information security services - IT systems

The information security services fees relate to services for the implementation, maintenance and support of information security services on the DHET's IT infrastructure network.

22. MANAGEMENT FEES AND BANK CHARGES

	Notes	2017/18 R '000	2016/17 R '000
Bank charges paid to banks		54	45
Management fees and expenses paid to PIC	5	1 861	2 879
Total		1 915	2 924

23. CASH GENERATED FROM OPERATIONS

	Notes	2017/18 R '000	2016/17 R '000
Net surplus/(deficit) as per Statement of Financial Performance		(3 382 500)	(618 194)
Adjustment for non-cash items:			
Amortisation	3	371	788
Depreciation	2	4 594	5 418
Fair value adjustments to investments	5	–	(1 734)
Loss on disposal of asset	2	19	5
Disposal of TVET college infrastructure assets	4	–	207 372
Increase/(decrease) in provisions:			
Relating to employment	14.2	51	249
Relating to impairment		–	–
Relating to levy provisions		(756)	(1 147)
Adjustment for items disclosed separately:			
Finance income	17.	(490 298)	(766 906)
		<u>(3 868 519)</u>	<u>(1 174 149)</u>
Movements in working capital:		291 476	(575 601)
(Increase)/decrease in trade and other receivables		(84 214)	53 522
(Increase)/decrease in deferred expenditure		81 856	(778 097)
Increase/(decrease) in trade and other payables and accruals		293 834	148 974
Cash generated from operations		<u>(3 577 043)</u>	<u>(1 749 750)</u>

24. PRIOR-PERIOD ERRORS CORRECTED (continued)

STATEMENT OF FINANCIAL POSITION

Total assets

As originally stated

Prior-period correction – intangible assets

Prior-period correction – deferred expenses

Current liabilities

As originally stated

Prior-period correction

Trade and other payables from exchange transactions

As originally stated

Prior-period correction

Total liabilities

As originally stated

Prior-period correction

Capital and reserves

As originally stated

Prior-period correction

Accumulated surplus

As originally stated

Prior-period correction

Commitments and earmarked funds

As originally stated

Prior-period correction

Irregular expenditure

As originally stated

Priorperiod correction

2016/17

R '000

11 452 795

10 757 296

1 638

693 861

1 199 261

1 195 128

4 133

65 273

61 140

4 133

1 199 261

1 195 128

4 133

10 253 534

9 562 168

691 366

5 880 531

5 170 085

710 446

22 785 222

20 899 532

1 885 690

376 773

395 853

(19 080)

25. COMMITMENTS AND EARMARKED FUNDS

As at reporting date, the NSF has committed and earmarked its entire reserves and accumulated surplus towards skill development programmes and projects. The NSF's mandate is to fund skills development as outlined in the Skills Development Act. 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 NSDS III, the NSF's performance in skills development grants disbursements has increased consistently and significantly. The NSF started to utilise both its annual income and accumulated reserves towards funding skills development. The NSF's improved performance can be clearly noted through its high level of commitment towards skills development.

	Notes	2017/18 R '000	2016/17 R '000
Total capital and reserves as at year-end		6 871 034	10 253 534
Commitments and earmarked funds		22 114 251	22 785 222
- Funds committed contractually at year-end	25.1 & 25.5	8 219 602	11 302 537
- Funds earmarked towards skills development programmes and projects, that have been approved at year-end, but have not yet been contracted	25.2	1 729 937	459 168
- 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	920 215	2 222 185
- Funds earmarked towards constructive commitments arising from annual allocations to ongoing skills development programmes and projects over the five-year strategic period	25.4	11 244 497	8 801 332
(Over)/under-committed and earmarked towards skills development		(15 243 217)	(12 531 688)

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 and 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 and projects that have been approved at year-end, but not yet contracted, are skills development programmes and projects that have been approved by the Director-General of the DHET as at year-end, but have not yet been contracted as contracting was 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 and projects that have been recommended to the Director-General of the DHET 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 third parties that it will continue to fund these skills development programmes and projects on an annual basis. Funds earmarked towards constructive commitment arising from annual allocations to ongoing skills development programmes and projects consist of:

	2017/18	2016/17
	R '000	R '000
- Funds earmarked towards bursaries (funded via NSFAS, NRF and others)*	2 750 602	2 213 098
- Funds earmarked towards training of workers under the EPWP*	164 155	172 473
- Funds earmarked towards training of workers under the dti's Monyetla Programme*	158 839	153 509
- Funds earmarked towards National Artisan Development*	7 899 219	6 025 250
- Funds earmarked towards supporting the HRDCSA*	78 561	64 637
- Funds earmarked towards supporting the NSA*	193 121	172 365
Total	11 244 497	8 801 332

* Funds earmarked towards commitments are limited towards the five-year strategic period ending 31 March 2023.

25.5 Funds committed contractually at reporting date

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

Notes	2017/18	2016/17
	R '000	R '000
NSDS III		
Education and Training	3 746 791	4 876 734
Education and Training	3 746 791	4 876 734
PSET System Development and Capacity Building	2 199 254	5 937 014
PSET System Development and Capacity Building	2 199 254	5 937 014
Skills Infrastructure Development	2 233 389	350 144
TVET college infrastructure development		
Skills Infrastructure Development	2 233 389	350 144
Skills Development Research, Innovation and Communication	40 168	138 645
Skills Development Research, Innovation and Communication	40 168	138 645
Total skills development commitments	8 219 602	11 302 537

26. FINANCIAL INSTRUMENTS – FINANCIAL RISK MANAGEMENT

Exposure to currency, commodity, interest rate and credit risk arise in the normal course of 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	Fair value
Financial assets – 2017/18	6 508 233	6 508 233
Cash and cash equivalents	9 604	9 604
Financial assets at fair value through surplus/(deficit)	6 320 731	6 320 731
Trade and other receivables	177 898	177 898
Financial assets – 2016/17	9 564 442	9 564 442
Cash and cash equivalents	610 190	610 190
Financial assets at fair value through surplus/(deficit)	8 860 484	8 860 484
Trade and other receivables	93 768	93 768
Financial liabilities – 2017/18	81 494	81 494
Trade and other payables	81 494	81 494
Financial liabilities – 2016/17	80 400	80 400
Trade and other payables	80 400	80 400

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.

26. FINANCIAL INSTRUMENTS – 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 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 receivables

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 relatively short-term maturity of these financial assets.

Trade and other payables

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 (as price) or indirectly (derived from prices).

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

As at 31 March 2018, the NSF held the following financial instruments measured at fair value:

	2017/18 R '000			
	Total	Level 1	Level 2	Level 3
Investments with the PIC	6 320 731	6 320 731	–	–
	6 320 731	6 320 731	–	–

During the reporting period ending 31 March 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

26. FINANCIAL INSTRUMENTS – FINANCIAL RISK MANAGEMENT (continued)

As at 31 March 2017, the NSF held the following financial instruments measured at fair value:

	2016/17 R '000			
	Total	Level 1	Level 2	Level 3
Investments with the PIC	8 860 484	8 860 484	–	–
	8 860 484	8 860 484	–	–

During the reporting period ending 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

Credit risk

Financial assets, which potentially subject 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.

NSF management limits its Treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury through the approval of their investment policy in terms of the Treasury Regulations.

Credit risk with respect to levy-paying employers is limited due to the nature of the 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 the NSF 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 training advances are paid to service suppliers, provider vetting, as well as site visits, are conducted by the NSF. A list of successful providers is compiled and approved by the Project Grants Committee (PGC) prior to the disbursement of any funds. The risk of non-performance by these counter-parties is also mitigated through the application of a reconciliation process that initiates the clearing of an outstanding provider advance before a second advance will be granted.

26. FINANCIAL INSTRUMENTS – 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 is as follows:

	2017/18 R '000		
	Rated	Non-rated	Total
Cash and cash equivalents	9 604	–	9 604
Investments	6 320 731	–	6 320 731
Trade and other receivables	177 898	–	177 898
	6 508 233	–	6 508 233
	2016/17 R '000		
	Rated	Non-rated	Total
Cash and cash equivalents	610 190	–	610 190
Investments	8 860 484	–	8 860 484
Trade and other receivables	93 768	–	93 768
	9 564 442	–	9 564 442

26. FINANCIAL INSTRUMENTS – 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.

Forecast liquidity reserve as of 31 March 2018 is as follows:

	2018/19	2019/20	2020/21
	R '000	R '000	R '000
Opening balance for the period	6 871 034	3 704 124	2 278 307
Operating proceeds	3 385 876	3 659 894	3 963 890
Operating outflow	(6 519 514)	(5 608 361)	(4 188 512)
Cash flow from investments	507 427	522 650	538 330
Closing balance for the period	4 244 823	2 278 307	2 592 015

The table below analyses the financial liabilities that will be settled on a net basis into the relevant maturity groupings based on the remaining period at financial statement date to the contractual maturity date:

	2017/18 R '000	
At reporting date	Less than 1 year	Total
Trade and other payables	81 494	81 494
	81 494	81 494
	2017/18 R '000	
At 31 March 2018	Less than 1 year	Total
Trade and other payables	80 400	80 400
	80 400	80 400

26. FINANCIAL INSTRUMENTS – FINANCIAL RISK MANAGEMENT (continued)

Market risk

Interest rate sensitivity analysis

Financial assets

The NSF is sensitive to 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:

Financial assets – 2017/18

Investments – PIC

2017/18 R '000	
Increase/decrease in basis point	Effect on the surplus/deficit
+100	70 350
-100	(70 350)

Financial assets – 2016/17

Investments – PIC

2016/17 R '000	
Increase/decrease in basis point	Effect on the surplus/deficit
+100	69 205
-100	(69 205)

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 PIC. Diversification of the portfolio is done in accordance with limits set and agreed with PIC.

26. FINANCIAL INSTRUMENTS – 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 dependent 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.

As at reporting date	2017/18 R '000			
	Effective interest rate	Subject to interest rate movement: floating	Non-interest bearing	Total R '000
Current financial assets	7.87%	6 320 731	187 586	6 508 317
Cash and cash equivalents	N/A	–	9 604	9 604
Investments	7.87%	6 320 731	–	6 320 731
Trade and other receivables	N/A	–	177 982	177 982
Current liabilities	N/A	–	81 494	81 494
Trade and other payables	N/A	–	81 494	81 494

Year ended 31 March 2017	2016/17 R '000			
	Effective interest rate	Subject to interest rate movement: floating	Non-interest bearing	Total R '000
Current financial assets	6.70%	8 860 484	703 958	9 564 442
Cash and cash equivalents	N/A	–	610 190	610 190
Investments	6.70%	8 860 484	–	8 860 484
Trade and other receivables	N/A	–	93 768	93 768
Current liabilities	N/A	–	80 400	80 400
Trade and other payables	N/A	–	80 400	80 400

27. CONTINGENT LIABILITIES

The following contingent liabilities exist:

	Notes	2017/18 R '000	2016/17 R '000
Legal claims instituted against the NSF	27.1	1 470	1 739
Application to retain accumulated surplus as at year end	27.2	6 871 034	10 253 534
Critical skills project expenditure	27.3	1 236	1 236

27.1 Legal claims instituted against the NSF

The legal claims instituted against the NSF relate to two cases against Business Unity South Africa (BUSA), which require the repromulgation of Regulation 4.4 of the Sector Education and Training Authorities Act, The legal processes are still ongoing to determine the final outcome of the claims.

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 2018 in terms of section 53(3) of the PFMA from National Treasury during the first quarter of the 2018/19 financial year. The accumulated surplus as at year-end is therefore disclosed as a contingent liability until approval has been obtained.

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. There are also unclaimed funds by EWSETA of R1 236 000 (2014/15: R1 236 000). This amount can only be confirmed when all the necessary documentation is provided to the NSF by EWSETA for verification to validate the expenditure incurred.

28. CONTINGENT ASSETS

	Notes	2017/18 R '000	2016/17 R '000
Legal claims instituted by NSF	28.1	16	397
Total		16	397

29. RELATED-PARTY TRANSACTIONS

The NSF reports to the Minister of Higher Education and Training. 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 Department	National Skills Authority (NSA)
- Entities under the Department	Qualification Council for Trades and Occupations (QCTO)
	South African Qualifications Authority (SAQA)
	National Student Financial Aid Scheme (NSFAS)
	Agricultural SETA (AgriSETA)
	BANKSETA
	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 SETA)
	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)
	Media, Information and Communication Technologies SETA (MICT SETA)
	Mining Qualifications Authority (MQA)
	Public Service SETA (PSETA)
	Safety and Security SETA (SASSETA)
	Services SETA
	Transport Education and Training Authority (TETA)
	Wholesale and Retail SETA (W&RSETA)
	National Institute for Humanities and Social Sciences (NIHSS)
	Human Resource Development Council of South Africa (HRDCSA)

- TVET colleges under the Department

Motheo TVET College
Vuselela TVET College
Taletso TVET College
Orbit TVET College
South West Gauteng TVET College
Ekurhuleni East TVET College
Ekurhuleni West TVET College
Sekhukhune TVET College
Vhembe TVET College
Mopani South East TVET College
Waterberg TVET College
Sedibeng TVET College
Capricorn TVET College
Maluti TVET College
Goldfields TVET College
Boland TVET College
North Link TVET College
College of Cape Town TVET College
False Bay TVET College
South Cape TVET College
West Coast TVET College
Majuba TVET College
Umgungundlovu TVET College
Elanzeni TVET College
Elangeni TVET College

Mnambithi TVET College
Thekwini TVET College
Mthashana TVET College
Nkangala TVET College
Gert Sibande TVET College
Umfolozi TVET College
Buffalo City TVET College
Flavius Mareka TVET College
Letaba TVET College
King Hintsa TVET College
Tshwane North TVET College
Northern Cape Rural TVET College
Western Gauteng TVET College
Tshwane South TVET College
Ikhalala TVET College
Ingwe TVET College
Central Johannesburg TVET College
Lephalale TVET College
Northern Cape Urban TVET College
East Cape Midlands TVET College
Lovedale TVET College
Esayidi TVET College
Coastal TVET College
King Sabata TVET College
Port Elizabeth TVET College

- Members of senior management

Executive Officer
Chief Financial Officer
Director: Strategic Projects
Director: Skills Support Programme
Director: Provincial Operations
Director: Information and Communication Technology
Director: Legal, Governance, Risk and Compliance Services
Director: Internal Audit
Director: Bursaries
Director: Fund Management
Director: Financial Reporting
Director: Financial Management and Administration

29.2 Related-party transactions and balances – operating expenses

	2017/18	2016/17
	R '000	R '000
DHET - Shared Services	9 446	9 290

29.3 Key management personnel

	Number of individuals	2017/18 R '000	2016/17 R '000
Short-term employee benefits			
Post level 15: Executive Officer	1		
Basic salary and social contributions		1 303	1 069
Bonuses and performance-related payments		135	110
Other short-term employee benefits		14	27
Post level 13: Director: Legal, Governance, Risk and Compliance Services	1		
Basic salary and social contributions		507	–
Bonuses and performance-related payments		9	–
Other short-term employee benefits		1	–
Post level 13: Director: Strategy, Innovation and Organisational Performance	2		
Basic salary and social contributions		1 815	1 045
Bonuses and performance-related payments		–	103
Other short-term employee benefits		83	48

29.3 Key management personnel (continued)

	Number of individuals	2017/18 R '000	2016/17 R '000
Post level 13: Director: Skills Development Implementation	2		
Basic salary and social contributions		2 013	1 912
Bonuses and performance-related payments		125	125
Other short-term employee benefits		34	36
Post level 13: Director: Internal Audit	1		
Basic salary and social contributions		1 004	–
Bonuses and performance-related payments		–	–
Other short-term employee benefits		4	–
Post level 13: Director: Bursaries	1		
Basic salary and social contributions		892	–
Bonuses and performance-related payments		74	–
Other short-term employee benefits		11	–
Post level 13: Director: Finance (Including Acting Chief Financial Officer (CFO))	4		
Basic salary and social contributions		3 940	1 947
Bonuses and performance-related payments		131	111
Other short-term employee benefits		19	9
Total		12 114	6 542

Personnel remuneration is paid by 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 period under review.

29.4 Related-party transactions and balances

2017/18												
Related party	Income from SETAs' uncommitted surpluses	Income from SETAs towards TVET college infrastructure development/Indlela development	Finance income on discounted SETA receivables for TVET college infrastructure development	Finance income from advance payments to skills development programmes and projects	TVET college infrastructure assets at 31 March 2018	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2018	Other accruals balance at 31 March 2018	Deferred expense balance at 31 March 2018	SETA receivables for TVET colleges infrastructure development balance at 31 March 2018	SETA receivable from SETAs' uncommitted surpluses balance at 31 March 2018	Receivables from skills development programmes and projects balance at 31 March 2018
DHET						3 969 929		(465 259)				–
HRDCSA						1 529		–	11 434			
NSA				246		42 976	288	4 891	3 495			6 385
NIHSS				4 647		60 116		–	82 006			
NSFAS				45 668		1 134 117		–	437 999			
SAQA												
AgriSETA												13 440
BANKSETA												
CATHSETA												
CETA												
CHIETA												
ETDP SETA												
EWSETA												
FASSET												
FoodBev SETA												
FP&M SETA												
HWSETA												

2017/18												
Related party	Income from SETAs' uncommitted surpluses	Income from SETAs towards TVET college infrastructure development/Indlela development	Finance income on discounted SETA receivables for TVET college infrastructure development	Finance income from advance payments to skills development programmes and projects	TVET college infrastructure assets at 31 March 2018	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2018	Other accruals balance at 31 March 2018	Deferred expense balance at 31 March 2018	SETA receivables for TVET colleges infrastructure development balance at 31 March 2018	SETA receivable from SETAs' uncommitted surpluses balance at 31 March 2018	Receivables from skills development programmes and projects balance at 31 March 2018
INSETA												
LGSETA												
MERSETA												
MICT SETA												
MQA				397		32 903	20 664	9 175	9 175			
PSETA						927		1 582	–			1 582
SASSETA												
Services SETA		5 000										
TETA												
W&RSETA												
Boland TVET College				34		29 900		1 736	1 736			
Buffalo City TVET College				3		7 866		1 361	10 593			–
Capricorn TVET College						14 969	1 429	14 969	14 969			
Central Johannesburg TVET College						–	12 264					
Coastal TVET College						12 713		2 084	3 797			
College of Cape Town TVET College				9		16 641		6 390	10 851			
East Cape Midlands TVET College					10 338	17 626		23 387	19 096			9 166
Ekurhuleni East TVET College						18 131		1 500	1 500			
Ekurhuleni West TVET College				18		12 134		1 171	1 171			4 248
Elangeni TVET College				60		812		153	2,922			

2017/18												
Related party	Income from SETAs' uncommitted surpluses	Income from SETAs towards TVET college infrastructure development/Indlela development	Finance income on discounted SETA receivables for TVET college infrastructure development	Finance income from advance payments to skills development programmes and projects	TVET college infrastructure assets at 31 March 2018	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2018	Other accruals balance at 31 March 2018	Deferred expense balance at 31 March 2018	SETA receivables for TVET colleges infrastructure development balance at 31 March 2018	SETA receivable from SETAs' uncommitted surpluses balance at 31 March 2018	Receivables from skills development programmes and projects balance at 31 March 2018
Elanzeni TVET College						(10 624)		4 876	4 876			15 500
Esayidi TVET College				134	10 378	29 446		1 622	3 101			
False Bay TVET College				3		17 624		1 166	1 166			
Gert Sibande TVET College				35	10 513	9 567		–	276			75
Ikhala TVET College				6	20 703	8 466		2 913	4 666			
Ingwe TVET College					10 338	8 162		9 209	7 563			3 745
King Hintsa TVET College				33		6 628		1 410	5 725			
King Sabata TVET College				121		46 480		16 948	22 719			
Lephalale TVET College				43		3 136		–	2 735			
Letaba TVET College					10 362	(350)						
Lovedale TVET College				434		17 559		7 400	23 726			
Majuba TVET College						28 302		–	2 250			
Maluti TVET College						3 161		1	2			1
Mnambithi TVET College				51		2 804		504	4 836			
Mopani South East TVET College				23		2 425		450	2 926			
Mthashana TVET College					31 058	6 107		4 185	8 361			2 691
Nkangala TVET College												956
North Link TVET College				66		15 142		4 022	4 022			14
Northern Cape Rural TVET College				55		8 309		2 945	5 540			

2017/18												
Related party	Income from SETAs' uncommitted surpluses	Income from SETAs towards TVET college infrastructure development/Indlela development	Finance income on discounted SETA receivables for TVET college infrastructure development	Finance income from advance payments to skills development programmes and projects	TVET college infrastructure assets at 31 March 2018	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2018	Other accruals balance at 31 March 2018	Deferred expense balance at 31 March 2018	SETA receivables for TVET colleges infrastructure development balance at 31 March 2018	SETA receivable from SETAs' uncommitted surpluses balance at 31 March 2018	Receivables from skills development programmes and projects balance at 31 March 2018
Northern Cape Urban TVET College				3		8 735		4 269	4 269			1
Orbit TVET College						711		736	2 761			
Port Elizabeth TVET College						11 470		5 680	12 131			
Sedibeng TVET College				9		4 931		279	8 005			
Sekhukhune TVET College						2 318		2 318	2 318			
South Cape TVET College				27		9 068		3 726	10 718			
South West Gauteng TVET College						4 571		4 571	4 571			
Taletso TVET College						1 194		209	5 748			
Thekwini TVET College				24		658		161	2 073			982
Tshwane North TVET College				13		10 870	106	3 868	14 921			
Tshwane South TVET College								1				1
Umfolozi TVET College					446 523	41 302		11 205	19 154			
Umgungundlovu TVET College					20 676	10 261	191	–	5 640			
Vhembe TVET College				15		(28)		1 362	5 231			
Vuselela TVET College						1 450		–	4 049			
Waterberg TVET College						7 333		7 333	7 333			
West Coast TVET College				154		13 532		7 151	5 414			2 733
Western Gauteng TVET College												
Total	–	5 000	–	52 373	570 889	5 704 009	34 942	(286 341)	829 570	–	–	61 520

NATIONAL SKILLS FUND

Annual Financial Statements for the year ended 31 March 2018

2016/17												
Related party	Income from SETAs' uncommitted surpluses	Income from SETAs towards TVET college infrastructure development/Indlela development	Finance income on discounted SETA receivables for TVET college infrastructure development	Finance income from advance payments to skills development programmes and projects	TVET college infrastructure assets at 31 March 2018	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2018	Other accruals balance at 31 March 2018	Deferred expense balance at 31 March 2018	SETA receivables for TVET colleges infrastructure development balance at 31 March 2018	SETA receivable from SETAs' uncommitted surpluses balance at 31 March 2018	Receivables from skills development programmes and projects balance at 31 March 2018
DHET						2 418 053		274 282				
HRDCSA				5		18 898		13 136	26 098			
NSA				1 197		38 170	288	10 052	25 974			
NIHSS				6 397		179 595		64 192	64 192			
NSFAS				37 413		825 494		171 570	123 223			
QCTO												
SAQA												
AgriSETA						(19 111)						13 440
BANKSETA												
CATHSETA												
CETA												
CHIETA												
ETDP SETA												
EWSETA												
FASSET												
FoodBev SETA												
FP&M SETA												
HWSETA												
INSETA												
LGSETA												

2016/17												
Related party	Income from SETAs' uncommitted surpluses	Income from SETAs towards TVET college infrastructure development/Indlela development	Finance income on discounted SETA receivables for TVET college infrastructure development	Finance income from advance payments to skills development programmes and projects	TVET college infrastructure assets at 31 March 2018	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2018	Other accruals balance at 31 March 2018	Deferred expense balance at 31 March 2018	SETA receivables for TVET colleges infrastructure development balance at 31 March 2018	SETA receivable from SETAs' uncommitted surpluses balance at 31 March 2018	Receivables from skills development programmes and projects balance at 31 March 2018
MERSETA						(176)						
MICT SETA												
MQA				786		43 028		9 342	21 183			
PSETA				222		5 153		675	1 602			
SASSETA												
Services SETA												
TETA												
W&RSETA												
Boland TVET College				15		5						
Buffalo City TVET College				55		(86)						698
Capricorn TVET College				14		1 442	1 429					
Central Johannesburg TVET						1	12 264					
Coastal TVET College												
College of Cape Town TVET College						1						
East Cape Midlands TVET College					10 338	8 280		11 224				15 390
Ekurhuleni East TVET College				3		879		3 068	3 068			
Ekurhuleni West TVET College						3 177		618	1 501			4 248
Elangeni TVET College						1 353						
Elanzeni TVET College						15 500						
Esayidi TVET College				42	10 378	21 330			11			

2016/17												
Related party	Income from SETAs' uncommitted surpluses	Income from SETAs towards TVET college infrastructure development/Indlela development	Finance income on discounted SETA receivables for TVET college infrastructure development	Finance income from advance payments to skills development programmes and projects	TVET college infrastructure assets at 31 March 2018	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2018	Other accruals balance at 31 March 2018	Deferred expense balance at 31 March 2018	SETA receivables for TVET colleges infrastructure development balance at 31 March 2018	SETA receivable from SETAs' uncommitted surpluses balance at 31 March 2018	Receivables from skills development programmes and projects balance at 31 March 2018
False Bay TVET College				28		3 272						
Flavius Mareka TVET College												
Gert Sibande TVET College					10 513	1 441		1 441	1 441			75
Goldfields TVET College												
Ikhala TVET College				23	20 703	23						
Ingwe TVET College					10 338	915		1 048	1 048			
King Hintsa TVET College				1		1						
King Sabata TVET College						8 640		8 640	8 640			
Lephalale TVET College				149		16 727						1 995
Letaba TVET College				10	10 362	10						
Lovedale TVET College						22 531		22 531	22 531			
Majuba TVET College						32 105						
Maluti TVET College								1				1
Mnambithi TVET College						14 888						
Mopani South East TVET College				8		(1 115)						
Motheo TVET College												
Mthashana TVET College					31 058			2 691				2 691
Nkangala TVET College												956
North Link TVET College						148			11 063			14
Northern Cape Rural TVET College						9 000		9 008	9 973			

2016/17												
Related party	Income from SETAs' uncommitted surpluses	Income from SETAs towards TVET college infrastructure development/Indlela development	Finance income on discounted SETA receivables for TVET college infrastructure development	Finance income from advance payments to skills development programmes and projects	TVET college infrastructure assets at 31 March 2018	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2018	Other accruals balance at 31 March 2018	Deferred expense balance at 31 March 2018	SETA receivables for TVET colleges infrastructure development balance at 31 March 2018	SETA receivable from SETAs' uncommitted surpluses balance at 31 March 2018	Receivables from skills development programmes and projects balance at 31 March 2018
Northern Cape Urban TVET College												4
Orbit TVET College						3 647		3 647	3 647			
Port Elizabeth TVET College						5 956		3 353	8 907			
Sedibeng TVET College				28		(453)						
Sekhukhune TVET College						(967)						
South Cape TVET College				112		(337)						
South West Gauteng TVET College				281		(151)						
Taletso TVET College						(664)						
Thekwini TVET College						(402)						982
Tshwane North TVET College				22		6 063		1 277	1 277			
Tshwane South TVET College								1				1
Umfolozi TVET College					411 845							
Umgungundlovu TVET College					20 676	1 210	191					
Vhembe TVET College				39		1 491		3 627	3 627			
Vuselela TVET College						(1 237)						
Waterberg TVET College												
West Coast TVET College				201		(2 744)			2 945			
Western Gauteng TVET College						39 440						
Total	-	-	-	47 052	536 211	3 720 425	14 172	443 854	341 950	-	-	40 496

30. DEFINED-CONTRIBUTION PLAN

The NSF provides for retirement benefits for all its permanent employees through a defined-contribution scheme to the Government Employee Pension Fund (GEPF) that is subject to the Pension Funds Act. 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	2017/18	2016/17
	R '000	R '000
Contributions for the year included in employee cost	4 889	3 577
20	4 889	3 577

31. OPERATING LEASE RENTAL

NSF as lessee

Future lease payments under non-cancellable operating leases:

Photocopy machines

Due within one year

Due within two to five years

Later than five years

424	80
210	60
214	20
—	—

Parking

Due within one year

Due within two to five years

Cash and cash equivalents

—	185
—	185
—	—
—	—

424	265
-----	-----

32. EVENTS AFTER REPORTING PERIOD

There are no material adjusting events after the reporting date.

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 above the budgeted revenue by 1.6%. The slight increase is as a result of the levies collected in January 2018 and February 2018 being higher than other months during the financial year.

33.2. Revenue from exchange transactions

The actual revenue received from exchange transactions is higher than the budgeted revenue by 0.1% due to a higher interest income earned from advance payments made.

33.3. Skills development grant disbursements

The actual skills development grant disbursements were 16.4% below budget, which can mainly be attributed to the following:

- Delays in the appointment of construction companies to start construction on the new TVET college campuses resulted in the slow disbursement of funds in the current financial year, which will be rolled over to the next financial year.
- Expenditure incurred on the active sites during the financial year have been capitalised and will be expensed upon final completion of the sites and final expenditure reports from the implementing agent.
- Delays in the initiation and contracting of the next round of projects with TVET college-related occupational programme.
- New projects (including WIL projects, TVET colleges' allocations and rural agriculture projects) were approved during the fourth quarter. This will only result in payments in the next financial year.

33.4. Employee cost

The actual employee costs are 2.2% below the budgeted employee costs. This is mainly due to the delay in implementing the NSF's improved organisational structure. The employee costs and administrative expenditure were budgeted for based on the new extended NSF organisational structure (with reference to Project Siyaphambili). The expectation is that the remaining vacant positions will be filled in the new financial year (2018/19).

33.5. Operating expenses

The actual operating expenses are 27.4% below the budgeted operating expenses. This saving is driven by the employee costs that were lower than budgeted, mainly due to the delay in implementing the NSF's improved organisational structure. The delay was deemed necessary as a result of the listing of the NSF as a Schedule 3A public entity.

33.6. Management fees and bank charges

Management fees and bank charges are 9.1% below the budget. This is due to PIC charging fees based on the remaining balance at the end of each month. Due to significant withdrawals for the "Fees Must Fall" project, the NSF has been charged lower bank charges.

33.7. Collection cost to SARS

There was a saving of 3.8% on the actual SARS collection costs for the period in comparison to the costs budgeted for the period. SARS is allowed to charge up to 2% as collection costs, but has historically only charged 1%, which is the amount budgeted for. SARS invoices the NSF on a monthly basis for the actual costs incurred to collect SDLs, which were about 0.4%

34. IRREGULAR EXPENDITURE

Notes

	2017/18	2016/17
	R '000	R '000
Reconciliation of irregular expenditure:		
Opening balance – prior year	376 773	225 159
Add: Irregular expenditure – current year	27 641	151 614
Less: Amounts condoned	–	–
Irregular expenditure awaiting condonation	404 414	376 773
Analysis of irregular expenditure per age classification:		
Current year	27 641	151 614
Prior years	376 773	225 159
Total	404 414	376 773

Details of irregular expenditure:

Incident	Disciplinary steps taken	Number of cases	2017/18 R '000	Revised 2016/17 R '000
Non-compliance to requirements of supply chain management	N/A	1		
Opening balance – prior year			376 773	225 159
Add: Irregular expenditure 2016/17			–	151 614
Add: Irregular expenditure condoned 2015/16			–	–
Add: Irregular expenditure 2017/18			27 641	–
Add: Irregular expenditure condoned 2016/17			–	–
Total			404 414	376 773

34. IRREGULAR EXPENDITURE (continued)

Appointment of TVET college construction contractors

TVET college infrastructure development is centrally managed by the DHET, and financed through the NSF in terms of the Memorandum of Agreement between the DHET and the NSF. Hence, the following is managed centrally by the DHET:

- All procurement of TVET college infrastructure development, which includes the award of tenders to the principal agent and construction contractors.
- Implementation oversight of TVET college infrastructure development.

Current-year irregular expenditure amounting to R24 914 million is the result of expenditure incurred relating to bids that were awarded in contravention of Construction Industry Development Board (CIDB) regulations.

CIDB Regulation 17 stipulates that a contractor's grading for general building works should be in line with the value of the contract. Potentially emerging contractors may be at a grade lower than the required grade. In the terms of reference of the tenders awarded, the requirements stipulated a CIDB grading of 7: general building works potentially emerging contractors, 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) allows the award of tenders outside the tender value range. However, certain provisions are stipulated, among 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 where evaluated).
- In terms of CIDB Regulation 21(3), the Department should report the nature of the financial or management support and the benefit derived from such support in the development of that contractor to the CIDB.

Two of the tenders awarded to contractors exceeded the allowable margin of the tender according to CIDB Regulation 25(3) and posed undue risks as these contractors were not considered to have the financial and work capability to successfully complete the projects.

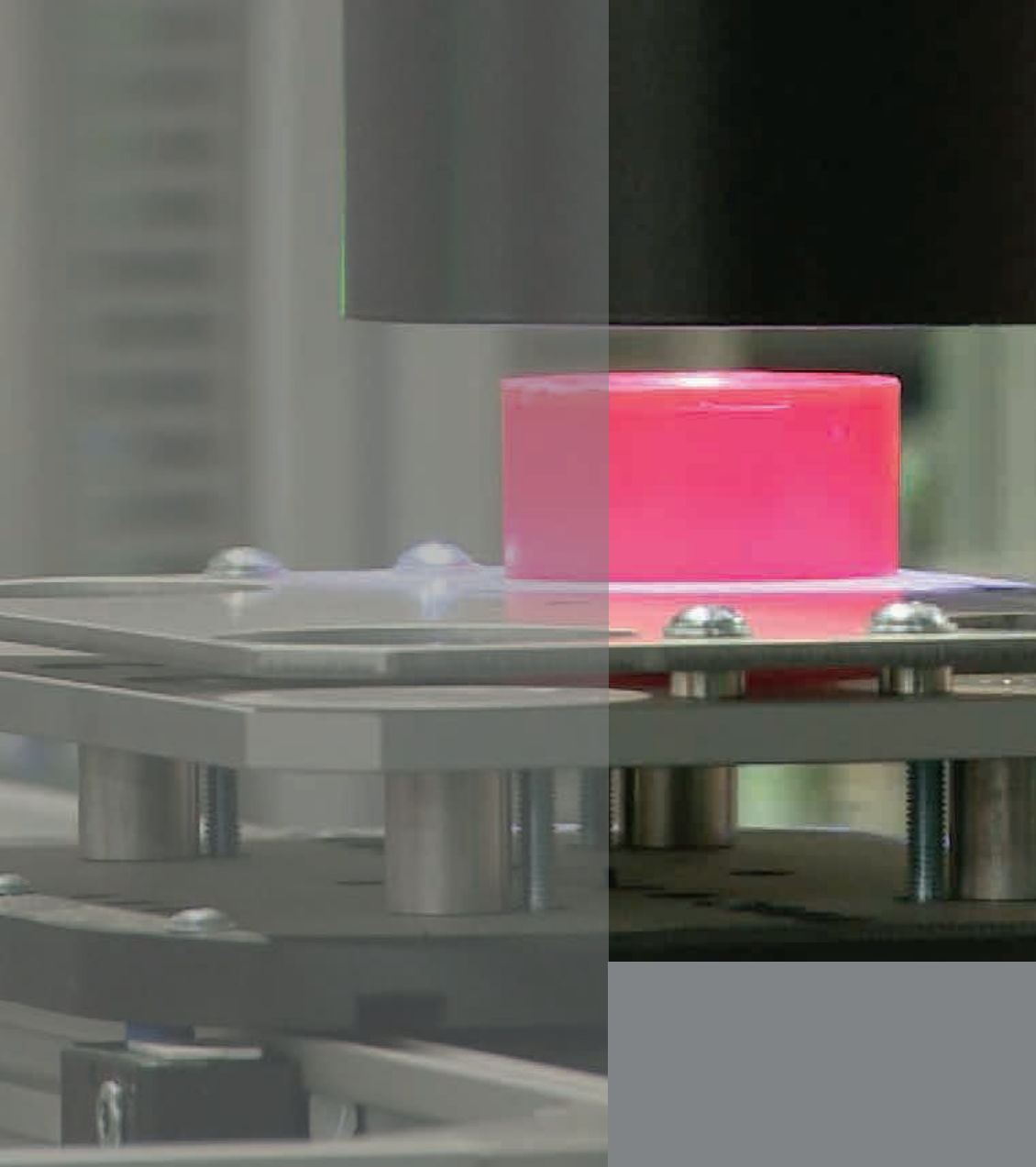
The DHET appointed the above contractors after the construction tender was re-advertised for the second time. The first tender was cancelled due to the Department not receiving any proposals that met the necessary criteria. After the second re-advertisement, a significantly lower number of proposals was received. The loss of time due to a second re-advertisement led to the Department awarding bids to construction contractors for three out of the 16 construction sites.

Appointment of service provider to render travel and accommodation services

Irregular expenditure amounting to R2.4 million (2016/17: R6.8 million) was as a result of the appointment of a service provider to render accommodation for hosting the NSF Technical Evaluation session, which was in contravention of Treasury Regulation 16A6.4. The consultant was appointed on the basis of a deviation. However, the motivation did not adequately support the consultant being a sole supplier nor the procurement being an emergency.

Appointment of consultant to render events and conferencing services

Irregular expenditure amounting to R349 000 (2016/17: R334 000) was as a result of the appointment of a consultant to render events and conference services to the Department, which was in contravention of 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 a shorter period was not adequately supported, nor the procurement being an emergency.



ANNEXURE A

ANNEXURE A: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS 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 disbursement expenditure to date
		R '000			R '000	R '000
EDUCATION AND TRAINING					3 746 791	2 884 176
Bursaries and scholarships					525 391	969 714
NSF/16/1/1/1	BS: NRF	945 237	01-Apr-16	31-Dec-17	5 301	265 092
NSF/16/1/1/2	BS: NSFAS	5 707 598	01-Apr-14	31-Mar-20	435 641	693 475
NSF/16/1/1/3	BS: International Scholarship	49 378.55	01-Apr-16	31-Dec-17	67 779	825
NSF/16/1/1/4	BS: AIMS	–	15-Apr-14	31-Jul-22	16 669	10 321
Occupational Programmes (TVET colleges)					1 943 462	233 810
NSF/16/1/2/3	Ingwe TVET College	8 093	01-Aug-12	31-Dec-18	37	0
NSF/16/1/2/80	OP: Esayidi TVET (Sports Coaching)	45 177	01-Aug-12	31-Dec-19	10 062	0
NSF/16/1/2/82	OP: DSPP - SSACI	17	01-Aug-12	31-Dec-19	7 005	41
NSF/16/1/2/27	OP:TVET -2- Ikhalala	39 882	01-Aug-12	31-Dec-19	31 416	15 500
NSF/16/1/2/31	OP:TVET -2- Lovedale	39 882	01-Aug-12	31-Dec-19	28 397	0
NSF/16/1/2/32	OP:TVET -2- Port Elizabeth	57 878	01-Aug-12	31-Dec-19	41 588	2 058
NSF/16/1/2/74	OP:TVET -2- West Coast	64 285	01-Aug-12	31-Dec-19	53 791	0
NSF/16/1/2/40	OP:TVET -2- Sedibeng	39 882	01-Aug-12	31-Dec-19	34 951	0
NSF/16/1/2/45	OP:TVET -2- Coastal	33 475	01-Aug-12	31-Dec-19	20 762	0
NSF/16/1/2/46	OP:TVET -2- Elangeni	39 882	01-Aug-12	31-Dec-19	39 070	0
NSF/16/1/2/47	OP:TVET -2- Esayidi	64 285	01-Aug-12	31-Dec-19	48 905	0
NSF/16/1/2/48	OP:TVET -2- Majuba	64 285	01-Aug-12	31-Dec-19	35 983	0
NSF/16/1/2/52	OP:TVET -2- Umfolozi	64 285	01-Aug-12	31-Dec-19	44 071	0

NSF reference number	NSF project name	Contract value (project budget)	Project start date	Project end date	Remaining commitment (remaining budget)	Total Skills Development Grant disbursement expenditure to date
		R '000			R '000	R '000
NSF/16/1/2/53	OP:TVET -2- Umgungundlovu	64 285	01-Aug-12	31-Dec-19	54 024	0
NSF/16/1/2/57	OP:TVET -2- Mopani South East	64 285	01-Aug-12	31-Dec-19	61 859	350
NSF/16/1/2/58	OP:TVET -2- Sekhukhune	64 285	06-Sep-12	31-Dec-19	61 967	0
NSF/16/1/2/59	OP:TVET -2- Vhembe	64 285	01-Aug-12	31-Dec-19	60 686	0
NSF/16/1/2/62	OP:TVET -2- Gert Sibande	64 285	01-Aug-12	31-Dec-19	53 276	0
NSF/16/1/2/64	OP:TVET -2- Orbit	39 882	01-Aug-12	31-Dec-19	35 524	0
NSF/16/1/2/67	OP:TVET -2- Northern Cape Rural	64 285	01-Aug-12	31-Dec-19	46 976	0
NSF/16/1/2/68	OP:TVET -2- Northern Cape Urban	39 882	01-Aug-12	31-Dec-19	31 147	0
NSF/16/1/2/69	OP:TVET -2- Boland	39 882	01-Aug-12	31-Dec-19	9 982	0
NSF/16/1/2/70	OP:TVET -2- College of Cape Town	57 878	01-Aug-12	31-Dec-19	51 237	0
NSF/16/1/2/71	OP:TVET -2- False Bay	51 428	02-Jan-16	31-Dec-19	33 804	18 131
NSF/16/1/2/72	OP:TVET -2- Northlink	51 428	01-Aug-12	31-Dec-19	36 291	117
NSF/16/1/2/73	OP:TVET -2- South Cape	64 285	01-Aug-12	31-Dec-19	55 216	3 038
NSF/16/1/2/81	OP: Umfolozi Maritime	87 375	01-Aug-12	31-Dec-19	66 286	0
NSF/16/1/2/49	OP:TVET -2- Mnambithi	27 025	03-Jan-12	31-Dec-19	24 221	698
NSF/16/1/2/29	OP:TVET -2- King Hintsa	27 025	02-Aug-12	31-Dec-19	20 397	0
NSF/16/1/2/51	OP:TVET -2- Thekwini	27 025	01-Aug-12	31-Dec-19	26 367	0
NSF/16/1/2/42	OP:TVET -2- Tshwane North	33 110	01-Aug-12	31-Dec-19	22 356	0
NSF/16/1/2/25	OP:TVET -2- Buffalo City	57 878	01-Aug-12	31-Dec-19	51 366	0
NSF/16/1/2/61	OP:TVET -2- Ehlanzeni	46 332	01-Aug-12	31-Dec-19	41 457	0
NSF/16/1/2/50	OP:TVET -2- Mthashana	64 285	01-Aug-12	31-Dec-19	58 177	0
NSF/16/1/2/54	OP:TVET -2- Capricorn	57 878	01-Aug-12	31-Dec-19	42 908	0
NSF/16/1/2/55	OP:TVET -2- Lephalale	39 882	01-Aug-12	31-Dec-19	36 705	0

NSF reference number	NSF project name	Contract value (project budget)	Project start date	Project end date	Remaining commitment (remaining budget)	Total Skills Development Grant disbursement expenditure to date
		R '000			R '000	R '000
NSF/16/1/2/65	OP:TVET-2-Taletso	39 882	01-Aug-12	31-Dec-19	38 688	0
NSF/16/1/2/41	OP:TVET -2- South West	33 475	01-Aug-12	31-Dec-19	28 904	0
NSF/16/1/2/66	OP:TVET -2- Vuselela	39 882	01-Jul-16	31-Dec-19	38 432	14 066
NSF/16/1/2/26	OP:TVET -2- Eastcape Midlands	64 285	02-Jan-16	31-Dec-19	50 961	12 134
NSF/16/1/2/36	OP:TVET -2- Motheo	46 332	12-Sep-16	31-Dec-19	46 332	36 764
NSF/16/1/2/33	OP:TVET -2- Flavius Mareka	27 025	09-Sep-16	31-Dec-19	27 025	6 075
NSF/16/1/2/34	OP:TVET -2- Goldfields	27 025	18-Oct-16	31-Dec-19	27 025	8 466
NSF/16/1/2/35	OP:TVET -2- Maluti	–	23-Nov-16	31-Dec-19	23 864	11 485
NSF/16/1/2/38	OP:TVET -2- Ekurhuleni East	51 428	25-Oct-16	31-Dec-19	51 428	12 044
NSF/16/1/2/60	OP:TVET -2- Waterberg	64 285	23-Jan-17	31-Dec-19	56 952	10 494
NSF/16/1/2/43	OP:TVET -2- Tshwane South	33 475	29-Sep-16	31-Dec-19	33 475	4 931
NSF/16/1/2/39	OP:TVET -2- Ekurhuleni West	–	28-Sep-16	31-Dec-20	27 025	12 713
NSF/16/1/2/83	NSF:NAD: DSPP - IOPSA	39 882	08-Dec-16	31-Dec-19	10 881	812
NSF/16/1/2/28	OP:TVET-2-Ingwe	64 285	28-Nov-16	31-Dec-19	22 609	15 379
NSF/16/1/2/30	OP:TVET-2- King Sabata	64 285	16-Nov-16	31-Dec-19	54 569	28 302
NSF/16/1/2/56	OP:TVET-2- Letaba	64 285	27-Sep-16	31-Dec-19	27 025	20 214
Skills programmes (part-qualifications)					102 983	8 010
NSF/16/1/3/11	SP: SEDA (BESD) Programme	35 572	1-Apr-15	31-Mar-17	28 197	121
NSF/16/1/3/15	SP: SA Disability Trust (SADDT - 2)	78 861	1-Jan-13	30-Jun-16	8 691	0
NSF/16/1/3/18	SP: LIMA Rural Development	26 421	3-Aug-15	31-Aug-18	8 390	7 889
NSF/16/1/3/19	SP: Blouberg Municipality	62 707	2-Apr-14	31-Mar-16	17 124	0
NSF/16/1/3/20	SP: Phokopela Investment Holdings	38 539	29-Oct-13	31-Dec-15	4 713	0
NSF/16/1/3/21	SP:Yikhonolakho Women and Youth Primary Cooperative Limited	39 901	5-Jun-13	31-Dec-15	35 868	0

NSF reference number	NSF project name	Contract value (project budget)	Project start date	Project end date	Remaining commitment (remaining budget)	Total Skills Development Grant disbursement expenditure to date
		R '000			R '000	R '000
Workers' education					42 381	8 397
NSF/16/1/5/2	WE: Ditsela - Project 2	19 749 139.38	26-Jun-13	31-Dec-17	401	332
NSF/16/1/5/3	WE: Chris Hani Institute	11 771 250.17	1-Jan-16	31-Mar-19	41 979	8 065
Workplace-based learning					878 804	706 733
NSF/16/1/4/2	WL: Office of the Premier (KwaZulu-Natal)	45 793	19-Aug-11	31-May-19	3 479	6 694
NSF/16/1/4/9	WL: Denel SOC Ltd	200 335	22-Sep-12	31-Mar-18	6 784	0
NSF/16/1/4/16	WL: College of Sustainable Agriculture - Tyelerha	52 500	1-Apr-11	31-Mar-18	5 782	4 459
NSF/16/1/4/17	WL: Nelson Mandela Childrens Hospital Trust	7 100	1-Apr-11	31-Mar-18	25 012	0
NSF/16/1/4/20	WL: Furniture World Private College (FWP College)	44 475	8-May-15	31-Mar-17	4 634	0
NSF/16/1/4/23	WL: Eskom Artisan Development	44 465	29-Sep-14	31-Mar-17	16 791	1
NSF/16/1/4/24	WL: Denel (Project 73)	65 392	20-Aug-12	30-Jun-17	4 918	16
NSF/16/1/4/26	WL: Sea Safety Training Group	42 561	8-Jul-14	30-Jun-18	18 978	9 949
NSF/16/1/4/25	WL: Better Best Skills Development	18 131	28-Jun-13	31-Dec-16	2 812	0
NSF/16/1/4/27	WL: SA Airways Technical	32 414	5-Jun-13	30-Jun-16	18 450	0
NSF/16/1/4/28	WL: Belgium Campus	217 526	1-Aug-12	31-Dec-18	1 432	42 000
NSF/16/1/4/29	WL: NMMU (SAIMI Project)	71 865	1-Jan-13	31-Aug-16	152 298	5 963
NSF/16/1/4/30	WL: MQA (Northern Cape and Western Cape)	64 428	10-Aug-11	31-Mar-18	52 096	927
NSF/16/1/4/38	WL: Tshwane University of Technology	71 244	24-May-13	31-Mar-16	4 778	0
NSF/16/1/4/32	WL: NECSA	313	11-Mar-14	31-Dec-16	10 058	0
NSF/16/1/4/68	WL: Transnet 2	191 024	18-Apr-12	31-Mar-18	43 000	42 351
NSF/16/1/4/35	WL: Shipping and Transport College	48 622	1-Oct-16	30-Sep-18	3 682	18 261
NSF/16/1/4/36	WL: South African Wine Industry - SAWIT 2	70 328	5-Jun-13	31-Mar-19	11 631	18 703
NSF/16/1/4/39	WL: Furniture World Training Centre	20 513	9-May-14	31-Dec-17	1 774	3 660

NSF reference number	NSF project name	Contract value (project budget)	Project start date	Project end date	Remaining commitment (remaining budget)	Total Skills Development Grant disbursement expenditure to date
		R '000			R '000	R '000
NSF/16/1/4/40	WL: Dzunde Farming Co-operative Ltd	100 056	2-Oct-12	31-Dec-18	432	8 916
NSF/16/1/4/41	WL: African Global Skills Academy	81 935	21-Aug-12	31-Dec-15	5 787	0
NSF/16/1/4/42	WL: Mthengnya and Associates Pty (Ltd)	173 750	6-Feb-15	31-Dec-18	4 230	42 378
NSF/16/1/4/43	WL: MTL Training and Project	15 458	16-Apr-15	31-Dec-18	629	2 286
NSF/16/1/4/44	WL: Talent Emporium Training	34 213	30-Nov-16	31-Dec-19	1 880	11 432
NSF/16/1/4/45	WL: Hope Africa	13 491	20-Jun-17	30-Jun-18	4 299	10 302
NSF/16/1/4/46	WL: VPK Business Venture	3 771	12-Apr-17	31-Oct-19	1 464	3 188
NSF/16/1/4/47	WL: Netgrow Training Solutions	9 090	14-Jun-17	31-Dec-19	2 892	2 598
NSF/16/1/4/48	WL: Ulwazi Training and Development	84 167	06-Jul-17	30-Jun-18	366	64 428
NSF/16/1/4/49	WL: Royal Dish	28 487	29-Jun-17	30-Jun-19	60	6 551
NSF/16/1/4/50	WL: Motlhompegi Management Consultants and Projects	397	24-Feb-17	31-Mar-19	2 007	125
NSF/16/1/4/51	WL: Tourism World Pty Ltd	26 908	23-Jun-17	30-Jun-19	258	10 639
NSF/16/1/4/52	WL: Ikoti Coal	37 677	01-Jan-18	30-Jun-21	798	2 544
NSF/16/1/4/53	WL: Aubrey Nyiko Business Enterprises CC	54 234	17-Jan-18	30-Jun-21	6 506	3 041
NSF/16/1/4/54	WL: Godisang Development	96 917	11-Jan-18	31-Jul-21	940	5 713
NSF/16/1/4/56	WL: SGC Training Consultants	45 933	01-Jan-18	30-Jun-21	3 350	3 101
NSF/16/1/4/57	WL: Elasmocol (Pty) Ltd	36 281	08-Feb-18	30-Jun-19	1 583	3 532
NSF/16/1/4/58	WL: Tekmation	28 698	02-Aug-17	30-Jun-20	285	6 298
NSF/16/1/4/63	WL: Elangeni Consulting Services	29 692	01-Jan-18	30-Jun-21	2	2 004
NSF/16/1/4/59	WL: Diocese of Grahamstown	17 631	30-Nov-16	30-Sep-18	4 237	12 929
NSF/16/1/4/60	WL: Tetrafull 1220 CC	23 797	30-Mar-15	31-Dec-20	709	0
NSF/16/1/4/61	WL: Intellimali (Pty) Ltd	5 250	1-Apr-15	31-Dec-18	511	1 015

NSF reference number	NSF project name	Contract value (project budget)	Project start date	Project end date	Remaining commitment (remaining budget)	Total Skills Development Grant disbursement expenditure to date
		R '000			R '000	R '000
NSF/16/1/4/62	WL: KwaZulu-Natal Sharks Board	296 145	1-Apr-15	31-Dec-18	46	73 850
NSF/16/1/4/64	WL: EOH Abantu	96 195	1-Sep-15	31-Mar-19	26 173	397
NSF/16/1/4/65	WL: Gillan & Veldhuizen Inc	20 675	22-Jan-16	31-Dec-17	151	62 506
NSF/16/1/4/66	WL: National Business Initiative	75 285	29-Feb-16	30-Dec-17	3 201	28 617
NSF/16/1/4/67	WL: Educo Trust of Africa	8 254	17-Dec-15	31-Dec-18	9 538	1 542
NSF/16/1/4/55	WL: Emanzini Staffing Solutions (Pty) Ltd	25 834	26-Sep-16	26-Sep-19	5 788	11 511
NSF/16/1/4/69	WL: Lepelle Northern Water	64 500	11-Jan-17	10-Jan-20	2 735	21 500
NSF/16/1/4/71	WL: Caroline's Fashion 3	36 638	1-Apr-16	31-Dec-17	3 189	751
NSF/16/1/4/70	WL: World Wide Fund for Nature	57 200	1-Jul-15	31-Mar-18	584	8 705
NSF/16/1/4/74	WL: Mthenganya & Associates Pty (Ltd)	7 082	30-Nov-16	31-Jul-19	6 493	2 651
NSF/16/1/4/72	WL: Chippa Training Academy	40 879	1-Jan-16	31-Dec-18	19 739	20 237
NSF/16/1/4/76	WL: Big Fish S.O.D.F	35 740	12-Sep-16	31-Mar-19	21 936	17 266
NSF/16/1/4/73	WL: Zoetis South Africa (Pty) Ltd	5 083	12-Sep-16	31-Mar-19	273	2 926
NSF/16/1/4/75	WL: Muselwa Trading and Projects (Pty) Ltd	38 281	12-Sep-16	31-Mar-19	16 269	15 537
NSF/16/1/4/79	WL: Qualitas Training	23 827	1-Sep-16	31-Mar-19	35 133	9 959
NSF/16/1/4/80	WL: SFERA Training and Development	31 769	12-Sep-16	31-Mar-19	51 193	16 926
NSF/16/1/4/78	WL: Imperial Technical Training Academy	23 509	12-Sep-16	31-Mar-19	91 203	14 572
NSF/16/1/4/81	WL: Richards Bay Technical and Assessment Centre	21 047	12-Sep-16	31-Mar-19	42 832	13 393
NSF/16/1/4/83	WL: Chippa Training Academy (Eastern Cape)	23 827	12-Sep-16	31-Mar-19	32 749	12 024
NSF/16/1/4/84	WL: College of Sustainable Agriculture - Wild Coast	17 949	12-Sep-16	31-Mar-19	27 882	11 205
NSF/16/1/4/77	WL: Lepelle Northern Water 2	6 830	12-Sep-16	31-Mar-19	22 401	3 314
NSF/16/1/4/82	WL: Electrical Contractors Association	2 383	13-Sep-16	31-Mar-19	27 687	1 340

NSF reference number	NSF project name	Contract value (project budget)	Project start date	Project end date	Remaining commitment (remaining budget)	Total Skills Development Grant disbursement expenditure to date
		R '000			R '000	R '000
PSET SYSTEM DEVELOPMENT AND CAPACITY BUILDING					2 199 255	3 970 941
Cross-cutting PSET system development, capacity building and support					2 239 762	3 940 697
NSF/10/4/6	DHET Projects	10 509 516	6-Mar-14	31-Dec-18	2 110 955	3 935 250
NSF/16/2/1/1	CCPSET: NIHSS	27 430	22-Jun-15	31-May-19	116 493	5 447
NSF/16/2/1/2	CCPSET: CEPD (Student Leadership Capacity)	245	02-Sep-16	28-Feb-17	12 313	0
SKILLS INFRASTRUCTURE DEVELOPMENT					2 233 388	70 477
TVET college infrastructure development					1 752 569	0
NSF/16/3/2/8	TVET:ID: DSPP - Ekurhuleni East TVET College	23 065	02-Jan-16	31-Dec-19	1 867	0.00
NSF/16/3/2/1	TVET:ID: DHET - FET Infrastructure	2 500 000	09-Dec-13	31-Jul-18	1 721 762	
NSF/16/3/2/11	TVET:ID: DSPP - Port Elizabeth TVET College	7 265	02-Jan-16	31-Dec-19	6 129	0.00
NSF/16/3/2/10	TVET:ID: DSPP - Eastcape Midlands TVET College	4 315	01-Jul-16	31-Dec-19	8 955	0.00
NSF/16/3/2/6	TVET:ID: King Sabata -Dalindyebo (KSD)	59 260	12-Sep-16	31-Dec-18	13 856	0.00
University infrastructure development					565 523	18 552
NSF/16/3/1/1	UV:ID: Saica Walter Sisulu University	189 454	3-Jan-12	31-Dec-20	53 897	18 552
NSF/16/3/1/2	UV:ID: University of Pretoria (Veterinary Programme)	164 200	1-Aug-12	31-Dec-18	51 860	0
NSF/16/3/1/3	UV:ID: University of Pretoria (MBChB Programme)	416 562	1-Aug-12	31-Dec-18	95 503	0
NSF/16/3/1/TBC	UV:ID: University of Limpopo	364 263	10-Aug-16	9-Aug-19	364 263	0
SKILLS DEVELOPMENT RESEARCH, INNOVATION AND COMMUNICATION					40 168	44 505
HRDSA research, planning, advocacy and communication					40 168	1 529
NSF/16/4/1/1	HRDC: HRDSA	105 200	28-Mar-13	31-Mar-20	40 168	1 529
NSF/16/4/1/2	HRDC:Duja Consulting	1 986	1-Nov-16	30-Nov-19	1 907	79
Total					8 219 602	6 970 099

NOTES

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