

*Funding to Skill our Nation*

# ANNUAL REPORT

**2016/17**

## NATIONAL SKILLS FUND



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



# *Funding to Skill our Nation*





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## **PART A: GENERAL INFORMATION**

## 1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME: National Skills Fund

PHYSICAL ADDRESS: Ndinaye House  
178 Francis Baard Street  
PRETORIA  
0002

POSTAL ADDRESS: Private Bag X174  
PRETORIA  
0001

TELEPHONE NUMBER/S: +27 86 9990 NSF (673)

FAX NUMBER: +27 012 323 0291

WEBSITE ADDRESS: [www.dhet.gov.za](http://www.dhet.gov.za)

EXTERNAL AUDITORS: The Auditor-General of South Africa  
Lefika House  
300 Middel Street  
New Muckleneuk  
Pretoria  
0001

### BANKERS:

#### **ABSA Commercial**

Hillcrest Office Park, 177 Dyer Road,  
Hillcrest  
Pretoria  
0028

#### **National Treasury**

40 Church Square  
Pretoria  
0002

#### **Nedbank Corporate**

Sixth Floor Block I, 135 Rivonia Road,  
Sandown  
Sandton  
2196

#### **First National Bank**

215 Francis Baard Street  
Pretoria  
0002

#### **Standard Bank**

177 Dyer Street Hillcrest Office Park  
Falcon Place  
Hilcrest  
Pretoria  
0028



## 2. LIST OF ABBREVIATIONS/ACRONYMS

<b>AGRISETA</b>	Agricultural SETA
<b>BRICS</b>	Brazil, Russia, India, China and South Africa
<b>CAO</b>	Centralised Applications Office
<b>CACH</b>	Central Applications Clearing House
<b>CAS</b>	Career Advice Services
<b>CATHSSETA</b>	Culture, Arts, Tourism and Hospitality SETA
<b>CC</b>	Closed Corporation
<b>CD</b>	Chief Director
<b>CEM</b>	Council of Education Ministers
<b>CEO</b>	Chief Executive Officer
<b>CEPD</b>	Centre for Education Policy Development
<b>CESM</b>	Classification of Educational Subject Matter
<b>CET</b>	Community Education and Training
<b>CETA</b>	Construction Education and Training Authority
<b>CETC</b>	Community Education and Training Centre (see PALC)
<b>CFO</b>	Chief Financial Officer
<b>CHE</b>	Council on Higher Education
<b>CHIETA</b>	Chemical Industries Education and Training Authority
<b>CIBD</b>	Construction Industry Development Board
<b>COC</b>	Certificate of Compliance
<b>COL</b>	Commonwealth of Learning
<b>COMEDAF</b>	Conference of Ministers of Education of the African Union
<b>COSE</b>	Collaboration for Occupational Skills Excellence
<b>CPIX</b>	Consumer Price Index
<b>CPUT</b>	Cape Peninsula University of Technology
<b>CSIR</b>	Council for Scientific and Industrial Research
<b>CUT</b>	Central University of Technology
<b>DAFF</b>	Department of Agriculture, Forestry and Fisheries
<b>DBE</b>	Department of Basic Education
<b>DDG</b>	Deputy Director-General

<b>DG</b>	Director-General
<b>DHET/ DEPARTMENT</b>	Department of Higher Education and Training
<b>DIRCO</b>	Department of International Relations and Cooperation
<b>DOL</b>	Department of Labour
<b>DPE</b>	Department of Public Enterprises
<b>DSAP</b>	Dual System Apprenticeship Programme
<b>DST</b>	Department of Science and Technology
<b>DTA</b>	Denel Technical Academy
<b>DTI</b>	Department of Trade and Industry
<b>ECM</b>	Enterprise Content Management
<b>EEP</b>	Employment Equity Plan
<b>EFA</b>	Education for All
<b>ELRC</b>	Education Labour Relations Council
<b>ENE</b>	Estimates of National Expenditure
<b>EPWP</b>	Expanded Public Works Programme
<b>ETDP SETA</b>	Education Training and Development Practices SETA
<b>ETQA</b>	Education and Training Quality Assurance
<b>EWSETA</b>	Energy and Water SETA
<b>EXCO</b>	Executive Council
<b>FASSET</b>	Finance and Accounting Services SETA
<b>FETCBU</b>	Further Education and Training Colleges Bargaining Unit
<b>FETMIS</b>	Further Education and Training Management Information System
<b>FMPPi</b>	National Treasury's Framework for Managing Programme Performance Information
<b>FMS&amp;G</b>	Financial Management Systems and Guidelines
<b>FP&amp;M SETA</b>	Fibre Processing and Manufacturing SETA
<b>FOODBEV</b>	Food and Beverages SETA
<b>GENFETQA</b>	General and Further Education and Training Quality Assurance
<b>GEPP</b>	Government Employee Pension Fund
<b>GETC</b>	General Education and Training Certificate





<b>GFETQSF</b>	General and Further Education and Training Quality Assurance
<b>GIS</b>	Geographical Information System
<b>GITO</b>	Government Information Technology Office
<b>GPSSBC</b>	General Public Service Sector Bargaining Council
<b>GRAP</b>	Generally Recognised Accounting Practices
<b>GTPP</b>	Generic Trade Test Preparation Programme
<b>HE</b>	Higher Education
<b>HEAIDS</b>	Higher Education HIV/AIDS Programme
<b>HEDCOM</b>	Heads of Education Departments Committee
<b>HEI</b>	Higher Education Institutions
<b>HEMIS</b>	Higher Education Management Information System
<b>HEQF</b>	Higher Education Qualifications Framework
<b>HIV/AIDS</b>	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
<b>HRD</b>	Human Resource Development
<b>HRDCSA</b>	Human Resource Development Council of South Africa
<b>HRDSA</b>	Human Resource Development Strategy for South Africa
<b>HRMIS</b>	Human Resource Management Information System
<b>HSRC</b>	Human Science Research Council
<b>HWSETA</b>	Health and Welfare SETA
<b>IBSA</b>	India-Brazil-South Africa
<b>ICASS</b>	Internal Continuous Assessment
<b>ICT</b>	Information and Communication Technology
<b>ILO</b>	International Labour Organisation
<b>INSETA</b>	Insurance SETA
<b>IT</b>	Information Technology
<b>ITIL</b>	Information Technology Infrastructure Library
<b>IMO</b>	International Maritime Organisation
<b>INDLELA</b>	Institute for the National Development of Learnerships, Employment Skills and Labour Assessments
<b>IPAP</b>	Industrial Policy Action Plan

<b>LAN</b>	Local Area Network
<b>LGSETA</b>	Local Government SETA
<b>MCS</b>	Marine Crew Services
<b>MEDUNSA</b>	Medical University of South Africa
<b>MERSETA</b>	Manufacturing, Engineering and Related Services SETA
<b>MICT SETA</b>	Media, Information and Communication Technologies SETA
<b>MIS</b>	Management Information System
<b>MLO</b>	Media Liaison Officer
<b>MMM</b>	Minister's Management Meeting
<b>MPAT</b>	Management Performance Assessment Tool
<b>MTEF</b>	Medium Term Expenditure Framework
<b>MTSF</b>	Medium Term Strategic Framework
<b>MQA</b>	Mining Qualifications Authority
<b>NAMB</b>	National Artisan Moderation Body
<b>NARYSEC</b>	National Rural Youth Service Corps
<b>NASCA</b>	National Senior Certificate for Adults
<b>NATED</b>	National Accredited Technical Education Diploma
<b>NC(V)</b>	National Certificate (Vocational)
<b>NDP</b>	National Development Plan
<b>NEET</b>	Not in Education, Employment, or Training
<b>NEGP</b>	New Economic Growth Path
<b>NGP</b>	New Growth Path
<b>NIHE</b>	National Institute of Higher Education
<b>NIHSS</b>	National Institute for Humanities and Social Sciences
<b>NIPF</b>	National Industrial Policy Framework
<b>NQF</b>	National Qualifications Framework
<b>NRF</b>	National Research Foundation
<b>NSA</b>	National Skills Authority
<b>NSDS</b>	National Skills Development Strategy
<b>NSF/FUND</b>	National Skills Fund, established in terms of section 27(1) of the Skills Development Act, 1998 (Act No. 97 of 1998)





<b>NNSF ALC</b>	National Norms and Standards for Funding Adult Learning Centres
<b>NSF DIS</b>	National Skills Fund Disbursement Information System
<b>NSFAS</b>	National Student Financial Aid Scheme
<b>OAG</b>	Office of the Accountant General
<b>ODA</b>	Overseas Development Assistance
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>OER</b>	Open Education Resources
<b>OFO</b>	Organising Framework for Occupations
<b>OQSF</b>	Occupational Qualifications Sub-Framework
<b>PAA</b>	Public Audit Act , 2004 (Act No. 25 of 2004)
<b>PALC</b>	Public Adult Learning Centre (see CETC)
<b>PED</b>	Provincial Education Department
<b>PERSAL</b>	Personnel Salary System
<b>PFMA</b>	Public Finance Management Act, 1999 (Act No. 1 of 1999)
<b>PGDA</b>	Postgraduate Diploma in Accountancy
<b>PIC</b>	Public Investment Corporation
<b>PICC</b>	Presidential Infrastructure Coordinating Commission
<b>PIVOTAL</b>	Professional, Vocational, Technical and Academic Learning
<b>PME</b>	Performance Management and Evaluation
<b>PQM</b>	Programmes and Qualifications Mix
<b>PRASA</b>	Passenger Rail Agency of South Africa
<b>PSIRA</b>	Private Security Industry Regulation Act
<b>PSET</b>	Post-School Education and Training
<b>PSETA</b>	Public Service SETA
<b>QCTO</b>	Quality Council for Trades and Occupations
<b>RPL</b>	Recognition of Prior Learning
<b>RDG</b>	Research Development Grant
<b>SADC</b>	Southern African Development Community
<b>SAGEN</b>	South African German Energy Programme
<b>SAICA</b>	South African Institute of Chartered Accountants

<b>SAIDE</b>	South African Institute of Distance Education
<b>SAIVCET</b>	South African Institute for Vocational and Continuing Education and Training
<b>SAIMI</b>	South African International Maritime Institute
<b>SAMSA</b>	South African Maritime Safety Authority
<b>SAMTRA</b>	South African Maritime Training Academy
<b>SANI</b>	South African National Biodiversity Institute
<b>SANCB</b>	South African National Council for the Blind
<b>SANEDI</b>	South African National Energy Development Institute
<b>SAQA</b>	South African Qualifications Authority
<b>SARETEC</b>	South African Renewable Energy Technical Centre
<b>SARS</b>	South African Revenue Service
<b>SASSETA</b>	Safety and Security SETA
<b>SAUS</b>	South African Union of Students
<b>SCOPA</b>	Standing Committee on Public Accounts
<b>SCM</b>	Supply Chain Management
<b>SDA</b>	Skills Development Act, 1998 (Act No. 97 of 1998)
<b>SDLA</b>	Skills Development Levies Act, 1999 (Act No. 9 of 1999)
<b>SDL</b>	Skills Development Levy
<b>SEDA</b>	Small Enterprise Development Agency
<b>SET</b>	Science, Engineering and Technology
<b>SETA</b>	Sector Education and Training Authority
<b>SIC</b>	Standard Industrial Classification
<b>SIP</b>	Strategic Integrated Project
<b>SITA</b>	State Information Technology Agency
<b>SOC</b>	State Owned Companies
<b>SOM</b>	School of Medicine
<b>SPU</b>	Sol Plaatje University
<b>SRC</b>	Student Representative Council
<b>SSDF</b>	Scarce Skills Development Fund
<b>SSP</b>	Sector Skills Plan



<b>SSS</b>	Student Support Services
<b>STCW</b>	Standards, Training and Certification of Watch-keepers
<b>STI</b>	Sexually Transmitted Infection
<b>TB</b>	Tuberculosis
<b>TDG</b>	Teaching Development Grant
<b>TETA</b>	Transport Education and Training Authority
<b>TNPA</b>	Transnet National Ports Authority
<b>TVET</b>	Technical and Vocational Education and Training
<b>TWG</b>	Technical Working Group
<b>UCCF</b>	University Council Chairs Forum
<b>UCT</b>	University of Cape Town
<b>UIF</b>	Unemployment Insurance Fund
<b>UJ</b>	University of Johannesburg
<b>UL</b>	University of Limpopo
<b>UMP</b>	University of Mpumalanga
<b>UN</b>	United Nations
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organisation
<b>UoT</b>	University of Technology
<b>USA</b>	Universities South Africa
<b>VCET</b>	Vocational and Continuing Education and Training
<b>VWSA</b>	Volkswagen South Africa
<b>W&amp;RSETA</b>	Wholesale and Retail SETA
<b>WAN</b>	Wide Area Network
<b>WIL</b>	Work Integrated Learning
<b>WITS</b>	Witwatersrand University
<b>WISA</b>	Women in Science Award
<b>WRC</b>	Water Research Commission
<b>WWF-SA</b>	World Wide Fund for Nature, South Africa



## Meldah Baloyi

Meldah Hair Salon



Meldah Baloyi runs a hair salon in Tzaneen which she started in 2013. In May 2016, Meldah received a phone call about a training opportunity for Emerging Entrepreneurs (EEs) through the Basic Entrepreneurial Skills Development (BESD) programme set up by Seda. She was very interested and met Jessica Mankelane, who is employed as an Entrepreneurial Development Practitioner (EDP) by a training provider under a contract with Seda. Jessica became 'her' EDP and assisted Meldah to develop her business. She learnt the importance of record keeping, and financial management skills. Jessica is also able to act as an intermediary and a translator for Meldah to express her business observations and queries.

An important benefit of attending the business clubs where the EEs participating in BESD come together regularly for half-day workshops has been its general contribution to HIV/AIDS awareness through stressing the importance of knowledge about this situation throughout the community. Meldah also had a very positive experience at her second business club meeting when she was able to showcase her business and the products that she has to offer. This led to interest by other EEs and them placing orders – proof that the business clubs can be useful marketing opportunities.

Meldah is optimistic about what she has learnt through the BESD training and coaching, and will continue to apply the knowledge and skills that she has seen are beneficial to her business. She has plans to improve the business further and make it a great success, and appreciates the assistance from BESD in getting her to this point.



### 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 7 Values

The National Skills Fund (NSF) upholds the following 7 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 money of the NSF may be used for the primary objectives as defined by the prescripts of the SDA namely:

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

The current main revenue sources for the NSF are:

1. 20 percent of the skills development levies as contemplated in the Skills Development Levies Act, 1999 (Act No. 9 of 1999); and
2. Interest earned on investments held at the Public Investment Corporation (PIC).



## SUCCESS STORY

The NSF may also receive revenue from the following sources:

1. The skills development levies collected and transferred to the NSF, in terms of the 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);
2. Money appropriated by Parliament for the NSF;
3. Donations to the NSF; and
4. 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 PFMA, retrospectively effective from 1 April 2012 (Notice number 821 in the Government Gazette No. 35759). Prior to the listing as a public entity, the NSF operated as a programme under the Skills Development Branch of the Department of Higher Education and Training (DHET).

#### 4.4 Key legislation applicable to the NSF

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

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



Ms. Mpho Arone is one of the products of NARYSEC employed by Black Mountain Leisure Hotel in Thaba Nchu

#### The Top Chef, Mpho Leah Arone

Mpho Leah Arone (22) from Thaba Nchu is very grateful for the impact that the National Rural Youth Service Corps (NARYSEC) programme of the Department of Rural & Land Reform, made in her life. She is currently employed by one of the top hotels in the hospitality industry, Black Mountain Leisure Hotel. Mpho was in limbo about her future, due to lack of adequate funds to pursue her studies after matriculation in 2014. She wanted to study a teaching course and become a teacher. She was part of the first recruit in the NARYSEC project in the Thaba Nchu College in March 2015. She underwent her character building in 3SAI, Kimberley and immediately after her completion she was

enrolled with MotheoTVET College and did Professional Cookery level 4 courses. The training was funded by the NSF through the Department of Higher Education and Training. Black Mountain Hotel recognised Mpho's attribute and hard work during her practical training with them and ultimately offered her permanent employment as one of their chefs. She managed to pay tuition fees for her twin sister with the stipend that she was getting during her stay with the NARYSEC programme. None of her family members was working and her stipend played a major role in sustaining their daily livelihood. The NARYSEC programme had opened doors for her as it enabled her to provide for her family.





## 5. ORGANISATIONAL STRUCTURE

### 5.1 Office of the Executive Officer



Executive Officer: Mr Mvuyisi Macikama



#### NSF SENIOR MANAGEMENT

Front row left to right: Conny Makhabane, Kgaogelo Hlongwane, Sanel Theron, Cindy Smit, Nyawa Dikwayo

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



## 5.1 Office of the Executive Officer (continued)



Executive Officer: Mr Mvuyisi Macikama



Director: Internal Audit: Ms Cindy Smit



### OFFICE OF THE EXECUTIVE OFFICER

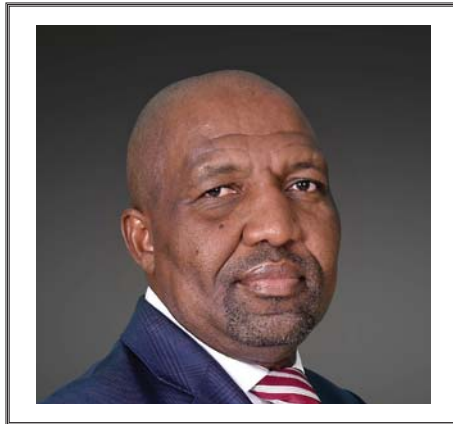
Front row left to right: Sindiswa Mphangwa, Bridgette Makola, Bongiwe Sipengane, Cindy Smit

Back row left to right: Sanele Mvimbi, Mvuyisi Macikama, Sandile Zulu

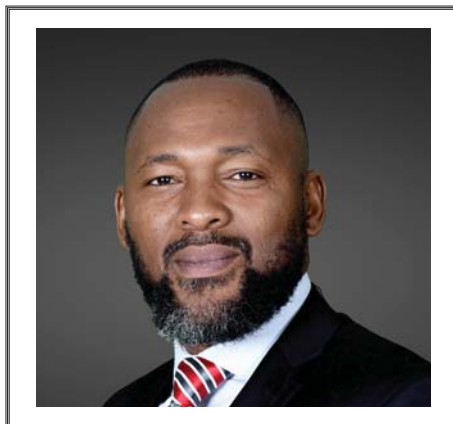
Absent: Dineo Lehula



## 5.2 Strategy, Partnerships & Innovation



Director: Strategy, Partnerships & Innovation: Mr Eubert Mashabane



Director: ICT & Analytics: Mr Lubabalo Lokwe



### STRATEGY, PARTNERSHIPS & INNOVATION

Front row left to right: Tebogo Nkwane, Keneilwe Tsoku, Pfarelo Mudau, Nonhlanhla Masilela, Nokuthula Mbatha  
Back row left to right: Bongani Mkhize, Eubert Mashabane, Lubabalo Lokwe, Goodenough Mlambo





### 5.3 Skills Development Implementation



Director: Initiation & Evaluation:  
Ms Kgaogelo Hlongwane



#### INITIATION AND EVALUATION

Left to right: Clement Nkuna, Meriam Malebo, Kgaogelo Hlongwane, Joe Magabane



#### REGIONAL SKILLS DEVELOPMENT MONITORING

Left to right: Droby Matsimane, Mabel Mawasha, Kgaogelo Hlongwane, Maureen Rannyama, Eliphus Sako

Absent: Mavis Gijima, Kenneth Maluleka, Tendani Moila, Slindile Nkiwane, Lindiwe Okufo, Morithi Makina, Nomusa Dlamini, Hellen Sebopetsa, Khunedi Ian Moloisi, Lydia Mathagu, John Dihashu, Phumudzo Ramawa, Athi Yam, Anelisa Phohole





### 5.3 Skills Development Implementation (cont.)



Director: Programme Monitoring:  
Mr Frans Strydom



#### PROGRAMME MONITORING

Front row left to right: Sicelo Khoza, Elsabe Horton, Onkgopotse Ntuli, Shelly Makhesa

Back row left to right: Edgar Motlhabane, Humphrey Masemola, Frans Strydom, Thanduxolo Ndyenge, Tebogo Selepe



#### REGIONAL SKILLS DEVELOPMENT MONITORING

Front row left to right: Londiwe Twumasi, Siphokasi Sentwa, Nomathemba Basi

Back row left to right: Gideon Sauls, Frans Strydom, Edgar Motlhabane

Absent: Ramakwale Boshielo, Njabulo Sithole, Sinovuyo Fikeni, Shaafig Fredericks, Babalwa Adonis, Nomangelengele Mokgolela



## 5.4 Bursaries



Director: Bursaries: Ms Conny Makhabane



### BURSARIES

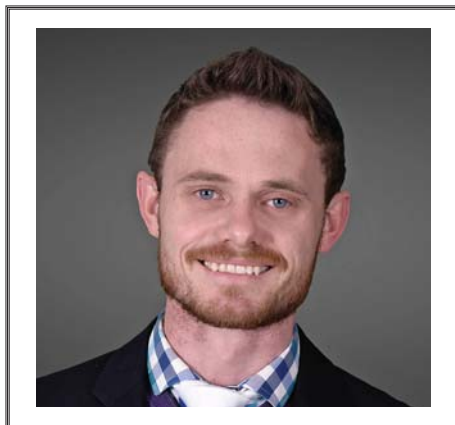
Front row left to right: Sandisa Maqubela, Bagcinile Khumalo, Conny Makhabane, Miriam Mosehla, Hermina Maubane

Back row left to right: Norman Sithole, Nditsheni Ramakokovhu, Thabang Sephai, Thabang Moloto, Rasea Mailula, Nyiko Hlekane

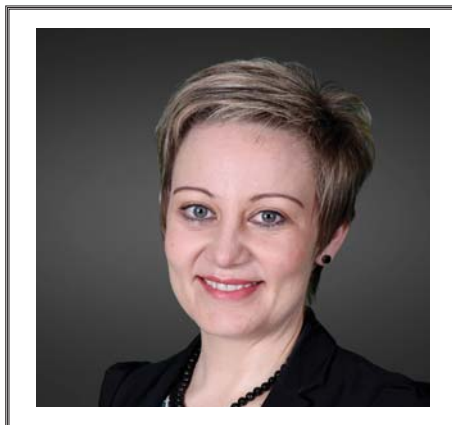
Absent: Dumo Zongo



## 5.5 Office of the Chief Financial Officer



Acting Chief Director: Project Siyaphambili:  
Mr Wean Minnie



Acting Chief Financial Officer:  
Ms Sanel Theron



Director: Financial Planning & Reporting:  
Ms Nyawa Dikwayo



### OFFICE OF THE CHIEF FINANCIAL OFFICER, FUND MANAGEMENT AND FINANCIAL PLANNING AND REPORTING

Front row left to right: Bridgette Setuki,  
Bridgette Siwada, Sanel Theron, Nyawa  
Dikwayo, Mahlodi Mashao

Back row left to right: Sipho Ndlovu,  
Lawrence Nedzungani, Lucky Masanabo,  
Kagiso Lekalakala, Wean Minnie, Thabo  
Mogotshane, Phumudzo Netshimbupfe,  
Dominic Mahubane, Gerrit Ferreira

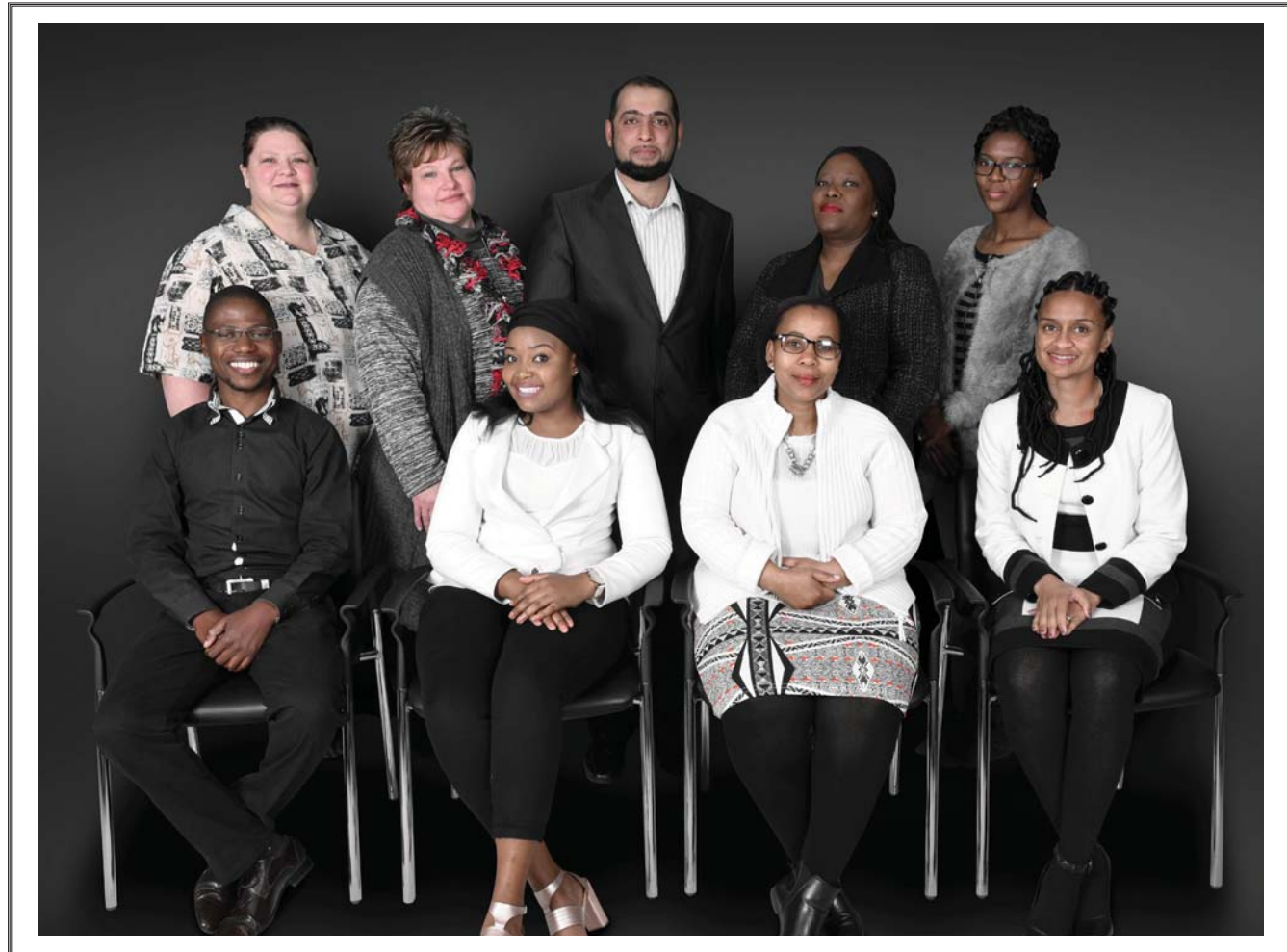




## 5.5 Office of the Chief Financial Officer (continued)



Director: Financial Management &  
Administration: Mr Zakariya Alli



### FINANCIAL MANAGEMENT & ADMINISTRATION

Front row left to right: Reginald Matumba, Xolisile Maphalala, Mary Monosi, Thembelihle Molefe

Back row left to right: Cecilia Pieterse, Belinda Bouwer, Zakariya Alli, Phumzile Maleka, Kgaugelo Tjale

Absent: John Magoro, Marinda Ferreira, Rina Koen, Rietjie Souwitzsky





## 5.6 Interns



### INTERNS

Front row left to right: Phelele Mdlovu, Pfarelo Mudau, Sanele Mvimbi, Nomathemba Basi, Mahlodi Mashao

Back row left to right: Reginald Matumba, Rasea Mailula, Nonhle Tukuse, Dominic Maubane, Goodenough Mlambo, Lucky Masanabo.



### INTERNS

Front row left to right: Xolisile Maphalala, Bridgette Makola, Keneilwe Tsoku, Hermina Maubane, Tebogo Nkwane

Back row left to right: Sandile Zulu, Sicelo Khoza, Onkgopotse Ntuli, Thabang Moloto, Lawrence Nedzungani, Nonhlanhla Masilela, Pontsho Nage.

Absent: Siphokazi Sentwa, Bulelani Bokwana, Zisanda Ganya, Fikelephi Mbewana, Reineth Mdluli, Tumelo Maowasha, Nkosingiphile Ngomane, Mahlatse Lehong



## 5.7 Support Staff



TEA LADIES

Maggie Kwashu, Sarah Mabitsa

Absent: Wendy Mashaba



CLEANERS

Front Row Left to right: Shirley Ramakhokha, Ruth Lelaka, Khensani Malaka, Takalani Madzhini

Back row left to right: Sappy Gininda, Lenah Merafe, Clifford Maselesele, Rachel Mahlabela, Emmie Mfisa, Simon Sathekge



## The Royal Dish provide learners with Work Integrated Learning (WIL) opportunities

The NSF has launched a Work Integrated Learning (WIL) proposal during the 2015/16 financial year. The roll-out of these projects commenced during the 2016/17 financial year. Towards the end of October 2016, The Royal Dish, primarily a construction company with a level 4 grading with the Construction Industry Development Board (CIDB) were given an opportunity by the DHET through the NSF to offer work exposure to young people from various Technical Vocational Education and Training (TVET) colleges.

The Royal Dish offers learners opportunities to network with small and medium enterprises that the company has partnered with to provide in service training opportunities for students. Through their business associates, partners and government, the organisation is playing an important role in solving the unemployment challenge of the country and making a concerted effort in providing platforms for launching careers of young people, facilitating career paths, training and nurturing the future business leaders of tomorrow.

### Civil technician trainee, Nkateko Hlungane is on the rise and nowhere near running out of steam

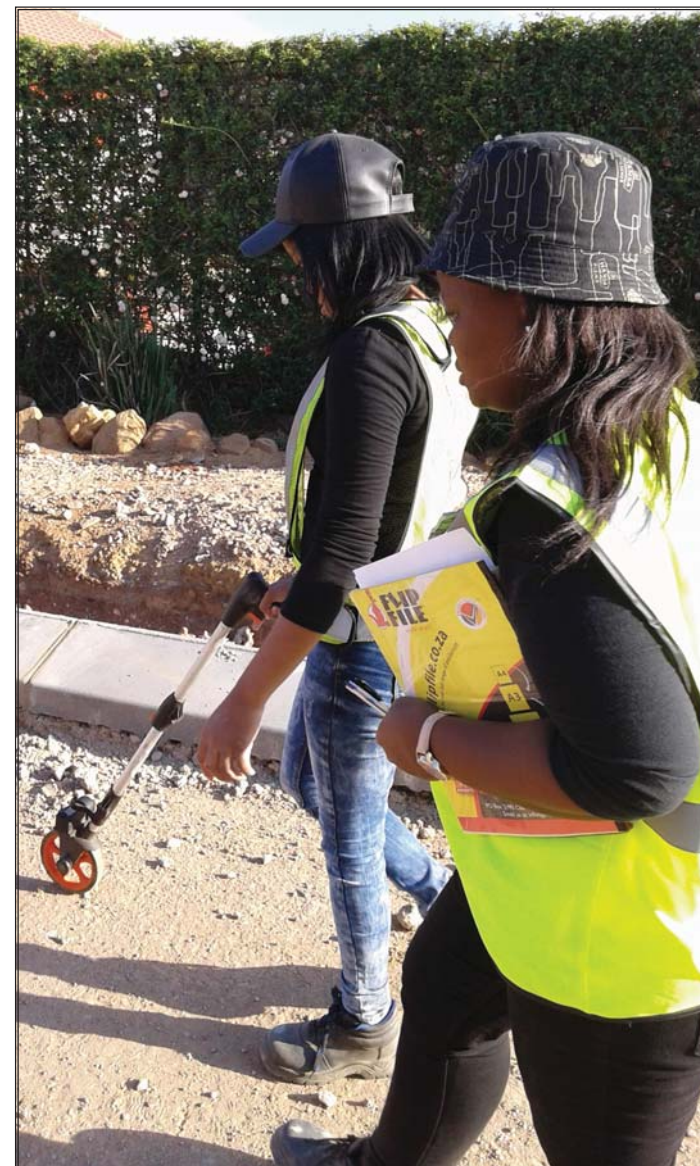
Nkateko Hlungane has acquired valuable skills in road maintenance and pothole patching. For Nkateko her path seems to be clear. Staying motivated is important to her and she does this by listening to motivational speeches whenever time permits. Nkateko admits that calculating road marking quantities wasn't easy at first, but she managed to rise up to the challenge. Familiarising herself with new construction terms was important when drawing prices and billing for work done.

One of Nkateko's highlights thus far has been when she was assigned the task to lead and manage people at a construction site. She was given an opportunity to lead a team of people in a task of potholes patching and road markings. Her communication skills improved as she was working with a diverse group of people with different behavioural aptitudes, language and beliefs. This gave her the opportunity to brush up on her leadership and management skills.

Some of the techniques that Nkateko has been actively pursuing to contribute to her career growth includes doing more research, seeking more advice and aligning with people who encourage, groom and motivate her.

On the advice she can give to other trainees she borrows from the words of Dr David M. Burns who was quoted as saying: "Aim for success and not perfection. Never give up your right to be wrong, because then you will lose the ability to learn new things and move forward with your life."

## SUCCESS STORY



Tholakekele Ndlandla as she plays an integral part in the design and upgrades of roads







### Designing and upgrading of roads, Tholakekele Ndlandla

The design and upgrading of roads have been brought with it the promise of improved road infrastructure for affected communities. Getting involved on the project to apply upgrades on roads from gravel to surface came in at the perfect time for the trainee to learn about road design and building.

Tholakele has had the perfect opportunity to be exposed to activities including back filling sidewalks, building main holes, box cutting sidewalks, stabilising roads, rip, mix and compacting roadbeds and testing aggregates. Another core task that she has been performing is administration which includes the reconciliation of material and the compilation of the Expanded Public Works Programme (EPWP) report.

Tholakele is grateful for the opportunity and says she now understand how a road is done, starting from all the different layers of aggregates that are assembled. This project has given her insight and she confirms that she has gained exceptional practical knowledge regarding civil engineering since she was placed through The Royal Dish.

### Lighting up retail spaces one shop at a time, Mulanga Ramathuba

Mulanga Ramathuba is a determined young girl with a goal to complete her training as an intern. She is looking forward to graduate, and to become a qualified and registered Electrical Engineer.

Mulanga is placed as an electrician trainee and is currently working on a project to do shop fitting and electricity installation. Her main duties focused primarily on collection of material including cable, plugs, light and bulbs and connecting of plugs. Mulanga was also responsible for installations including installing distribution boards, light bulbs, transformers and material testing which includes testing the power flow of material.

What impressed Mulanga was working with team members with a great work ethic. She found them to be accurate, hardworking and always on time. To play her part, she has vowed to ensure that she studies all the materials and tool names required for her to do the job before going on site. She is committed to learn and being a more effective team member.

Mulanga has had the pleasant opportunity to be a rose amongst thorns as the only lady amidst the men at the project site. On a serious note she says she have learnt so much, installing of bulbs with high voltage, single plugs, double plugs and to install cables in a cable tray. She have also learnt the importance of working on time as she had to do many connections in a short period of time.

She has also set her sights on registering for the installation rule course and obtaining a Certificate of Compliance (COC) certificate. Mulanga is grateful for the opportunity to spread her wings and to improve her skills and knowledge as an electrician.





## 6. FOREWORD BY THE MINISTER OF HIGHER EDUCATION AND TRAINING



**DR BE NKOMO, MP**  
**MINISTER OF HIGHER**  
**EDUCATION AND**  
**TRAINING**

It gives me great pleasure to present this 2016/17 annual report of the National Skills Fund (NSF), whose mission remains the provision of funding for skills development towards a capable workforce for an inclusive growth.

On the 2017 budget vote on Higher Education and Training I presented in Parliament, themed advancing Higher Education and Training in the year of OR Tambo, education is recognized as the key driver for development. This ideal continues to be government's commitment espoused in the National Development Plan (NDP), which emphasizes that education, training and innovation are central to South Africa's long-term development and that they are key elements in eliminating and reducing inequality, and are the foundation of an equal society.

The NSF continues to be a key role player in contributing to this objective, through various skills development interventions that include the expansion of our Post-School Education and Training (PSET) System. As a skills development funder, the NSF funded key infrastructure development projects across the country, mainly aimed at expanding both the University and the TVET college sectors, with a particular focus on scarce and critical skills areas. These infrastructure development projects consist of the following:

Gauteng: University of Pretoria, R415 million allocated towards the University of Pretoria for expanding the University's medical and veterinary facilities to double the number of medical doctors and veterinaries trained annually by the University of Pretoria.

Gauteng: University of Johannesburg, R205 million allocated towards the University of Johannesburg for establishing work-integrated learning facilities for engineering students, which includes a training workshop, design centre and industrialisation centre.

Western Cape: Cape Peninsula University of Technology, R83 million towards the Cape Peninsula University of Technology for establishing renewable energy training facilities.

Western Cape: University of Cape Town, allocated R9 million towards establishing a dedicated state-of-the-art hair testing and research laboratory by the University of Cape Town's Division of Dermatology.

New TVET College Campuses: R589 million disbursed towards constructing 12 new TVET college campuses across the country and refurbishing 2 existing campuses. The Thabazimbi TVET college campus in Limpopo has successfully been completed, with the Bhambabana and Nkandla A TVET college campuses in KwaZulu-Natal due for completion later in 2017.

Further contributions by the NSF are towards the top 15 scarce and critical skills areas that are part of the list of occupations in high demand, which include, but not limited to: Accountants (General); Vocational or Further Education Teachers; Physical and Engineering Science Technicians; Electrical Engineers; Software Developers; Foundational Phase Teachers; Welders; Mechanical Engineers; Toolmakers; Civil Engineers; Plumbers; Chief Information Officers;



Carpenters & Joiners and Finance Managers.

The 2014 White Paper for PSET set the NSF on a somewhat different course, further tasking the NSF with building linkages within the skill development systems, including funding government strategies such as youth, small business, cooperative and rural development. A lot of progress has been achieved in this regard as detailed in this annual report.

The repositioning of the NSF through “Project Siyaphambili”, launched in April 2014, has neared its final stage, with placement of current staff in the new structure completed and filling of new posts well on course. This milestone will ensure the NSF’s efficiency and effectiveness in relation to its contribution towards skills development in the country.

“The children of any nation are its future. A country, a movement, a person that does not value its youth and children does not deserve its future” so said Oliver Tambo.

It therefore, continues to be our passion and desire to never falter, as a government, in delivering on the promise of a better life, driven by critical mass of educated and well trained members of society, placing South Africa in an upward developmental trajectory, for the benefit of this generation and many generations to come.

In conclusion, I wish to thank the Deputy Minister and Director-General for their guidance and particularly appreciate the NSF management and staff for their sterling work achieved amidst the turbulence experienced by the PSET sector during this reporting year.



**DR BE NZIMANDE, MP**  
**MINISTER OF HIGHER EDUCATION AND TRAINING**



## 7. FOREWORD BY THE DEPUTY MINISTER OF HIGHER EDUCATION AND TRAINING



**MR MC MANANA**

**DEPUTY MINISTER OF  
HIGHER EDUCATION AND  
TRAINING**

During the 2016/17 financial year, the NSF worked tirelessly to support the exciting momentum of the Decade of the Artisan advocacy campaign launched by the Minister in 2014. The relentless campaign trail with the slogan “it’s cool to be a 21st century artisan” continues to evoke overwhelming enthusiasm among the high school learners in grades 9-12 and youth in general, especially those not in employment, education nor training (NEET) to consider pursuing careers along artisanal/vocational and technical skills in the 21st century. Our gratitude is extended to the support and fruitful engagements and interest shown by all integral artisan stakeholders who are committed to advance artisan development.

The country, in line with the NDP vision of producing 30 000 artisan by 2030, is currently producing an average of 16 000 artisans annually. The efforts

and commitment exhibited by all artisan development role players especially industry and unwavering political leadership across government is highly commendable. We continue to acknowledge, engage and support strong partnerships with State Owned Companies (SOCs) to optimize their facilities and capabilities to produce qualified artisans for the economy in line with the New Growth Path, Skills Accord and Industrial Policy Action Plan strategies of government. The partnerships with Transnet, Denel, Eskom, Necsa and South African Airways Technical continue to produce impressive results with more than six hundred qualified artisans funded by the NSF exiting the programme this year.

In our quest to increase access to occupationally directed programmes in required areas and expansion of the availability of intermediate level skills, with a special focus on artisan skills, the NSF supports the provincial consultative work of National Artisan Moderation Body (NAMB) in developing the National Artisan Development Strategy which culminated in the successful launch of the National Artisan Development Conference in December 2016. The robust strategic engagements and buy-in from all the key artisan development stakeholders will further support and strengthen the consolidation and finalization of the National Artisan Development Strategy. The Recognition for Prior Learning (RPL) regulations approved by the Minister in December 2016 will also broaden the Artisan Development System and afford opportunities for our people to become qualified artisans. The Fund is committed in collaboration with NAMB and TVET Colleges, to support efforts to upscale artisan development opportunities, including continuous engagements with industry.

The work of the Dual System Artisan Development Pilot Project which is an integrated training system that is being piloted at two Eastern Cape and two Gauteng TVET Colleges has gained tremendous momentum with 100 learners benefitting from the programme. We applaud the participation of the employers and TVET colleges in championing the programme.

The World Skills South Africa national competition in preparation for the World Skills International Competitions in Abu Dhabi, United Arab Emirates further demonstrated our commitment, efforts and willingness to continuously exert and aim for excellence in line with the world standards. The competition





highlights the importance of harnessing our vocational skills education and training for the youth, industry and society towards building a strong artisan training system and contributing in the overall economic growth of our country. We extend our support to the participants as they once again represent the country in such a prestigious competition, carrying the hopes of the nation on their shoulders.

We continue to support the First Things First programme of the Higher Education and Training HIV/AIDS Programme (HEAIDS) now in its seventh year. First Things First provides comprehensive health advisory service to South African youth especially in the PSET that include HIV testing and counselling, Sexually Transmitted Infections (STIs), Tuberculosis (TB) screening in response to the National Strategic Plan on Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS) to eradicate the scourge of HIV/AIDS.

The year saw once again 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 to avoid stampedes and long queues that take place at the beginning of each academic year. Our work continues to inspire and show noticeable positive impact as we forge ahead and reach a wider spectrum, including the learners in often marginalised rural areas, villages and townships to make informed career choices. We have also partnered with the Department of Basic Education (DBE) in training of Life Orientation teachers to offer support to the learners. The Career Guidance further promotes the “100 Occupations in high demand” list that was released by the Minister in 2014.

The Fund, through the bursary scheme has been unwavering in its support for 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.

In conclusion, I would like to thank the Minister of Higher Education and Training, Dr BE Nzimande for his remarkable support, leadership and strategic guidance, and the Director-General, Mr GF Qonde, the NSF management and staff for their commitment, teamwork and hard work.



**Mr MC MANANA**

**DEPUTY MINISTER OF HIGHER EDUCATION AND TRAINING**





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



**MR GF QONDE**

**DIRECTOR-GENERAL OF  
HIGHER EDUCATION AND  
TRAINING**

The National Skills Fund (NSF) remains a key strategic pillar in responding to the vision of government as set out by all national policies of redress, promoting equity, aligned to public service and economic priority goals. Through the strategic partnership with the National Student Financial Aid Scheme (NSFAS) and National Research Foundation (NRF), the NSF is able to allocate funding that would enable thousands of students, nationally, the opportunity to a higher education qualification that would otherwise be out of their reach.

The NSF awarded more than R1 billion in scholarships and bursaries to benefit more than 18 000 academically strong, financially deserving undergraduate and postgraduate students in scarce and critical skills programmes in the 2016/17 financial year. These funded skills programmes include and are

not limited to occupations in high demand as guided by the Organising Framework for Occupations such as Geologists, Medical Scientists, Civil Engineers, Technologists, Biokineticists, and Botanists, to name a few.

### **National Student Financial Aid Scheme**

The NSF in a time of national budgetary constraints continues to fund students from the peripheral areas of the country to provide academically strong students the opportunity for higher education. The NSF awarded more than R866 million in scholarships and bursaries to benefit more than 15 000 students in scarce skill programmes offered across various institutions of higher learning.

*"The NSF has made what was impossible for me possible! I am going to make sure that I give back to my country by making sure that I work hard and contribute to the economy of South Africa" – Bongolwethu Yapi*

Bongolwethu Yapi was born and raised by a single parent in East London, Eastern Cape. She completed her Honours degree in B.Com Finance and Investments at the University of the Western Cape. Currently, she works at the Foschini Group as a Trainee Planner and continues to soar in the working environment. Her aspirations are to become a Chartered Accountant in the near future.

*"I would like to thank the NSF for giving me the opportunity to study. I will be grateful for my whole life for this bursary" – Omphile Sere*

An aspiring engineer from a young age, Sere was born and raised in the rural outskirts of the North West province, in a township named Taung. She was awarded a bursary by the NSF to achieve her dreams of becoming a Mechanical Engineer. After obtaining her B.Tech degree at the Central University of Technology, Sere managed to secure an internship opportunity with Resolution Circle.

Dr. Patience Selotole is a qualified Veterinarian working for the Mpumalanga Veterinary Services. Despite the dire circumstances of her life at the time, her teachers continued to motivate her to work harder until she matriculated with flying colours at Takheni Secondary school in 2009. Dr. Selotole obtained



her Veterinary Sciences degree from the University of Pretoria in 2016. Dr. Selotole states- "I am where I am today as an animal Doctor because of the countless work, efforts and support of my province, the NSF and my family. My plans are to specialise in Aquaculture and study overseas. I am passionate about providing food security, employment opportunities for our youth and women and saving animals". Dr. Selotole is hopeful that the youth can read her testimony and realise the available support from the Department of Higher Education and Training in order to pursue their dreams without limitations.

### National Research Foundation

Through the strategic partnership with the National Research Foundation (NRF) for postgraduate funding, the NSF strategic funding towards bursaries in science, technology and innovation continues to grow. During the financial year under review, the NSF through the NRF allocated over R254 million towards the Scarce Skills Development Fund (SSDF) programme to benefit more than 3 000 students towards their study programmes. The fund continues to support students at Honours, Masters, Doctoral levels and Post-doctoral Research Fellows as well as strategic initiatives, namely, the South African Institute of Chartered Accountants students studying towards the Certificate for Theory in Accounting. This innovative partnership continues to be an enabling tool in building an educated workforce to support economic growth and stability.

### International Scholarships

The NSF remains committed to collaborations at all levels of government, Technical and Vocational Education and Training (TVET) colleges, institutions of higher learning, the private sector, international organisations through bilateral agreements in the pursuit to implement its key priorities in line with the vision of government and the strategic plans of the Department. Through South Africa's bilateral agreements with other countries, the NSF continues to allocate top-up funding to 51 students who were accepted for scholarships in Russia, China and Sri Lanka to pursue their undergraduate and post-graduate studies. In the last financial year, more than R12 million was utilised towards top-up funding. I am pleased to report that more than 15 students have completed their studies in the last financial year; this number includes 7 students in Masters programmes.

Below, is a few of the success stories:

Katlego Magoro obtained his Master of Business Administration at the University of Kelaniya, Sri Lanka in 2016. When he speaks of how he will contribute further into society he states, "I'm planning to focus on getting professional certification through CIMA to enhance my skills. Some years later, I will pursue a PhD so that I can contribute to academia as well. It will be one way of giving back to society." Magoro is currently on the Parmalat South Africa Graduate Programme.

Thamsanqa Mahlobo is another success story. Mahlobo completed his Masters Degree in Applied Economics in China and later taught at the Durban University of Technology. He is currently finishing his second Masters Degree in Regional and Cultural Studies in China.

The Department is pleased with these achievements and is making strides in signing new agreements with other governments outside of South Africa. It is the hope of the NSF that more agreements will be made, in addition to China, Russia and Sri Lanka, to ensure that the reach of other first world countries and exchange of knowledge is achieved.

To all our strategic partners, thank you for your continued support in ensuring that the National Skills Fund continues to deliver on its core mandate of developing skills for an inclusive growth path and the 2030 vision of the country as outlined in the National Development Plan. Together, we can do more.



**MR GF QONDE**  
**DIRECTOR-GENERAL OF HIGHER EDUCATION AND TRAINING**



## 9. EXECUTIVE OFFICER'S OVERVIEW



**MR MVUYISI MACIKAMA**  
**EXECUTIVE OFFICER**

The NSF remains fully committed to the Department's response to Outcome 5 of government's performance outcome i.e. "A skilled and capable workforce to support an inclusive growth path." All NSF strategic priorities are aligned to the four sub-outcomes of government's outcome 5. The NSF's strategic priorities, as articulated in the National Skills Development Strategy III (NSDSIII), are as follows:

- Skills development towards priority occupations;
- Rural skills development;
- SMME and Co-operative skills development;
- Community-based skills development and worker education;
- An expanded, integrated and effective PSET system;
- Skills infrastructure development;
- Skills development research, innovation and communication; and

- NSF's efficiency and effectiveness through an improved organisational structure, with sound monitoring and evaluation capacity.

The NSF continues to play a critical role in investing in education and skills development, by providing resources to unlock and catalyse national human development potential. This role is demonstrated in its consistent support of the NSDS III goals and other government strategies such as the NDP, New Growth Path (NGP) and Industrial Policy and Action Plan (IPAP); through interventions, which include, artisan development, learnership, internships/Work Integrated Learning (WIL), TVET infrastructure, skills programmes and capacity building of various stakeholders.

To date, the NSF has made great strides in playing a catalytic role in skills development as demonstrated by, inter alia, contributions made towards specialised professions in the medical and veterinary sciences, TVET infrastructure projects and allocations made to the Department for special projects that contribute to capacity building of the entire post-school education and training sector (PSET). The NSF has also, intermittently provided funding for the worker education and training interventions, through different institutions. A lot more still needs to be done in this area, in partnership with the relevant worker stakeholders, such as union federations and labour research institutions.

Significant support to the public education and training institutions has been achieved by investing in the establishment of new TVET College campuses, with one in Thabazimbi completed and in operation, Nkandla and Bامbanana due for completion before end of 2017 and the remaining 13 still in the contracting stages. R1.5 billion was budgeted by the NSF as contribution to this objective and a further R1 billion allocated by the 21 Sector Education and Training Authorities (SETAs). In December 2016, a further R2,3 billion has been allocated to the 50 public TVET Colleges for further expansion of college programme offerings to cater for immediate community, regional and industry skills needs on a sustainable manner.

Some of the most recent achievements include, amongst others:

- Full cost of study bursaries to over 15 000 students, inclusive of over 3 000 post graduate students in scarce and critical skills through a



partnership with NSFAS and the NRF, with a commitment totalling R2.3 billion over the MTEF period;

- R2 billion committed to DHET priority projects over the MTEF period, aimed at building the capacity of the PSET system. The majority of the funding is allocated to the development of the TVET college sub-system and includes training of lecturers, strengthening governance and management in the TVET system. Funding is also focused on building capacity for management of artisan development.
- Continued partnerships with the different departments of government, including Public Works (DPW), Rural Development and Land Reform (DRDLR), Justice and Correctional Services (DCS), in providing training opportunities to the youth across the country for participation in expanded public works programmes, rural economic and infrastructure development opportunities and self-employment chances for those young people who have found themselves in conflict with the law and serving their last year of imprisonment.
- The NSF experienced a significant increase in total revenue in the previous three financial years (2013/14, 2014/15 and 2015/16) mainly due to additional funds received from the SETAs. Funds received from SETAs include following:
  - R1.077 billion in 2013/14 as the SETAs' contribution towards construction of the 12 new TVET college sites and the refurbishment of 2 existing campuses.
  - R2.646 billion SETAs' uncommitted surpluses transferred to the NSF in March 2015, inclusive of R60.4 million received to assist with TVET college infrastructure development.
  - R580 million in 2015/16 as a result of the SETAs' uncommitted surpluses being transferred to the NSF, including R31.055 million also received from the SETAs to assist with TVET college infrastructure development and R185 million towards the establishment of the South African Institute for Vocational and Continuing Education and Training (SAIVCET).

It should be noted that the above funds were, however, once-off contributions, which were earmarked for specific skills development initiatives such as the

TVET college skills infrastructure development initiative. Levy income growth is uncertain due to the current economic climate, while investment income is expected to decline due to a decline in surpluses.

Equally important to make mention of is the series of protests undertaken by students in different institutions higher education across the country, under the theme of “#fees must fall”. Whilst these calls for lower fees and/or free education are as old as the democratic dispensation and some pre-dating the democratic dispensation, the recent protests have had a different impetus, characterized by the practical participation of the historically advantaged institutions. The NSF couldn't escape the sweeping effect of these national student protests, resulting in re-directing of R5,3 billion of reserves to universities and TVET Colleges to meet the promise of government to a no fee increase for students from poor and working class families.

The immediate effect of this shift of funds is the reduction of funds to target students enrolled in scarce and critical skills in institutions of higher learning, reduction of funds targeting artisan development, PSET capacity building and reduction of funds targeting vulnerable youth currently not employed nor in training. The entire PSET system is therefore expected to apply maximum prudence and diligence in the utilization of these ever dwindling financial resources and strive to extract maximum benefit from every Rand at its disposal.

In conclusion, I would like to thank the honorable Minister of Higher Education and Training, Dr BE Nzimande, MP, the Deputy Minister, Mr MC Manana, MP and the Director-General, Mr GF Qonde, for their leadership and unwavering support towards realizing these achievements. I also thank the NSF management and staff for your dedication, support and sacrifices made to ensure that the mandate entrusted to this organization is achieved. I thank you, Ndiyabulela.



**Mr MV Macikama**  
**Executive Officer: National Skills Fund**





**Lehumo Lekgetho****Business Advisor**

Kuruman



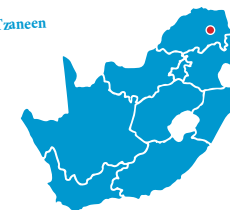
Lehumo Lekgetho works as a business advisor at the SEDA branch in Kuruman. Originally she joined the branch as an intern (cadet) in October 2015. She was exposed to the Basic Entrepreneurial Skills Development (BESD) programme and became more practically involved in November 2015 when she took over some responsibilities that are normally part of the role of an information officer. This position was vacant in Kuruman at the time.

Here, she worked on recruiting Emerging Entrepreneurs (EEs) for BESD. This was done in collaboration with Entrepreneurial Development Practitioners (EDPs) who, after having completed their own training, were waiting for the start of training and coaching of EEs. Part of this process of preparing the EE training included the orientation in March 2016 of the newly appointed training provider for BESD, the Centre for Professional Excellence and Training (CEPT). She appreciates the support GIZ provided to her to better understand BESD and to develop the capacity to fulfil her role in that context.

Lehumo is enthusiastic about BESD because it will contribute to taking businesses from the informal to a more formal level where she can then also help as a business advisor to grow these businesses further. The bottom line for her is that this is not only about growing businesses, but also helping people to put food on the table. This perspective motivated her to go the extra mile, sometimes even using her own private resources to get the list of EEs finalised for the start of their training. Lehumo finds that her work on BESD was indeed very fulfilling. Having proved herself as a dedicated and hardworking individual, she successfully applied for a business advisor position in Kuruman and was appointed in mid-2016.

**Jessica Mankelane****Small Enterprise  
Development Agency**

Tzaneen



Jessica Mankelane works as an Entrepreneurial Development Practitioner (EDP) in Tzaneen, Limpopo. She became involved with the Basic Entrepreneurial Skills Development (BESD) programme after finishing her education in Business Studies at the University of the Free State. She did not undergo the seven months training as an EDP, but given her educational background, was employed as a replacement for an EDP who had left the project. So for her it is learning by doing combined with support from the other EDPs in Tzaneen, as well as the training provider implementing BESD.

Jessica really appreciates the challenges and positive outcomes that this experience gives her. She points out that the Emerging Entrepreneurs (EEs) are not equipped with the ability to interrogate the content which is applied in the templates/user manuals. She sees language being a problem: Tsonga, Sesotho and Venda speakers find it difficult to understand the processes that the templates, written in English, are designed to explain and document as this is not their first language. However, the regular Monday meetings with the training provider project manager and the other EDPs help to brainstorm and to discuss how to overcome the language barriers that limit the manuals' effectiveness in communicating business knowledge to the EEs. Translating the manual is too costly, but Jessica has other resources at her disposal, especially internet research, which allow her make the teaching of EEs more practical.

From her perspective EEs can play a hugely important role in uplifting the disadvantaged in the South African context and Jessica would like to continue contributing in that process, becoming a driving force in community advancement by helping EEs to achieve their betterment goals.





## George Nyamani

Lindesthu Projects



George Nyamani, an Emerging Entrepreneur (EE) in Soweto, is the owner of Lindesthu Projects, a business working with a technology called Self-Sealing Tyre Technology (SSTT), which helps to avoid punctures and related tyre problems. He has run the business for two years and through being trained and coached on business skills as part of the Seda Basic Entrepreneurial Skills Development (BESD) programme over the last six months, he has fully appreciated the need for him to be properly registered to be able to benefit from operating in the formal market. His business now has a bank account and is indeed registered for tax. Moving from trading informally before, George is now able to run his business activities at a much higher professional level; everything is now documented, and this makes more opportunities available through his ability to demonstrate a proven track record as well as by being able to provide proper quotes. George's Entrepreneurial Development Practitioner (EDP), Mpho Moletsani who trains and coaches him on business skills, encourages him to ask questions so that he will benefit as much as possible over the entire 15 months of training. Their relationship is characterised by reliability and respect. For him this is also important in the business where keeping time and always being available for the customers have become a priority.

George has gained confidence which helps him to promote his business and do marketing because from his experience, people don't buy from someone who lacks confidence. Participating in the business clubs, when EEs involved in BESD come together for regular half day workshops, has proved its success in providing networking opportunities as well as business ideas and encouragement. Because of the high crime levels, receiving cash payments was a concern to George and he is very happy that he learned through the training of the benefits of Electronic Funds Transfer which he can now request having a bank account. Though he was a bit doubtful about BESD in the beginning, overall he can now clearly see the value it adds to his business.



## Dorothy Mathsediso

Popago Primary  
Co-operative



Dorothy Matshediso is a member of Popago Primary Co-operative growing vegetables in Jouberton Township in Klerksdorp. It started with 12 members (young and old) in August 2015, but many lost interest quite soon. With very few members, litter and stony soil, producing vegetables was difficult and members' contributions could only cover the cost of seed packets. Repeated crops such as beetroot and onions kept failing. Things started to improve only when a new member with an agricultural education background joined and spinach turned out to be a much more successful crop.

When Dorothy attended a briefing session by SEDA about Basic Entrepreneurial Skills Development (BESD) she saw this as a good opportunity for the co-op and applied to participate. In April 2016 she was subsequently trained and coached by an Entrepreneurial Development Practitioner (EDP) on business skills. The EDP helped Dorothy with money-management skills, how to market the business, pricing and advertising the product, and keeping records. In September 2016 the co-op opened a bank account.

Using spinach as an example, she cleans the leaves, increases the size of the bundle and includes a spring onion to make it more attractive to customers. The co-op is now diversifying into beetroot, onions, cabbage, beans, potatoes and sweet potatoes, so that the members can expect some kind of salary at the end of the month and take-out have enough money to reinvest and buy more seeds.



# *Funding to Skill our Nation*



## **PART B: PERFORMANCE INFORMATION**

## 1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

### Statement of Responsibility for Performance Information for the year ended 31 March 2017

The Accounting Authority is responsible for the preparation of the public entity's performance information and for 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 strategic and annual performance plan of the public entity, for the financial year ended 31 March 2017.

The performance information of the entity set out on page 40 to page 52 was approved by the Director-General of Higher Education and Training, as the Accounting Authority of the National Skills Fund.



**MR GF QONDE**  
**DIRECTOR-GENERAL: HIGHER EDUCATION AND TRAINING**  
**31 July 2017**



**MR MV MACIKAMA**  
**EXECUTIVE OFFICER: NATIONAL SKILLS FUND**  
**31 July 2017**

## 2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to the Report of the Auditor-General to Parliament on the National Skills Fund (pages 93 to 97), published as Part E: Financial Information.

## 3. OVERVIEW OF THE NATIONAL SKILLS FUND'S PERFORMANCE

### 3.1 SERVICE DELIVERY ENVIRONMENT

On 12 October 2012, the National Skills Fund (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; and
- A committee of the National Skills Authority (NSA) also provides monitoring with respect to the contribution of the NSF to the targets of the National Skills Development Strategy (NSDS).





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

Since the dawn of the NSDS III the NSF's performance has increased significantly seeing the Fund's disbursement towards skills development increasing to R5.016 billion (2015/16: R4.357 billion) during the current financial year.

The NSF couldn't escape the sweeping effect of these national student protests, resulting in re-directing of reserves to universities and TVET Colleges to meet the promise of government to a no fee increase for 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 R1.895 billion for the 2016/17 financial year.

The remainder of the NSF's funds disbursement towards skills development, excluding the funds towards the no fee increase, amounts to R3.121 billion. This funding benefitted 48 169 learners for the year under review through the various projects funded by the NSF.

The majority of these 48 169 learners are still receiving training in on-going learning programmes as their learning programmes extend over periods longer than one year. The NSF remains committed towards funding these learners over their entire qualification period. This is to ensure a maximum throughput of learners obtaining their qualifications and preventing a high drop-out of learners due to a lack of funding to complete their studies from one year to the next.

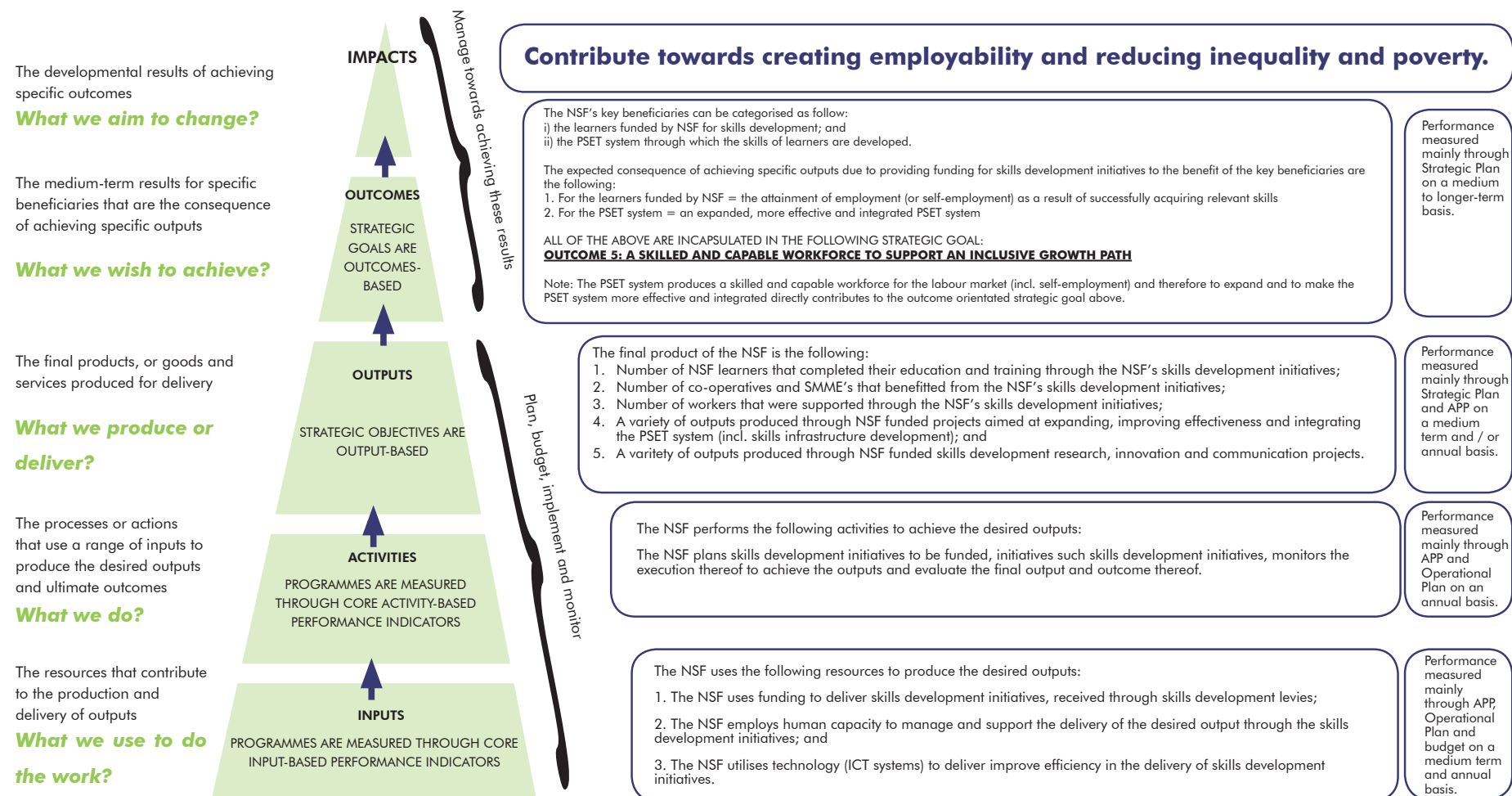
The NSF's increased performance under NSDS III continues to be noted below:

- 1st Year of NSDS III (2011/12): Investment towards skills development increased by 131% from R564 million to R1.3 billion;
- 2nd Year of NSDS III (2012/13): Investment towards skills development increased by 97% from R1.3 billion to R2.6 billion;
- 3rd Year of NSDS III (2013/14): Investment towards skills development increased by 19% from R2.6 billion to R3.1 billion;
- 4th Year of NSDS III (2014/15): Investment towards skills development increased by 3% from R3.1 billion to R3.2 billion;
- 5th Year of NSDS III (2015/16): Investment towards skills development increased by 38% from R3.2 billion to R4.4 billion; and
- 6th Year of NSDS III (2016/17): Investment towards skills development increased by 14% from R4.4 billion to R5 billion.

Furthermore, the NSF has a remaining contractual commitment of R9.4 billion (2015/16: R6.4 billion) towards the various skills development programmes and projects of national priority, with a further R11.4 billion (R15.8 billion) being earmarked various skills development programmes and projects that have not yet been contractually committed. This high level of commitment has strategically positioned the Fund to maintain its high level of performance into the future.



For the year under review, the NSF has developed a theory of change, which has been premised on the Framework for Strategic Plans and Annual Performance Plans published by the National Treasury. The aim of the theory of change is towards measuring the outputs, outcomes and ultimate impact of skills development projects funded by the NSF. It has therefore resulted in additional performance indicators that the NSF has reported on for the first time during the financial year under review, specifically aimed at measuring outputs. The theory of changes as contained in the NSF's Annual Performance Plan 2016/17 is as follow:



### 3.2 ORGANISATIONAL ENVIRONMENT

For the year under review, the NSF has started the process of implementing its new organisational structure, business process and ICT system to improve the overall efficiency and effectiveness of the fund and the work thereof is due for completion during the 2017/18 financial year.

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

1. Dedicated project initiation and evaluation capacity has been established. The purpose of the initiation and evaluation unit with regards 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 regards time frames, and secondly it is to improve the effectiveness of the NSF 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 the key strategies of government, namely the National Development Plan, the Medium Term Strategic Framework etc. to further ensure clear alignment between the strategic objectives of the NSF and that of the key strategies of government.
2. 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 skills development projects are being monitored at two levels, namely at regional level through the NSF's regional monitoring units, as well as at national level through the NSF's programme monitoring unit. The capabilities of these monitoring units are being strengthened through the various capacity building workshops and the introduction of new standardised monitoring templates and new improved monitoring processes. The new ICT system, 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 and further enhance the new monitoring and reporting processes through automating certain aspects thereof.
3. The NSF has started the recruitment process of dedicated high level finance capacity that will act as business partners and support to the core skills development functions aimed at strengthening financial management throughout the skills development lifecycle at all levels during the financial year under review. The financial capacity has been appointed shortly after year-end and is currently being capacitated to improve their understanding of the skills development environment and the broader PSET system.
4. The NSF has appointed a service provider to implement and integrated Microsoft Dynamics ICT system during the financial year under review, with the initial workshops having started towards implementation of the new ICT system. The following benefits are to be realised from the implementation of the new ICT system:
  - i) Enable simpler, faster and more accurate reporting;
  - ii) Improve monitoring of skills development programmes and projects (incl. learners, learning sites, funds utilisation etc.);
  - iii) Improve monitoring of the NSF's performance;
  - iv) Enable evaluation of outputs, outcomes and impact;
  - v) Assist strategic planning and enable strategic analysis;
  - vi) Enable measurement of cost efficiency and return on investment to maximise return on investment;
  - vii) Improve accountability and transparency;
  - viii) Improve communication and stakeholder management
  - ix) Improve financial management; and
  - x) Strengthen control environment.





Further work is being under during the 2017/18 financial year to ensure that key vacant positions in the NSF's new organisational structure are filled. The NSF's new business process are also under implementation and will be closely monitored to ensure it improves the NSF's efficiency and effectiveness. Furthermore, the first phase of the ICT system implementation is also due for completion during the 2017/18 financial year.

### 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 post-school education and training system. This will result in the review of all post-school education and training legislation and a drive towards a higher degree of integration with the post-school education and training system.

The National Plan for Post-School Education and Training is currently being developed for implementation of the White Paper, which will include the new National Skills Development Plan. The new National Skills Development Plan will replace the National Skills Development Strategy III. 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 Plan 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 2016/17 financial year.



## Seithisho Mocumi and Kokoletso Dince

Centre for Excellence and Professional Training (CEPT)



Seitisho Mocumi and Kokeletso Dince are Entrepreneurial Development Practitioners (EDPs) employed by the training provider that is implementing Basic Entrepreneurial Skills Development (BESD) for Emerging Entrepreneurs (EEs) in Kuruman under a contract with SEDA. Both have already worked as EDPs for a BESD project in 2010/11 and are now part of the new project since April 2016. Based on her earlier experience, Seitisho in the meantime earned some income by advising entrepreneurs, whereas Kokeletso was retrained as an EDP in 2014/15 together with new EDP recruits.

Both emphasise that the updated learning material that is now used is much easier to understand for the EEs compared to the old version. It also provides better guidance to them as EDPs and the EEs and the new coaching methodology that they apply supports this. They also see the new approach to engage EEs on HIV/AIDS in a group works much better than the one-on-one method used in 2010/11 and it encourages EEs to talk openly about this difficult subject.

A major concern for Seitisho and Kokeletso is the low educational level among EEs which requires them to be patient and provide encouragement. The EEs very often take time to implement the necessary changes in how they run their businesses, but eventually they do. What helps them with the challenges is the good team spirit among the EDPs working in Kuruman. They support each other and are supported by the training provider project manager. Both have grown mentally and emotionally through their involvement with BESD and have benefitted in their continuous learning and improved knowledge. They think, given the positive results that they have observed in businesses participating in the training, a sustained role for BESD in assisting entrepreneurs should be considered.



## 4. PERFORMANCE INFORMATION 2016/17 (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	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%)	7 (62%)	15	12 (80%)	3 (20%)

### 4.2 PROGRAMME 1: FUNDING SKILLS DEVELOPMENT

#### 4.2.1 SUB-PROGRAMME 1.1: EDUCATION AND TRAINING

STRATEGIC OBJECTIVES (SPECIFICALLY LINKED TO SUB-PROGRAMME 1.1: EDUCATION AND TRAINING)										
Strategic objective 1: Skills development towards priority occupations To develop skills required for priority occupations										
Strategic target for the 5 year strategic period 2016/17 to 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 TARGET 1										
1	36 000 NSF funded learners to complete their education and training towards priority occupations over the 5 year strategic period.	Number of NSF funded learners that completed their education and training towards priority occupations over the 5 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	3 233 under achieved	Most of NSF’s funded learners were still enrolled in various education and training programmes as at year-end and is expected to complete their education and training programmes within the next two financial years.



Strategic objective 2: Rural skills development To develop the skills of people from rural areas										
Strategic target for the 5 year strategic period 2016/17 to 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 TARGET 2										
2	36 000 NSF funded learners from rural areas to complete their education and training over the 5 year strategic period.	Number of NSF funded learners from rural areas that completed their education and training over the 5 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	3 082 under achieved	Most of NSF’s funded learners were still enrolled in various education and training programmes as at year-end and is expected to complete their education and training programmes within the next two financial years.

Strategic objective 3: SMME and Co-operative skills development To support SMME and Co-operative development through skills development										
Strategic target for the 5 year strategic period 2016/17 to 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 TARGET 3										
3	1 000 SMMEs and Co-operatives to benefit from NSF funded skills development initiatives over the 5 year strategic period.	Number of SMMEs and Co-operatives that benefitted from NSF funded skills development initiatives over the 5 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	2 158	2 058 over achieved	The NSF’s funding towards skills development through the SEDA BESD programme has significantly contributed towards skills development that is benefitting SMMEs, resulting in a significant overachievement of the NSF’s target.





Strategic objective 4: Community-based skills development To benefit poor, disadvantaged and / or vulnerable communities through skills development										
Strategic target for the 5 year strategic period 2016/17 to 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 TARGET 4										
4	7 000 NSF funded learners that acquired skills through community-based skills development initiatives over the 5 year strategic period.	Number of NSF funded learners that acquired skills through community-based skills development initiatives over the 5 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	1 889 over achieved	The NSF’s funding towards skills development through the Expanded Public Works Programme has significantly contributed towards community-based skills development, resulting in an overachievement of the NSF’s target.

Strategic objective 5: Worker Education To educate workers through worker education initiatives										
Strategic target for the 5 year strategic period 2016/17 to 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 TARGET 5										
5	5 600 workers to be educated through worker education initiatives over the 5 year strategic period	Number of workers educated through worker education initiatives over the 5 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	560 under achieved	The impact of the funding of the No Fees Increase through the NSF for two academic years resulted in new projects being delayed until certainty regarding funding has been secured. Funding for worker education has been secured to achieve the NSF’s targets.



SUB-PROGRAMME PERFORMANCE INDICATORS AND TARGETS (SUB-PROGRAMME 1.1: EDUCATION AND TRAINING)										
Strategic target for the 5 year strategic period 2016/17 to 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 1										
1	121 800 learners funded by NSF for education and training over the 5 year strategic period.	Number of learners funded by NSF for education and training. (ACTIVITY-BASED)	99 554	77 913	62 617	63 903	43 000	48 169	5 169 over achieved	The NSF's over achievement is attributable to the NSF's high level of grants disbursements towards the education and training learners.
Budget Programme Target 2										
2	65 800 learners funded by NSF for education and training towards priority occupations over the 5 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.	New indicator. No data available.	26 600	29 052	2 452 over achieved	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 SIPs projects.
Budget Programme Target 3										
3	48 720 learners from rural areas funded by NSF for education and training over the 5 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.	New indicator. No data available.	17 200	22 633	5 433 over achieved	The NSF's over-achievement can be mainly attributed to the NSF's funding towards bursaries aimed at learners from rural areas, as well as funding skills development programmes through the NARYSEC programme, the EPWP programme, the SEDA BESD Programme as well as programmes in partnership with the Department of Agriculture, Forestry and Fisheries.



SUB-PROGRAMME PERFORMANCE INDICATORS AND TARGETS (SUB-PROGRAMME 1.1: EDUCATION AND TRAINING)										
Strategic target for the 5 year strategic period 2016/17 to 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 4										
4	1 000 SMMEs and Co-operatives funded by NSF for skills development over the 5 year strategic period.	Number of SMMEs and Co-operatives funded by NSF for skills development. (ACTIVITY-BASED)	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	100	2 158	2 058 over achieved	The NSF's funding towards skills development through the SEDA BESD programme has significantly contributed towards skills development that is benefitting SMMEs, resulting in a significant overachievement of the NSF's target.
Budget Programme Target 5										
5	10 000 learners funded by NSF for skills development through community-based skills development initiatives over the 5 year strategic period.	Number of learners funded by NSF for skills development through community-based skills development initiatives. (ACTIVITY-BASED)	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	2 000	6 877	4 877 over achieved	The NSF's funding towards skills development through the Expanded Public Works Programme has significantly contributed towards community-based skills development, resulting in an over-achievement of the NSF's target.
Budget Programme Target 6										
6	7 500 workers funded by NSF for worker education over the 5 year strategic period.	Number of workers funded by NSF for worker education. (ACTIVITY-BASED)	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	New indicator. No data available.	750	237	513 under achieved	The impact of the funding of the No Fees Increase through the NSF for two academic years resulted in new projects being delayed until certainty regarding funding has been secured. Funding for worker education has been secured to achieve the NSF's targets.



## 4.2.2 SUB-PROGRAMME 1.2: PSET SYSTEM DEVELOPMENT AND CAPACITY BUILDING

STRATEGIC OBJECTIVES (SPECIFICALLY LINKED TO SUB-PROGRAMME 1.2: PSET SYSTEM DEVELOPMENT AND CAPACITY BUILDING)										
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 target for the 5 year strategic period 2016/17 to 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 TARGET 6										
6	100% of priority projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excl. skills infrastructure development) have successfully achieved the envisaged outputs	Percentage of priority projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excl. skills infrastructure development) that have successfully achieved 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 5 year strategic period.			





SUB-PROGRAMME PERFORMANCE INDICATORS AND TARGETS (SUB-PROGRAMME 1.2: PSET SYSTEM DEVELOPMENT AND CAPACITY BUILDING)										
Strategic target for the 5 year strategic period 2016/17 to 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 7										
7	100% of NSF funded projects aimed at expanding, integrating and improving the effectiveness of the PSET system (excl. 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 (excl. 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.
Budget Programme Target 8										
8	100% of NSF funded projects aimed at expanding, integrating and improving the effectives of the PSET system (excl. skills infrastructure development) have incurred project expenditure to date that is in line with the actual project performance to date.	Percentage of NSF funded projects aimed at expanding, integrating and improving the effectives of the PSET system (excl. skills infrastructure development) where the actual project expenditure to date is in line with the actual project performance to date. (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.



## 4.2.3 SUB-PROGRAMME 1.3: SKILLS INFRASTRUCTURE DEVELOPMENT

STRATEGIC OBJECTIVES (SPECIFICALLY LINKED TO SUB-PROGRAMME 1.3: SKILLS INFRASTRUCTURE DEVELOPMENT)										
Strategic objective 7: Skills infrastructure development To expand the PSET system, improve effectiveness of the PSET system and integrate the PSET system through infrastructure development										
Strategic target for the 5 year strategic period 2016/17 to 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 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 5 year strategic period.			



SUB-PROGRAMME PERFORMANCE INDICATORS AND TARGETS (SUB-PROGRAMME 1.3: SKILLS INFRASTRUCTURE DEVELOPMENT)										
Strategic target for the 5 year strategic period 2016/17 to 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 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.



## 4.2.4 SUB-PROGRAMME 1.4: SKILLS DEVELOPMENT RESEARCH, INNOVATION AND COMMUNICATION

STRATEGIC OBJECTIVES (SPECIFICALLY LINKED TO SUB-PROGRAMME 1.4: SKILLS DEVELOPMENT RESEARCH, INNOVATION AND COMMUNICATION)										
Strategic objective 8: Skills Development Research, Innovation And Communication To research priority areas related to skills development (incl. areas identified for innovation) and to communicate and advocate skills development										
Strategic target for the 5 year strategic period 2016/17 to 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 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 5 year strategic period.			





SUB-PROGRAMME PERFORMANCE INDICATORS AND TARGETS (SUB-PROGRAMME 1.4: SKILLS DEVELOPMENT RESEARCH, INNOVATION AND COMMUNICATION)										
Strategic target for the 5 year strategic period 2016/17 to 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.



## 4.3 PROGRAMME 2: NSF BUSINESS EXCELLENCE (ADMINISTRATIVE PROGRAMME)

STRATEGIC OBJECTIVES (SPECIFICALLY LINKED TO PROGRAMME 2: NSF BUSINESS EXCELLENCE)										
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 National Skills Fund over the 5 year strategic period through the implementation of an improved organisational structure										
Strategic target for the 5 year strategic period 2016/17 to 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 TARGET 9										
9	90% of key positions filled	Percentage of key positions filled (%) (OUTPUT-BASED)	100%	100%	100%	20%	50%	35%	15% under achieved	Delays in approval from the relevant supporting departments, as well as capacity constraints in DHET HRM has resulted in the appointment process being slow. NSF has subsequently addressed capacity constraints in DHET 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 implementation of the new structure. These interventions is resulting in faster implementation of the NSF's organisational structure. Most of the vacant posts have been interviewed during the financial year, with many of the recommended candidates having resumed duty shortly after year-end and some awaiting final approval. The rest of the vacant posts have been 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%	10% under achieved	
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 the 5 year strategic period 2016/17 to 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%	15% under achieved	Delays in approval from the relevant supporting departments, as well as capacity constraints in DHET HRM has resulted in the appointment process being slow. NSF has subsequently addressed capacity constraints in DHET 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 implementation of the new structure. These interventions is resulting in faster implementation of the NSF’s organisational structure. Most of the vacant posts have been interviewed during the financial year, with many of the recommended candidates having resumed duty shortly after year-end and some awaiting final approval. The rest of the vacant posts have been 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%	10% under achieved	
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.



## 5. PERFORMANCE INFORMATION 2015/16 (PRIOR YEAR)

PERFORMANCE INFORMATION REPORT AS AT 31 MARCH 2016

Planned Annual Target 2015/16		Performance Indicator	Actual Achievement 2015/16					
5.1 Strategic objective 1: Effective and efficient programme / project preparation								
To be effective and efficient in funds needs analysis, project feasibility, scoping and projects selection (both proactive & reactive).								
TARGET 1								
1	Commit 100% of reserve funds towards skills development	% of reserve funds committed towards skills development (%)	100%	Commitment towards skills development 2015/16 R'000	Accumulated surplus at year-end 2015/16 R'000	Actual Achievement 2015/16	Deviation from planned target to actual achievement 2015/16	Reasons for adverse deviations 2015/16
TARGET 1 PER BUDGET CATEGORY								
1.1	NSDS III: HRDSSA	% of reserve funds committed towards skills development (%)	100%	292 759	157 278	186%	Achieved	The adverse deviation on the NSDS IV category is due to the extension of the NSDS III period until 31 March 2018 as per Government Gazette no. 39263 dated 6 October 2015.
1.2	NSDS III: NSA Ministerial		100%	261 618	158 376	165%	Achieved	
1.3	NSDS III: Government Priorities		100%	4 009 491	3 651 066	110%	Achieved	
1.4	NSDS III: DG Priorities		100%	8 027 697	3 149 352	255%	Achieved	The non achievement under skills infrastructure is because of a delay that was experienced with the procurement and appointment of contractors for the construction of the TVET College Infrastructure.
1.5	NSDS III: Skills Infrastructure		100%	2 153 722	3 762 191	57%	Not achieved	
1.6	NSDS IV		100%	-	-	0%	Not achieved	
Total				14 745 287	10 878 263			





Planned Annual Target 2015/16		Performance Indicator	Actual Achievement 2015/16					
5.1 Strategic objective 1: Effective and efficient programme / project preparation (continued)								
To be effective and efficient in funds needs analysis, project feasibility, scoping and projects selection (both proactive & reactive).								
TARGET 2								
2	Commit R2.12 billion of future income towards skills development by the end of the year	Future income committed towards skills development (R billion)	Target R2.12 billion	Commitment towards skills development 2015/16 R'000	Accumulated surplus at year end 2015/16 R'000	Actual Achievement 2015/16 R'000	Deviation from planned target to actual achievement 2015/16	Reasons for adverse deviations 2015/16
TARGET 2 PER BUDGET CATEGORY								
2.1	NSDS III: HRDSSA	Future income committed towards skills development (R)	R50 million	292 759	157 278	135 481	Achieved	The overall target to commit R2.12 billion of future income toward skills development has been achieved. However, the reason for the adverse deviation under Government Priorities may be contributed to the slow uptake of a new request for proposal that was issued by the NSF to TVET Colleges to apply for funding for the new funding cycle.
2.2	NSDS III: NSA Ministerial		R50 million	261 618	158 376	103 242	Achieved	
2.3	NSDS III: Government Priorities		R1.01 billion	4 009 491	3 651 066	358 424	Not achieved	
2.4	NSDS III: DG Priorities		R1.01 billion	8 027 697	3 149 352	4 878 346	Achieved	
2.5	NSDS III: Skills Infrastructure			2 153 722	3 762 191	-1 608 469		
2.6	NSDS IV							
Total				14 745 287	10 878 263	3 867 024		



Planned Annual Target 2015/16		Performance Indicator	Actual Achievement 2015/16			
5.2 Strategic objective 2: Effective and efficient project management						
To be effective and efficient in project management, which consists of project start up, implementation support, disbursements, monitoring, evaluation and closure.						
TARGET 3						
3	Fund 70 000 learners for training	Number of learners funded for training (number of learners)	70 000	Actual Achievement 2015/16	Deviation from planned target to actual achievement 2015/16	Reasons for adverse deviations 2015/16
TARGET 3 PER BUDGET CATEGORY						
3.1	NSDS III: HRDSSA	Number of learners funded for training (number of learners)				The Work Integrated Learning (WIL) proposal has been launched during the 2015/16 financial year and the roll-out of these projects is in progress. The number of learners are expected to increase in the 2016/17 financial year.
3.2	NSDS III: NSA Ministerial					
3.3	NSDS III: Government Priorities		40 000	44 458	Achieved (111%)	
3.4	NSDS III: DG Priorities		30 000	18 832	Under achieved (63%)	
3.5	NSDS III: Skills Infrastructure			613	100%	
3.6	NSDS IV					
Total			70 000	63 903		



Planned Annual Target 2015/16		Performance Indicator	Actual Achievement 2015/16					
5.2 Strategic objective 2: Effective and efficient project management (continued)								
To be effective and efficient in project management, which consists of project start up, implementation support, disbursements, monitoring, evaluation and closure.								
TARGET 4								
4	Disburse 90% of grant income received	Grants disbursed versus grant income received (%)	Annual Target 2015/16	Grant disbursement (R'000)	Grant Income (Total Rev*0.8) (R'000)	Actual Achievement 2015/16	Deviation from planned target to actual achievement 2015/16	Reasons for adverse deviations 2015/16
TARGET 4 PER BUDGET CATEGORY								
4.1	NSDS III: HRDSSA	Grants disbursed versus grant income received (%)  = Grants disbursement / (Total revenue * 0.8) *100	1%	10 799	3 308 722	0.3%	Not achieved	Adverse variance is that payments to HRDSSA are on request basis. HRDSSA has not requested additional funds as savings was realised and previous transfer are still being utilised
4.2	NSDS III: NSA Ministerial		1%	(15 399)	3 308 722	(0.5%)	Not achieved	Approval of projects has been granted after year end and expenditure are expected to be increase in quarter one and two of 2016/17.
4.3	NSDS III: Government Priorities		46%	1 218 238	3 308 722	36.8%	Not achieved	Slow disbursement at TVET colleges as majority of contracts with TVET colleges ended on 31 December 2015, as well as a slow uptake of a new request for proposals issued to TVETs for the new cycle.
4.4	NSDS III: DG Priorities		40%	2 865 391	3 308 722	86.6%	Achieved	n/a
4.5	NSDS III: Skills Infrastructure		2%	278 133	3 308 722	8.4%	Achieved	n/a
4.6	NSDS IV							
Total			90%	4 357 162	3 308 722			



Planned Annual Target 2015/16		Performance Indicator	Actual Achievement 2015/16			
5.2 Strategic objective 2: Effective and efficient project management (continued)						
To be effective and efficient in project management, which consists of project start up, implementation support, disbursements, monitoring, evaluation and closure.						
TARGET 5						
5	Fund 75% of earmarked infrastructure projects by year-end	Infrastructure projects funded versus earmarked for funding (%)	80%	Actual Achievement 2015/16	Reasons for adverse deviations 2015/16	
TARGET 5 PER BUDGET CATEGORY						
5.1	NSDS III: HRDSSA Infrastructure projects funded versus earmarked for funding (%)					
5.2	NSDS III: NSA Ministerial					
5.3	NSDS III: Government Priorities					
5.4	NSDS III: DG Priorities					
5.5	NSDS III: Skills Infrastructure		80%	100%	Achieved	Planned infrastructure projects have been funded by the NSF.
5.6	NSDS IV					





Planned Annual Target 2015/16		Performance Indicator		Actual Achievement 2015/16				
5.3 Strategic objective 3: Excellence in resource management								
Excellence in resource management, which consists of HR Management, Financial Management, ICT Management, Information / knowledge management, Infrastructure / facilities management and shared logistical services management.								
Excellence in Human Resource Management (HR acquisition, development, individual performance management, employee wellness)								
TARGET 6								
6	90% of key positions filled by year-end	Percentage of key funded positions filled (%)	Annual Target 2015/16	Actual Achievement 2015/16		Deviation from planned target to actual achievement 2015/16		Reasons for adverse deviations 2015/16
6	90% of key positions filled by year-end	Percentage of key funded positions filled (%)	90%	100%		Achieved		n/a
TARGET 7								
7	Fill 60% of approved positions	Percentage of total funded positions filled (%)	Annual Target 2015/16	Positions filled	Total funded positions	Actual Achievement 2015/16	Deviation from planned target to actual achievement 2015/16	Reasons for adverse deviations 2015/16
7	Fill 60% of approved positions	Percentage of total funded positions filled (%)	60%	95	145	66%	Achieved	n/a
Excellence in Information and Communication Technology Management								
TARGET 8								
8	Implement 70% of key ICT needs by year-end	Percentage of key ICT needs implemented (%)	Annual Target	Actual Achievement 2015/16	Q4 Status	Reasons for adverse deviations 2015/16		
8	Implement 70% of key ICT needs by year-end	Percentage of key ICT needs implemented (%)	70%	0%	Not achieved	The main target for the 2015/16 financial year was to procure enabling software that would improve the NSF’s efficiency and effectiveness. The non achievement of the targets could be attributed to significant delays in the procurement process, as well as additional measures that has been recommended by oversight bodies to ensure the successful procurement of high value Information and Technology (ICT) systems.		



## 6. SUMMARY OF FINANCIAL INFORMATION

### 6.1 REVENUE COLLECTION

Sources of revenue	2016/17			2015/16		
	Budget*	Actual Amount	(Over)/Under	Budget*	Actual Amount	(Over)/Under
		Collected*	Collection*		Collected*	Collection*
	R'000	R'000	R'000	R'000	R'000	R'000
Skills Development levies	3 033 122	3 051 031	(17 909)	2 937 293	3 033 122	(95 829)
Income from SETAs	-	-	-	-	381 842	(381 842)
Finance Income	577 611	766 906	(189 295)	302 258	678 594	(376 336)
Other Income	42 344	55 898	(13 554)	-	42 344	(42 344)
<b>TOTAL</b>	<b>3 653 077</b>	<b>3 873 835</b>	<b>(220 758)</b>	<b>3 239 551</b>	<b>4 135 902</b>	<b>(896 351)</b>

\* Amounts are disclosed on the accrual basis in accordance with the statement of comparison of budget and actual amounts.

The Skills development levies received were on par with the amounts budgeted for, exceeding the budgeted amount by 0.6%. The NSF is not in a position to budget for SETA uncommitted surpluses.

The income from investments increased with 32.8% above budget.

Other income represents interest received by the training providers on advance payments.

### 6.2 PROGRAMME EXPENDITURE

Programme Expenditure	2016/17			2015/16		
	Budget*	Actual Amount	(Over)/Under	Budget	Actual Amount	(Over)/Under
		Expensed*	Expenditure*		Expensed	Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Skills Development	6 017 408	5 015 898	1 001 510	4 866 431	4 037 824	828 607
NSF Operations	146 550	120 810	25 740	256 290	139 818	116 472
<b>TOTAL</b>	<b>6 163 958</b>	<b>5 136 708</b>	<b>1 027 250</b>	<b>5 122 721</b>	<b>4 177 642</b>	<b>945 079</b>

\* Amounts are disclosed on the accrual basis in accordance with the statement of comparison of budget and actual amount



The actual skills development grant disbursements was 16.6% below budget, which can mainly be attributed to the following:

1. Delays in the appointment of construction companies to start construction on the new TVET college campuses resulted in slow disbursements of funds in the current financial year, which will be rolled over to the next financial year;
2. 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;
3. There has been generally slow progress on the implementation of skills development projects with the various TVET colleges resulting in funds not being disbursed in the current financial year, which will be rolled over to the next financial year;
4. New projects (including Work Integrated Learning projects), TVET colleges allocations and rural agricultural projects) have been approved during the second quarter, and therefore the disbursements to the WIL projects were only made towards the end of the third quarter of the financial year; and
5. Funding of the “No Fee Increase” for the 2016 and 2017 academic year to NSFAS, universities and TVET colleges had an impact on the skills development grants disbursements to other skills development projects.

The actual operating expenses are 24.8% below the budgeted operating expenses. This saving is driven by the lower than budgeted employee costs 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 National Skills Fund as a schedule 3A public entity. It is expected that the additional posts will be filled within the next two years as part of the NSF’s organisational transformation project (Project Siyaphambili).



**Attie Ratshefola**  
Itireleng Thusano Trading Project



Attie Ratshefola, an Emerging Entrepreneur (EE) in Soweto, started Itireleng Thusano Trading Project as a registered company in 2009. However, it only became active in 2013 due to Attie still being employed.

Attie realised that nobody was manufacturing and supplying household/cleaning detergents in his area, Dobsonville. He didn’t make any profit for two years, but he was determined and slowly news of his business spread. In 2016 he applied to participate in the Basic Entrepreneurial Skills Development (BESD) programme that SEDA set up to assist EEs. He praises the training provider who SEDA contracted to implement the programme to help improve his business through the EDP, Mpho. Attie likes the fact that she comes regularly to his business and assists him there, helping him through e.g. the BESD money management module.

He takes notes from her advice. She assisted him with bookkeeping, time management, targeting customers, following up on orders, and identifying both the strengths and weaknesses in his business. He is grateful for the marketing skills that he has learnt – especially adapting to changes in the market. He also praises the marketing opportunities at the business clubs, where the EEs of BESD in Soweto come together every 4 to 6 weeks to network, peer learn and engage with specific themes etc. There he can also directly address concerns of potential customers, e.g. queries about guarantees to deliver on time.

He now wants to expand his business, securing bigger supplier contracts on a corporate level, and wants to expand from operating from the garage at his home to an industrial arena. He and his partner would also like to expand their product range from currently five or six products and grow the business to offer employment opportunities to unemployed members of the community.



## Dr Patience Selotole, speaker at the Minister's Youth Imbizo in Mpumalanga



Dr Patience Selotole, qualified veterinarian

My grandmother is illiterate, she has never set foot inside a classroom and my mother does not have grade 12. This statement may be the most embarrassing thing for an individual to say, but it has been my greatest motivation. As one of our great leaders Tata Mandela said "education is the most powerful weapon which you can use to change the world". I am today proud to say education has changed my world.

I completed my matric in 2009 at Takheni Secondary School in Mpumalanga. This was a government school in a rural area with little to no resource. I still remember as a young lady growing without my parents and lacking the essential things that a girl child needs. I didn't have fancy clothes or let alone sanitary towels and deodorant was a luxury I could not afford. As students we had to share textbooks and study material. Our teachers were supportive and by God's grace I matriculated with flying colours and then admitted for a Bachelor of Veterinary Science (BVSc) at the University of Pretoria from 2010 to 2016.

During my years of study, I had a bursary from the NSF. This allowed me to not worry about any financial aspects and focus on my studies. The struggles I had previously experienced were over as the bursary covered everything from registration to a monthly stipend.

Today, I am proud of where I come from; I am the first and only person to attain a university degree and to be called doctor in my family. I am happily working for Mpumalanga Veterinary Services. For the first time in my life I can afford anything I want and I have achieved something that no one can take away from me. I believe that we should never stop empowering ourselves, and thus currently pursuing a master's degree in Ichthyology.

Today I sit in my own office, proudly wearing my uniform and ready to serve my province. I am where I am today, a qualified veterinarian (animal doctor), because of the countless work, efforts and support of my province, the NSF and my family. My plans are to specialise in aquaculture and study overseas. I am passionate about providing food security, employment opportunities for our youth and women and saving animals.

I hope the youth can read this and see that there is support for us in many platforms and be brave to pursue any dream without limitations. If I could become an animal doctor, then anyone can become anything. Education still remains the key with which you can alleviate poverty, break stereotypes and open any door.

## Celebrating six years of partnership, National Institute for the Deaf (NID)

The National Institute for the Deaf (NID) is proudly serving the deaf since 1881 through training and caring for persons with different degrees of hearing loss and multiple disabilities. The partnership with the NSF began in 2011 when the NSF funded the first project valued at R1 million. The first project resulted in a fully equipped computer room at the NID college.

The partnership continued with the second occupational skills development programmes project that started in 2012 and ended in 2015 to the value of R79 million. This project included the delivery of occupational and skills training for the deaf, deaf-accessible content development and programme facilitation, physical facilities and a training establishment (facilitation & support). On 18 October 2013, the Minister of Higher Education and Training, Dr BE Nzimande, inaugurated the NID college building and also endorsed the plaque at the KeNako hostel at the college.

The third three year project valued at R36 million got under way in 2015 and concluded in 2017. The project focused on the training of unemployed deaf youth and included facilitation of deaf-accessible blended learning material, training and enterprise development, training support services, Multi-disciplinary team, work placement, community training, support and mentoring, training facilitation and NID enterprise development, entrepreneurship, business units for artisan and different occupational trades and experiential training.

NID has established seven business training units on its main campus. These serve as experiential training sites while offering job creation opportunities for the deaf and persons with hearing loss.

In 2015, NID training delivered a student pass rate of 98% at its main campus and 92% at its training units all over South Africa. A 97% work placements rate has been achieved in 2016 for 551 students. In 2017 NID have 650 enrolments at 23 NID skills training units throughout South Africa and Africa.

The success story of the NID and NSF partnership is the percentage of deaf beneficiaries that has been provided with work placement i.e. that has been placed in jobs. The work placement statistics of NID grew from 68% for the five year period up to 2014, to 97% during the three year period up to 2017.



Computer room at NID College

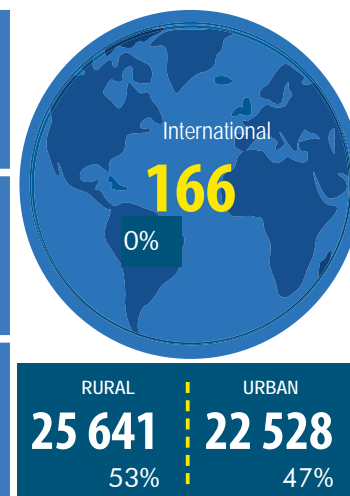
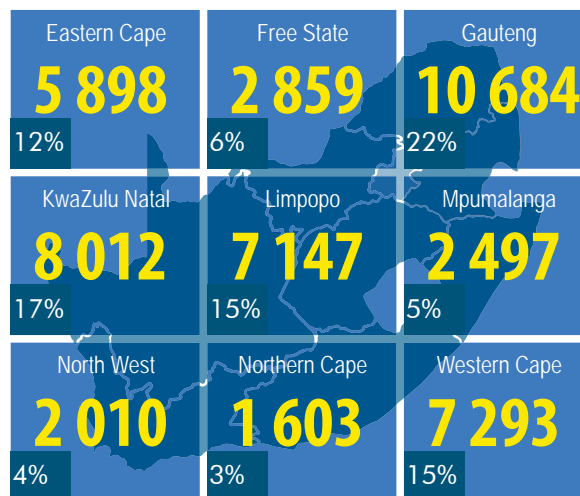
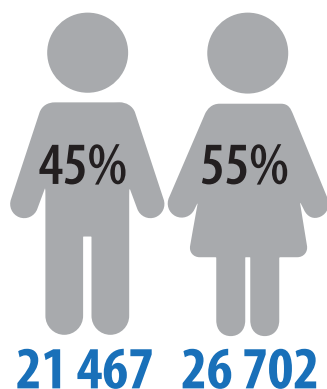




## 7. 2016/17 BENEFICIARY FACT SHEET

## 2016/17 Beneficiary fact sheet

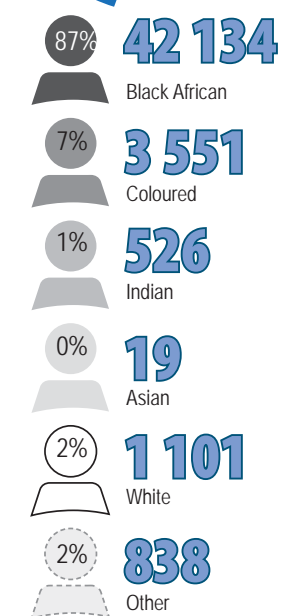
Total no.  
**48 169**  
of Beneficiaries



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 (Grades 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%

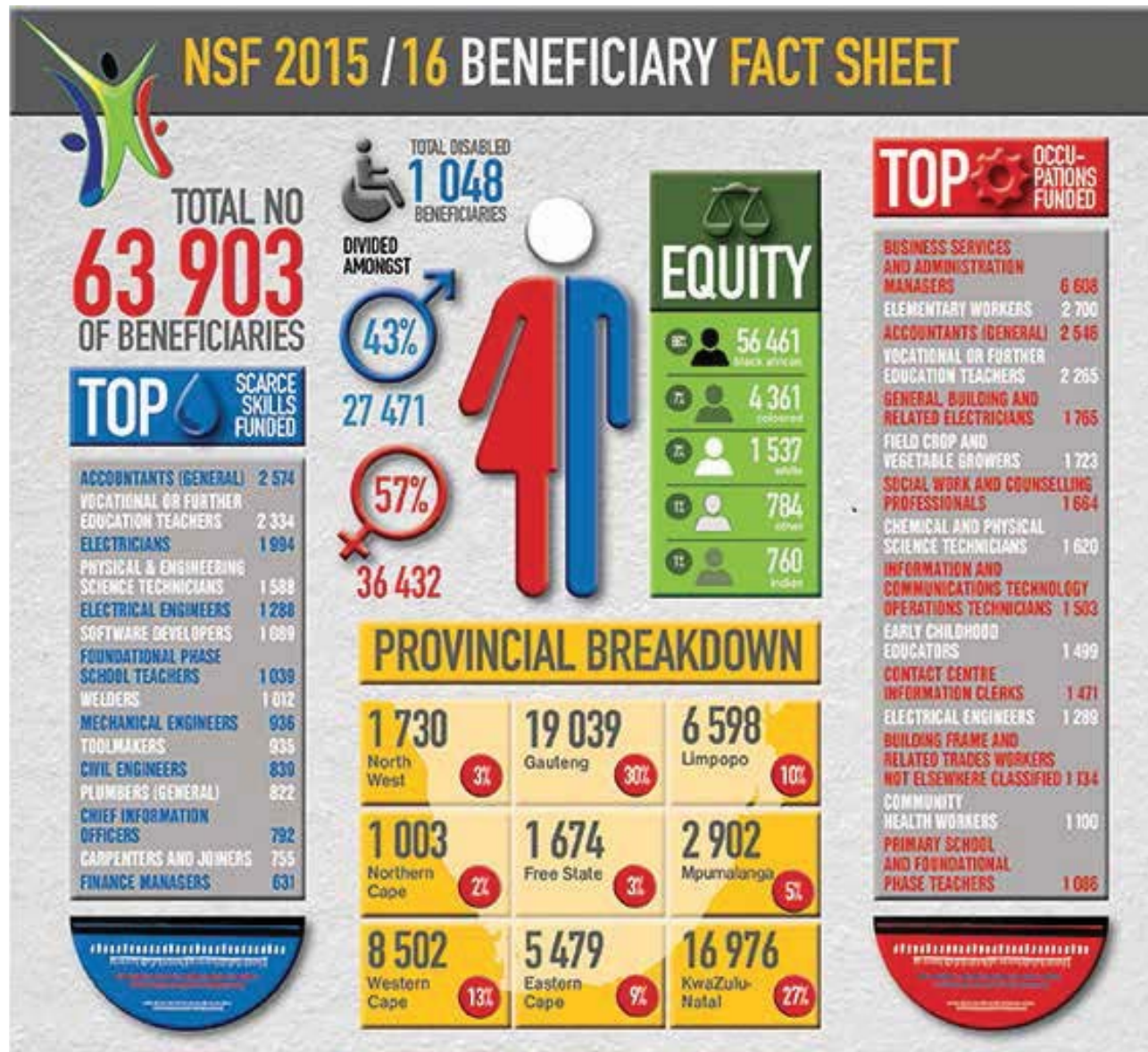
Youth (Between 25 and 35 years)

17 638 37%

Adults (Above 35 years)

6 247 13%

## 8. 2015/16 BENEFICIARY FACT SHEET



# *Funding to Skill our Nation*



## **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 regards to public entities is applied through the precepts of the PFMA, 1999 and run in tandem with the principles contained in the King's Report on Corporate Governance.

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

## 2. PORTFOLIO COMMITTEES

For the year under review, the NSF are awaiting the following meetings with the Portfolio Committee on Higher Education and Training:

Description	Date
Presentation on the NSF's Strategic Plan 2016/17 to 2020/21, Annual Performance Plan 2016/17 and Budget 2016/17	Not yet tabled
Presentation on the NSF's Annual Report 2015/16	Not yet tabled

## 3. EXECUTIVE AUTHORITY

As per the requirements of the PFMA, the NSF reported quarterly to the Minister of Higher Education and Training (the Minister) as the executive authority of the NSF. 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 Higher Education and Training (the Director-General) is the Accounting Authority of the NSF as stipulated in section 29(1) of the SDA, 1998.

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

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

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

### The role of the Accounting Authority is as follows:

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

1. To manage the NSF in accordance with the PFMA;
2. Keep a proper record of all financial transactions, assets and liabilities of the NSF;
3. Prepare annual financial statements for the NSF in the prescribed form;
4. Subject to the laws governing the public service, appoint the executive officer of the NSF who will, upon such appointment, be in the employ of the public service;
5. To prescribe a limit for the amount that can be used in the administration of the NSF; and





6. To submit the annual financial statements to the NSA for information as soon as possible after they have been prepared.

### **Composition of the Accounting Authority**

The Director-General of Higher Education and Training, Mr Gwebinkundla Felix Qonde, is the Accounting Authority of the NSF as per section 29(1) of the SDA, 1998.

### **Remuneration of 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 facilitated by internal audit. Management of the NSF remains responsible for the risk management of the entity.

## **6. INTERNAL CONTROL**

In order to respond to the transformational challenges that the organisation finds itself, the NSF launched Siyaphambili (which means we are going forward) project in April 2014. The objectives of this project are to achieve efficiency and effectiveness in business processes, capacity building as well as development of information technology systems to enable the NSF business processes.

Project Siyaphambili is an integrated initiative aimed at improving the efficiency and effectiveness of the NSF. This includes amongst others the following:

- Improving alignment of the organisation to its mandate;
- Optimising the NSF's operations;
- Reviewing and optimising the NSF's processes;
- Building, sourcing and aligning the NSF's organisational structure;
- Building, sourcing and improving the NSF's project support and monitoring and evaluation capability; and
- Building and improving the NSF's performance management, information and reporting.

Much work has been done and completed in this regard under the auspices of the Siyaphambili project. The Fund has finalised its revised structure, based on the most efficient and effective operating models available, that would enhance service delivery, reporting, monitoring and evaluation. Critical to this model will be the ability to continuously evaluate the impact of the NSF's contribution towards skills development in the country. This will be overcome through the automation of re-engineered business processes and the implementation of technology and ICT systems as part of Project Siyaphambili.

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





## 7. INTERNAL AUDIT WORK AND AUDIT COMMITTEES

### Key activities and objectives of internal audit

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

The main activities of internal audit are:

- Compile three year rolling strategic and annual audit plan
- Performing internal audit on the following systems:
  - Risk management systems
  - Control systems
  - Governance systems
  - Report to management and the Audit Committee.

### Audit work

The following activities as per the internal audit plan were completed:

- Review of NSF project life cycles including project visits;
- Review of NSF project monitoring and evaluation including the review of the quarterly monitoring reports submitted by projects;
- Review of the NSF project contract template;
- Audit a Rural Development Request for Proposals (RFPs) that were launched by the NSF;
- Audit of Annual Financial Statements.

### 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 reporting process, the system of internal control and management of risks, the audit process and the monitoring of compliance with laws and regulations.

The main activities are:

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



## 8. COMPLIANCE WITH LAWS AND REGULATIONS

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

To assist with compliance monitoring, the NSF uses the DHET's Compliance Calendar to ensure compliance with the submission of 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 the implementation thereof 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 the DHET.

Two projects funded by the NSF have been investigated during the year. The investigations are still in progress. The NSF is not aware of any internal fraud related to the two investigations. No other cases of fraud have become known to the NSF during the last financial year.

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## 10. MINIMISING CONFLICT OF INTEREST

Through the Memorandum of Agreement with the DHET for shared services, the NSF has permission from the DHET to use its bid committees, which follow the DHET's supply chain management policy.

## 11. CODE OF CONDUCT

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

Not applicable to the NSF for the 2016/17 financial year.

## 14. MATERIALITY AND SIGNIFICANCE FRAMEWORK

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

## 15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

### Audit Committee Members and Attendance

The Committee is made up of the following members, all of whom are independent and financially literate. The members are:

Member	Designation	Date of appointment
Prof DP van der Nest	Chairperson	1 June 2014
Ms S Padayachy	Member	1 June 2014
Mr S Makhubu	Member	1 June 2014

The terms of reference require the Committee to meet at least four times a year. For the year under review, the Committee held four formal and one



special meeting as indicated below:

Members	Types and No. of meetings attended	
Prof DP van der Nest	4	1
Ms S Padayachy	4	1
Mr S Makhubu	4	1

### Audit Committee Responsibility

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

### The effectiveness of internal control

The system of internal control is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the PFMA requirements, Internal Audit and the Auditor-General South Africa (AGSA) provide the Audit Committee and management with assurance 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 National Skills Fund (NSF) is in a period of transition and a structured project is in process to map the way forward for the NSF. The Audit Committee receives regular updates on the progress with the project. This has also contributed to the fact that the system of internal control was not entirely effective during the year under review. Although there has been continued improvement, a few cases of non-compliance 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 and no material findings were reported by the AGSA.

### 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 monthly and quarterly reports prepared and issued by the Accounting Officer 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:

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

The Audit Committee 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, management adjusted these. The implementation of an integrated financial management system will improve 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. Additional capacity was obtained for internal audit and they were able to complete the audits approved in the coverage plan 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 extended to management, the 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 2017**





## SA Agulhas I, SAIMI

## SUCCESS STORY



South Africa's first dedicated training vessel, the SA Agulhas I, docked in Port Elizabeth on 10 March 2017 after a three-month voyage that took 30 seafarer cadets to Antarctica and back.

The Agulhas I was acquired by the South African Maritime Safety Authority (SAMSA) for training in support of the National Cadet Programme, which is being managed by the Port Elizabeth-based South African International Maritime Institute (SAIMI).

The training is being funded by the NSF.

The vessel sailed from Cape Town on 14 December 2016 with 30 cadets from the South African Maritime Training Academy (SAMTRA) and Marine Crew Services (MCS). The group of seven engineering cadets, 23 deck cadets and two training officers joined the South African crew on a research voyage chartered by India's National Centre for Antarctic Research.

Her first port of call was Port Louis in Mauritius on Christmas Eve where she took on board the team of Indian scientists and five container loads of equipment. The ship sailed south from Mauritius before heading West of Kerguelen Island and on to Antarctica and back to Mauritius carrying out operations at various scientific stations along the way.

According to Prof Malek Pourzanjani, SAIMI's Chief Executive Officer, the fact that the Indian government was willing to entrust leading scientists and important multi-disciplinary scientific research to a South African training vessel crewed by South Africans is a tribute to the quality of our mariners and the training offered in South Africa.

The three-month cruise took the vessel and the cadets all the way down to 68 degrees south where they encountered severe weather. As stated by Sobantu Tilayi, the acting Chief Executive Officer of SAMSA, both the vessel and the cadets passed with flying colours. Tilayi indicated that the SA Agulhas I had been chartered for three years by the Indian government for an annual scientific expedition to Antarctica.

Phyllis Difeto, Chief Operations Officer of the Transnet National Ports Authority (TNPA) stated that South Africa needs more world class maritime expertise at all levels, and ongoing collaboration between TNPA, SAMSA, SAIMI and the private sector is needed to ensure that South African mariners receive world class training, and are sought after around the globe.

The cadets have had the opportunity to observe some of the experiments and see what the equipment looks like and how it is deployed. One of the experiments required the laying of a 4 700 metre mooring cable at a depth of five kilometres on the 40 degrees south latitude. The main buoy is fitted with a current metre and lies 300 metres below the surface.

The engineering cadets did watches under the engineer on watch where they assisted with the routine work carried out by the engineer. The cadets were rotated to get exposure to all sections of the engineering department including the electronics.

The deck cadets rotated amongst bridge watch keeping, deck maintenance, ships husbandry, seamanship classes and navigation classes. A bonus for the cadets was that the doctor on board volunteered to train them on the medical equipment and medicines kept in the ships' hospital.

More than 350 cadets have been trained aboard the SA Agulhas I since 2012 when SAMSA acquired the vessel from the Department of Environmental Affairs and re-purposed the former Antarctic research and supply vessel as a training vessel to support the National Cadet Programme.

The cadet programme enables aspiring sea-farers to obtain the practical sea-time experience required to attain a Certificate of Competency (COC) as either a Deck Officer or Marine Engineering Officer. The COC is an internationally recognised qualification, issued by SAMSA in accordance with the International Maritime Organisation (IMO) Convention on the Standards, Training and Certification of Watch-keepers (STCW), and opens up a global sea-faring career for these young South Africans.

The programme is a skills development initiative linked to Operation Phakisa which aims to grow South Africa's participation in the maritime economy. The initiative is managed by SAIMI and financed by the NSF.







**PART D:  
HUMAN  
RESOURCE  
MANAGEMENT**

## 1. Introduction

The NSF has a current funded staff establishment of 145 posts of which 52 posts are vacant. All employees of the NSF are currently employed by the DHET within public service as the NSF operated as a programme under the Department prior to its listing as a public entity on 12 October 2012. The NSF refunds the 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 regards to the initiating, monitoring and evaluation of projects and with regards to the support services required with the establishment of the NSF as a fully-fledged public entity; and
- Finalise the implementation of the NSF's transformation project (Siyaphambili) in order 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 is 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

Programme	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure (R'000)	No. of employees	Average personnel cost per employee (R'000)
Skills Development	5 015 898	45 686	0.91%	93*	491

\*93 includes 69 permanent employees, 6 interns and 15 contract posts 3 terminations



### Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	6 540	14%	6	1 090
Senior Management	18 130	40%	19	954
Skilled	21 016	46%	68*	309
Semi-skilled	0	0%	0	0
<b>TOTAL</b>	<b>45 686</b>	<b>100%</b>	<b>93</b>	<b>491</b>

\*68 includes 44 permanent employees, 6 interns, 15 contract posts and 3 terminations

### Performance rewards

Level	Performance rewards (R'000)	Personnel expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	379	6 540	5.80%
Senior Management	409	21 016	2.26%
Skilled	156	18 130	0.74%
Semi-skilled	0	0	0.00%
<b>TOTAL</b>	<b>944</b>	<b>45 686</b>	<b>2.07%</b>

### Training costs

Directorate	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost
NSF staff establishment	45 686	982	2.15%

## Employment and vacancies

Programme	2015/2016	2016/2017 Approved posts	2016/2017	2016/2017	% of vacancies
	No. of employees		No. of employees	Vacancies	
Skills Development	95	145	93	52	36%

Level	2015/2016	2016/2017 Approved posts	2016/2017	2016/2017	% of vacancies
	No. of Employees		No. of employees	Vacancies	
Top Management	6	6	6	0	0%
Senior Management	20	21	19	2	9.52%
Professional Qualified	0	0	0	0	0%
Skilled	69	118	68*	50	42.37%
Semi-skilled	0	0	0	0	0%
Unskilled	0	0	0	0	0%
<b>TOTAL</b>	<b>95</b>	<b>145</b>	<b>93</b>	<b>52</b>	<b>35.86%</b>

\*68 includes 44 permanent employees, 6 interns, 15 contract posts and 3 terminations

## Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	6	0	0	6
Senior Management	20	0	1	19
Professional Qualified	0	0	0	0
Skilled	68	3	3	68*
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>Total</b>	<b>94</b>	<b>3</b>	<b>4</b>	<b>93</b>

\*68 includes 44 permanent employees, 6 interns, 15 contract posts and 3 terminations



## Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	3	75%
Dismissal	0	0%
Retirement	1	25%
Ill health	0	0%
Expiry of Contract	0	0%
Other	0	0%
<b>Total</b>	<b>4</b>	<b>100%</b>

## 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	2	0	0	2
Senior Management	8	2	0	0
Professional Qualified	0	0	0	0
Skilled	25	0	0	1
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>35</b>	<b>2</b>	<b>0</b>	<b>3</b>



### Equity target and employment equity status (Female)

Levels	Female African Current	Coloured Current	Indian Current	White Current
Top Management	1	0	0	1
Senior Management	8	0	0	1
Professional Qualified	0	0	0	0
Skilled	36	0	0	6
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>8</b>

### 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
<b>TOTAL</b>	<b>0</b>	<b>1</b>



**Woman in Science Award (WISA) 2017, Keneilwe Hlahane (WIL)**

The NSF has launched a Work Integrated Learning (WIL) proposal during the 2015/16 financial year. The roll-out of these projects commenced during the 2016/17 financial year. In early 2017, the NSF awarded R3.7 million to the World Wide Fund for Nature, South Africa (WWF-SA). Ms Keneilwe Hlahane is one of WWF-SA's interns conducting research based at the South African National Biodiversity Institute (SANBI), based at Kirstenbosch, funded by the NSF.

Keneilwe Hlahane obtained a Bachelor of Science (B.Sc) degree in Geology from the University of KwaZulu-Natal, followed by a B.Sc Honours in Geographic Information Systems (GIS) at the University of Cape Town (UCT), where she is currently enrolled for a Masters degree in Science (M.Sc) in GIS and Remote Sensing.

Her M.Sc research is part of the Earth Observation National Eutrophication Monitoring Project, which is led by CyanoLakes (Pty) Ltd and funded by the Water Research Commission (WRC). Hlahane's Masters project focuses on monitoring eutrophication using GIS and satellite remote sensing in the Vaal River.

Eutrophication is a leading cause of water pollution in fresh water and coastal marine ecosystems. Her research is important because it aims to find new methods of studying the water quality in rivers using data obtained from the remote sensing satellites.

Hlahane has presented the preliminary findings of her M.Sc dissertation to the Rand Water Board and the WRC. She also assisted as a GIS intern in a project assessing the acid mine drainage pollution at Tweelopiesspruit on the West Rand. Hlahane won the 2017 ESRI Young Scholar Award for South Africa, and presented her research at the ESRI International User Conference in San Diego, earlier in the year.

Hlahane contributed a book chapter, to the application of geospatial technologies for modelling Acid Mine Drainage, entitled Management and Mitigation of Acid Mine Drainage. Her article "Every drop counts: watching water from space" was published in Science Today, after being selected as part of a post graduate science writing competition in 2016.

The International Alliance of Research Universities awarded her a scholarship to participate in a summer school on substance water management in South Africa in 2016. Hlahane also received a student conference scholarship and presented her M.Sc work at the International Symposium of Remote Sensing of the Environment in South Africa in May 2017.

Ms Hlahane has been awarded the Women in Science Award (WISA) 2017 which she has received from the Minister of Science and Technology, Minister Naledi Pandor on 17 August 2017.



Keneilwe Hlahane

### University of Limpopo now fully accredited to produce chartered accountants



SAICA UL accreditation

On Tuesday 16 August 2016, the South African Institute of Chartered Accountants (SAICA) announced that the University of Limpopo (UL) had gained accreditation for its postgraduate programme that leads to entry into SAICA's first professional examination. This, together with the undergraduate accreditation UL achieved in 2011, means the province's aspiring chartered accountants (CAs(SA)) will now be able to complete their full four years of studies at the institution.

This project would not have been possible were it not for the continued financial support from the National Skills Fund.

The SAICA accreditation process is a rigorous and extensive one. In order for a programme to achieve SAICA accreditation, a rigorous

academic review process is undertaken to assess whether the university's specific programme(s) that lead to the CA(SA) designation have the necessary resources in place to deliver a high quality programme. The purpose of an accreditation visit, which was undertaken by SAICA at the UL in April 2016, is to establish that the criteria for an accredited academic programme and the Council of Higher Education's (CHE) definition as being a "purposeful and structured set of learning experiences that lead to a qualification" has been met. In so doing, SAICA seeks

to establish whether or not the programme being accredited meets the appropriate national and international educational standards of the CA(SA) designation so as to ensure the delivery of competent CAs(SA) with relevant skills to the market place. SAICA were satisfied, having undertaken a formal accreditation process, that UL's postgraduate degree has the necessary resources to enable it to meet the required standards.

The further accreditation in 2016 for the 2017 academic year means that the UL's Postgraduate Diploma in Accountancy (PGDA) is now recognised by SAICA for entry into the first of its professional examinations, the Initial Test of Competence. The implication of this is that UL students no longer have to go away to another CTA accredited university to complete their postgraduate year of study. Instead, students can complete all four years of study at UL before entering a three-year training programme, writing SAICA's two professional examinations and registering as CA(SA).

UL's postgraduate degree accreditation would not have been possible without the partnership entered into between the University of Johannesburg (UJ) and UL to provide the appropriate capacity building support and development of staff. Credit must also be given to the leadership of the UL whose vision and continued support in the implementation of this capacity building project made all of this possible.

The benefits of UL's accreditation extend however far beyond just the university and its students. The inability for accountancy graduates from Historically Disadvantaged Institutions (HDIs) like UL to register for SAICA's examinations without first completing both a bridging programme in addition to their CTA has not only carried a negative stigma for many years, but rendered these institutions less competitive in the labour market. This is no longer the case for students at UL.

UL's accreditation will help keep talented individuals from migrating to big city centres to find work and will, in turn, assist in boosting Limpopo's economy. Through this capacity building project, not only are the multitudes of young people in the province being provided with quality education and the chance to become a CA(SA), but in doing so UL is contributing towards the NDP's transformation initiatives by increasing the number of black CAs(SA) in South Africa.





## Linda McLoughlin

**BESD Training Provider**



Linda McLoughlin is the owner of a training provider company, Professional Excellence and Training (CEPT), in Kuruman. After being an educator for 12 years, she started the business in 2009 because she felt a greater need to educate more people. The company's focus is on business development and project management.

In early 2016 her company was contracted by SEDA to start Basic Entrepreneurial Skills Development (BESD) training with almost 100 Emerging Entrepreneurs (EEs). For that purpose she employed nine Entrepreneurial Development Practitioners (EDPs) who had been trained in 2015 and are now training and coaching the EEs. Only three EEs dropped out in the first seven months of the programme and Linda emphasises the dedication and commitment of the EEs despite challenges some of them are facing, like break-ins, arson, vandalism and theft. To accommodate EEs on a low level of literacy, CEPT together with the EDPs adapted templates for record keeping of income and expenditure to make them even more accessible and user friendly.

Linda and the EDPs assist when they see EEs with low profit margins and help with ideas for improvement. This involved registering EEs on a central marketing database and helping them to develop marketing strategies and tools. Some of the EEs have won tenders – for example, a six-month contract for Mokgadi Projects and Construction to supply meat products to the Department of Health, and a 12 month contract for Boitimelo Gift to install satellite dishes for the Department of Telecommunications.

The business clubs which are organised by Linda and the EDPs and bring the EEs who participate in BESD together on a regular basis have been a great success. A diverse range of stakeholders have been invited to these events and the EEs are eager to engage on topics that are of interest to their businesses. They also use this opportunity to network and to market their products successfully to the other entrepreneurs. The interactive BESD HIV/AIDS awareness sessions at the business clubs were also welcomed by the business owners. Linda hopes that CEPT can achieve the two main objectives: assist EEs in making their businesses sustainable and increase employment.



## Kgotsa Thoane

**Bokamoso Edu & Fun**



Kgotsa Thoane, an Emerging Entrepreneur (EE), runs Bokamoso Edu & Fun, a business renting out pedal-powered go-carts to kids in Kagiso near Krugersdorp. After being retrenched, Kgotsa used the payout to settle his debts and to start up the company in 2012 using his wife's idea.

Kgotsa heard about the BESD training programme in early 2016, liked the sound of it and joined in April. Kelebogile is the Entrepreneurial Development Practitioner (EDP) who is supporting him at his business premises. Kgotsa's main concern was his lack of record-keeping abilities, but Kelebogile assisted in showing him how to view this as an important professional skill. This now helps him to manage both personal and business finances in order to earn a salary and to sustain the business from the proceeds.

He feels that the regular business clubs, when EEs are brought together, have been useful for networking opportunities. He also welcomed the possibility to learn about funding for the business. Kgotsa has been able to improve marketing, organising paintball and go-cart event days for the community and by setting up jumping castles and swimming pools for kayaking. Kelebogile is a good sounding board providing very useful feedback.

Kgotsa says that he now has a sense of direction, purpose and discipline. He sees and values how he is still learning but highly appreciates having progressed from the initial two go-carts to now owning seven. He has also registered his business as a Non-Profit Organisation (NPO), has received his certification, and looks forward to entertaining kids with go-cart races at schools as extra mural activities.



### Eastcape Midlands TVET College learners funded by the NSF

The funds allocated to Eastcape Midlands TVET College in Uitenhage in the Eastern Cape made a difference to so many under-privileged learners who were given an opportunity of a life-time to pursue their studies in their respective chosen careers.

#### **Automotive and Manufacturing**

Lumotech (Pty) Ltd offered employment to 10 learners who were trained on the Automotive Component and Manufacturing learnership. The company recognised the value of learners who were trained in the company, and employed them on ongoing contracts.

#### **Mechatronics**

Adient (previously Johnson Controls) employed 5 Mechatronics level 3 students. Contracts were signed with the company and learners were placed on a level 4 Mechatronics learnership with opportunities of working in the company upon completion of level 4. Learners have ample time to prove themselves.

#### **Electricians**

Eight (8) Level 4 Mechatronics learners were sent to Volkswagen South Africa (VWSA) for upskilling in the electrical modules and then subjected to a trade test for electricians. So far 2 of them have passed the trade test and are now qualified electricians.

#### **Auto Electricians**

Two (2) learners in the Autotronic trade that have completed level 4 were sent to VWSA for upskilling as auto electricians and have been subjected to an auto electrician trade test after training. Both learners have passed and are now qualified auto electricians.

#### **Millwright**

VWSA has absorbed three (3) learners on apprenticeship contracts in the Millwright trade.

#### **Motor mechanics**

Fifteen (15) learners were trained in motor mechanics of which 14 qualified as artisans, and 1 learner has been given permanent employment with BMW.

#### **Fitting**

Fifteen (15) learners were trained of which 10 qualified as artisans, and 2 learners have secured permanent employment.

#### **Welding**

Fifteen (15) learners were trained of which 1 qualified as an artisan and was given permanent employment at COEGA.

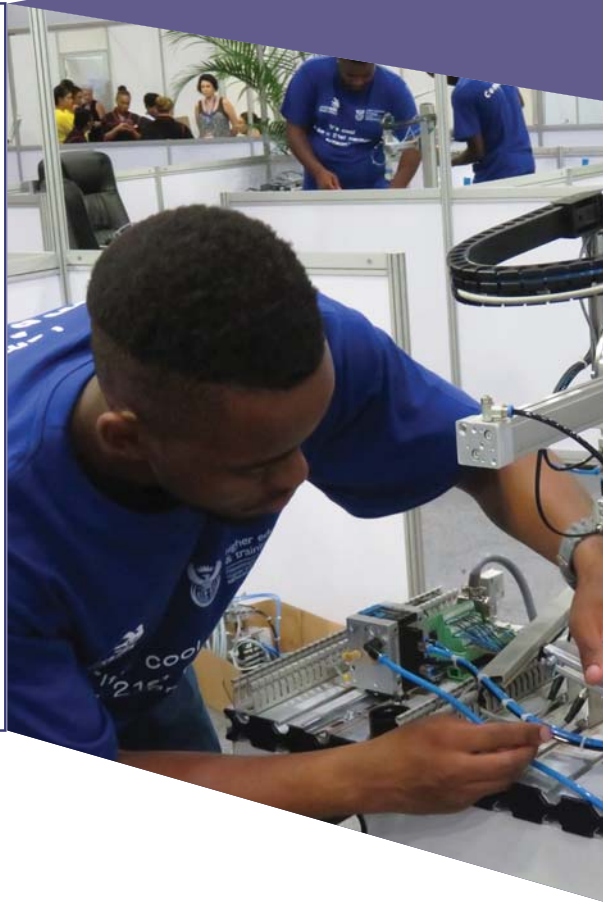


Left to right: Julius Reghaudson; Cliffy Ryan (Learnership manager); Collin Simon



Left to right: Cliffy Ryan (Learnership Manager); Angelae Vaaltyn; Dayimani Dyantyi; Gcobisa Clay (Learnership coordinator)





**PART E:**  
**FINANCIAL**  
**INFORMATION**

## 1. STATEMENT OF RESPONSIBILITY

As the Accounting Authority I am required by the PFMA, to maintain adequate accounting records and I am responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is my responsibility as the Accounting Authority to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period 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 Standards of Generally Recognised Accounting Practice (GRAP) and in accordance with the PFMA.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

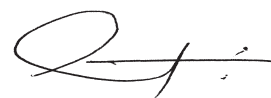
As the Accounting Authority I acknowledge that I am ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable me as the Accounting Authority to meet these responsibilities, I as the Accounting Authority ensure that standards for internal control aimed at reducing the risk of error in a cost effective manner are set. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavors 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 2017 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 on pages 98 to 199, which have been prepared on the going concern basis.



**Mr GF Qonde**

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

**31 July 2017**



## 2. REPORT OF THE EXECUTIVE OFFICER

### General financial overview of the public entity

In the 2017 budget vote on Higher Education and Training, the Minister presented, themed advancing Higher Education and Training in the year of OR Tambo, that education is recognised as the key driver for development. This ideal continues to be government's commitment supported in the NDP, which emphasises that education, training and innovation are central to South Africa's long-term development and that they are key elements in eliminating and reducing inequality, and are the foundation of an equal society.

The NSF continues to be a key role player in contributing to this objective, through various skills development interventions that include the expansion of the PSET system. As a skills development funder, the NSF funded key infrastructure development projects across the country in both the University and the TVET college sectors, with a particular focus on scarce and critical skills areas. Further contributions by the NSF were towards funding learners in education and training related to priority occupations.

The 2014 White Paper for PSET further tasked the NSF with building linkages within the skill development systems, including funding government strategies such as youth, small business, cooperative and rural development.

The NSF continue to acknowledge, engage and support strong partnerships with State Owned Companies (SOCs) to optimise their facilities and capabilities to produce qualified artisans for the economy in line with the New Growth Path, Skills Accord and Industrial Policy Action Plan strategies of government. The partnerships with Transnet, Denel, Eskom, Necsa and South African Airways Technical continue to produce remarkable results.

During the 2016/17 financial year the NSF invested R5.015 billion (2015/16: R4.357 billion) towards skills development on an annual basis, benefitting 48 169 (2015/16: 63 903) learners per year, making the NSF the largest funder in the Skills Development Levy system, which benefits the most learners.

The NSF has also done extensive work in re-engineering its business processes to improve operational efficiencies and enable strategic alignment. This included the restructuring of the NSF's organisational structure, which is currently being implemented. Furthermore, significant work is undertaken in implementing Information and Communication Technology as a strategic and operational enabler for further improvement of the NSF's efficiency and effectiveness.

### Skills development funding trends of the NSF

#### NSF invests R5.01 billion towards skills development during the 2016/17 financial year (2015/16: R4.4 billion)

The NSF's improved capability to manage higher levels of grants disbursements has laid a solid foundation for continued improvement in skills development funding into the future.

For the year under review, the NSF has in the main invested in the education and training of 48 169 learners (2015/16: 63 903) for the year to the amount of R2.4 billion (2015/16: R2.790 billion).

In addition, the NSF contributed R1.8 billion (2015/16: R969 million) towards "No Fees Increase" for University and, to a lesser degree TVET students, for the 2017 academic year. It was agreed that the NSF would fund the total amount required for the "No Fee Increase" for the 2017 academic year, amounting to R5.3 billion rand. The NSF are contributing this amount in tranches over the 2017 academic year.

The contribution to the "No Fee Increase" had an immense impact on the NSF as it resulted in the decrease of the NSF's reserve funds. The far-reaching implications of the contribution are as follows:

- Nearly R1.5 billion worth of additional workplace-based learning opportunities has been lost in the form of apprenticeships through the SOC's and Water Boards, learnerships and internships;



- Around R1.5 billion is lost towards PSET system improvements and expansions;
- Approximately R2 billion is lost that could have been used to leverage additional funding for student housing infrastructure development;
- No seed funding is available from the NSF for funding the operational costs of the remaining 13 new TVET college sites; and
- No funding available for international doctorate bursaries.

The decline in the reserves will, in addition, lead to a decline in investment income, effectively resulting in less funding being available for scarce and critical skills bursaries in the main going forward.

Funding towards PSET system development and capacity building amounted to R740 million (2015/16: R852 million). PSET system development and capacity building include investment into the National Artisan Moderation Body (NAMB), artisan development, research and public engagement on monitoring and evaluation of the PSET system, the Central Application System (CAS) facilitated by the DHET, Higher Education AIDS (HEAIDS) initiatives at universities and TVET colleges etc.

The NSF contributed R57 million (2015/16: R86 million) towards the funding of skills development research, innovation and communication.

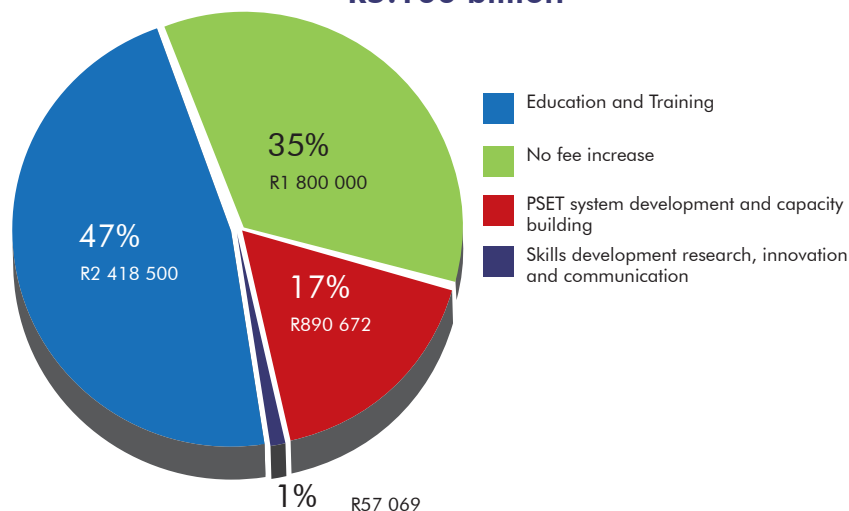
The NSF's investment in each of the respective areas is detailed below:

Skills development investment	Amount	Percentage of investment of skills development
	R'000	%
Education and Training	2 418 500	47%
No fee increase	1 800 000	35%
PSET system development and capacity building	890 672	17%
Skills development research, innovation and communication	57 069	1%
<b>Total investment in skills development</b>	<b>5 166 241</b>	<b>100%</b>
Annual Financial Statements		
- Skills development grant disbursements (Note 20 to the AFS)	5 015 898	
- Additions to TVET College infrastructure Assets (Note 4 to the AFS)	150 343	
<b>Total investment in skills development</b>	<b>5 166 241</b>	



## NSF'S SKILLS DEVELOPMENT INVESTMENT OF

**R5.166 billion**

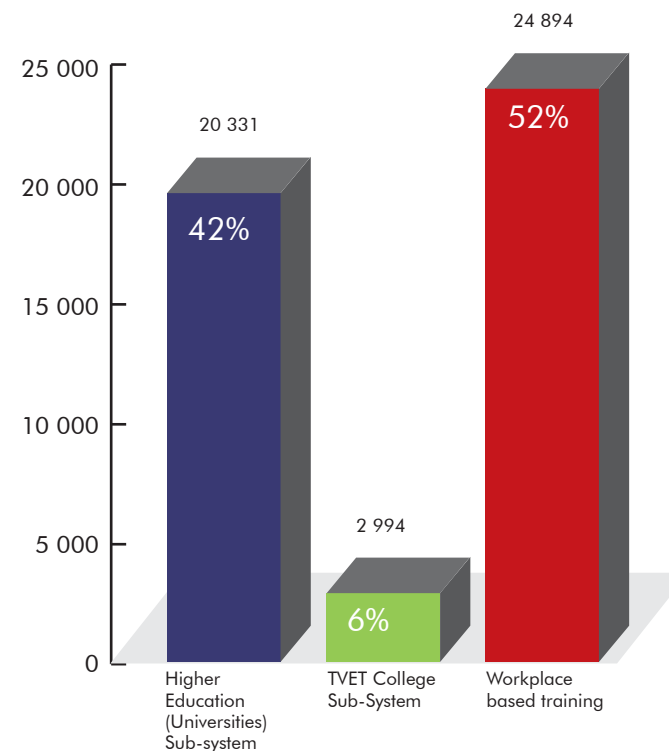


### 48 169 learners funded by NSF during the 2016/17 financial year

The NSF invested R2.419 billion (2015/16: R2.790 billion) in the education and training of learners benefitting 48 169 (2015/16: 63 903) learners during the 2016/17 financial year.

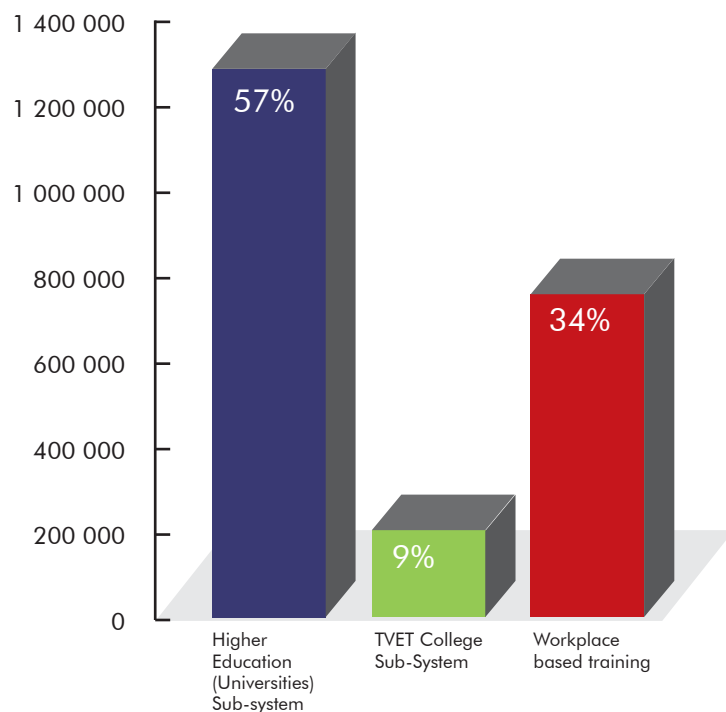
The NSF funded learners in the higher education sector (Universities), TVET college sector and in the workplace for workplace-based training. The NSF's funding in each of these areas can be summarised as follow:

## 48 169 learners benefitted





## R2.419 billion towards the education and training of learners R'000



The majority (57%)(2015/16: 56%) of the NSF's funding towards training and education of learners was towards learners in the higher education sub-system (universities), which amounted to R1.39 billion (R1.574 billion), followed by funding towards workplace-based learning at R819 million (34%) (2015/16: R762.3 million (27%)) and R210 million (9%) towards TVET colleges (2015/16: 16%). It is publicly acknowledged that the higher education sub-system (universities) is experiencing systemic funding shortfalls. It should however be noted that the higher education sub-system (universities) is still the best funded PSET sub-system, receiving funding that is much higher than

that of the other two PSET sub-subsystems, namely the TVET colleges and Community Education and Training (CET) although the funding shortfalls in the last two sub-systems are even greater.

Workplace based learning plays a critical part in an individual's learning pathway to progress from theoretical learning through the simulated practical application into the workplace and should therefore not be viewed in isolation of the above PSET sub-systems. Workplace-based learning is therefore a key component that also requires dedicated funding to ensure learners move seamlessly from theory into the workplace.

### R891 million invested towards system development and capacity building of the PSET system

During the 2016/17 financial year the NSF invested R891 million (2015/16: R852 million) towards system development and capacity building of the PSET system, which consisted in the main of the following key priorities in the PSET system:

#### TVET PRIORITIES:

1. R150 million (2015/16: R340 million) towards the construction and completion of three TVET college campuses at Thabazimbi, Bhambanana and Nkandla.
2. R250 million towards systemic improvement of the public TVET colleges, consisting of the improvement of financial management and human resource management capabilities of the TVET colleges in partnership with the South African Institution for Chartered Accountants (SAICA). Additional funding was appropriated towards national examinations and assessments. Other initiatives funded includes funding the pilot project of the dual apprenticeship system in partnership with the Swiss South African Cooperation Initiative (SSACI) and in close collaboration with the TVET colleges, the development of a model to raise the standard of TVET colleges through a series of interventions by SwissCham member companies and the professional development of campus managers.



**HIGHER EDUCATION (UNIVERSITY) PRIORITIES:**

1. R100.6 million (2015/16: R25.57 million) funded towards higher education priorities, which included funding towards the Higher Education AIDS programme, funding towards transforming health sciences education to support equity in health in partnership with the Nelson Mandela Metropolitan University (NMMU), funding towards transformation oversight in universities, funding towards establishing the South African International Maritime Institute at NMMU and funding towards student housing feasibility studies.

2. R44.334 million (2015/16: R261.36 million) funded towards key infrastructure development in a number of universities as outlined below:

- University of Pretoria:

R6.8 million (2015/16: R124 million and R415 million in total) towards the University of Pretoria for expanding the University's medical and veterinary facilities. The expansions of the University of Pretoria's medical and veterinary facilities are key public delivery infrastructure that have increased the number of medical doctors and veterinaries trained annually. Both skills are scarce and critical skills for South Africa to address the demands posed by the National Health Insurance scheme to make health universally accessible to every citizen of the country and to address an urgent need for food security and general animal health.

- University of Johannesburg:

R205 million in total towards the University of Johannesburg for establishing work-integrated learning facilities for engineering students, which includes a training workshop, design centre and industrialisation centre. These facilities, as key public delivery infrastructure, are critical to improve the production of quality engineers for the entire university sector. Engineers are a scarce and critical skill for South Africa, especially taking cognisance of South Africa's ratio of engineers to citizens in comparison with other BRICS countries. This shortage of engineers is partly attributed to the lack of work integrated learning opportunities

for a large number of engineering graduates as a result of the lack of workplace opportunities. The work-integrated learning facilities at the University of Johannesburg aim to overcome this challenge. These facilities, in the form of a production environment, will be accessible to all engineering students in need of work integrated learning, irrespective of the university or origin.

- Cape Peninsula University of Technology

R20.1 million (2015/16: R53.685 million and R83 million in total) towards the Cape Peninsula University of Technology for establishing renewable energy training facilities. These facilities, as key public delivery infrastructure, are critical in the production of a set of new skills required for the green economy. This initiative, being the first of its kind in the country, seeks to respond to the country's adopted strategy to promote renewable energy production in order to supplement the current fossil fuel energy production and gradually reduce the country's carbon footprint. The Department has seen it fit to establish this dedicated education and training capacity for the country to produce high and middle level skills in the area of renewable energy, which is currently an area of growth within the South African economy.

- University of Cape Town

R18.4 million in total towards establishing a dedicated state-of-the-art hair testing and research laboratory by the University of Cape Town's Division of Dermatology. It is the first on the African continent to train an expected 10 master's degree graduates in hair science a year, and also offer medical and forensic testing services for drugs, diseases, toxins and nutrients, and hair cosmetic testing.

3. The NSF also disbursed R1.9 billion (2015/16: R969 million) towards the "No Fees Increase" in universities and TVET colleges for the 2017 academic year.



## SKILLS DEVELOPMENT SYSTEM (WORKPLACE-BASED LEARNING) PRIORITIES:

1. R576.742 million towards workplace-based learning initiatives launched by the NSF at the end of the 2015/16 financial year.
2. R30 million (2015/16: R32.771 million) funding towards strengthening the artisan development system.

The NSF supports the provincial consultative work of NAMB in developing the National Artisan Development Strategy which culminated in the successful launch of the National Artisan Development Conference in December 2016. The robust strategic engagements and buy in from all the key artisan development stakeholders will further support and strengthen the consolidation and finalisation of the National Artisan Development Strategy. The Recognition for Prior Learning regulations approved by the Minister in December 2016 will also broaden the Artisan Development System and afford opportunities for our people to become qualified artisans.

The NSF invested in strengthening the South African artisan development system on a national, regional and local level. The NSF's investment in strengthening artisan development consisted of the following:

- i) Operationalising the National Artisan Development Body (NAMB) and funding the work performed by NAMB.

The work performed by NAMB comprises of the following:

- Artisan development career management
- Artisan development information management
- Artisan trade test management
- Artisan quality assurance management, including ICT requirements and the establishment of regional artisan development structures.

- ii) The development, testing and implementation of Recognition for Prior Learning (RPL) model for artisans through INDLELA.
- iii) Artisan development and certification through Indlela training centre.
3. R2.8 million (2015/16: R6.382 million) funded towards skills competitions through World Skills South Africa.

## OVER-ARCHING PRIORITIES:

1. R19.7 million (2015/16: R14.356 million) allocated towards ICT systems development, consisting in the main of the Higher Education Management Information System (HETMIS) and the Central Application Services system
2. R4 million (2015/16: R1.195 million) towards developing a national plan for Post-School Education and Training.
3. Other priorities include providing R5.6 million (2015/16: R2.8 million) of funding for key capacity, which consist in the main of funding towards capacity to coordinate skills development for the SIPs projects.

## Capacity constraints and challenges facing the Fund

The NSF is recognised as an important role player within the PSET system and is often times referred to as a catalytic fund. With the NSF continuing to increase its investment in skills development priorities, additional responsibilities are continuously being allocated to the Fund to respond to the social and economic demand for skills development.

The NSF takes up the responsibilities it is being called upon and aims to increase the Fund's effectiveness and efficiency on a continuous basis. This will require the Fund to become more innovative, flexible and responsive, institutionalising a continuous drive for improvement in all these areas. As a result of increased funding responsibilities the NSF will be addressing capacity constraints across the entire skills development funding life cycle.



The key areas that will be addressed are as follow:

1. Strategic planning capacity supported by strong research and analysis capabilities. Strategic partnerships will also be forged to ensure integrated skills planning;
2. Dedicated brokering and facilitation capacity (also referred to as dealmakers), whom will be dedicated towards initiating skills development initiatives aligned to the NSF's strategic objectives and in accordance with the required compliance frameworks.
3. Dedicated and competent evaluation capacity, whom will be responsible for ongoing evaluation of outcomes and impact of NSF funded initiatives;
4. Strengthened monitoring capacity, whom will be responsible for monitoring outputs throughout the execution of skills development initiatives. ICT technology as an enabler will also support in strengthening the monitoring capabilities of the NSF;
5. Dedicated high level finance capacity that will act as business partners and support to the core skills development functions aimed at strengthening financial management throughout the skills development lifecycle at all levels; and
6. Dedicated and competent innovation and continued business improvement capacity, whom will be responsible for innovation and continuous improvement both externally and internally to the NSF.

The NSF is in the process of implementing its new organisational structure as approved by the Minister. Existing employees were placed into the new organisational structure following the placement process as per the approved NSF Placement Framework and Procedures. Critical posts have been advertised and appointments are at various stages for the different posts.

### Requests for roll over of funds

The NSF applied for the retention of its surpluses for the 2016/17 financial year (2016/17: R9.562 billion) (2015/16: R10.878 billion) in terms of section 53(3) of the PFMA from National Treasury during the first quarter of the 2017/18 financial year. This approval has been granted by National Treasury.

### Supply chain management

#### Unsolicited bid proposals:

No unsolicited bid proposals were concluded during the year.

#### SCM processes and systems in place:

Due to the NSF forming part of the DHET as a programme under the Skills Development Branch, the NSF has been fully reliant on DHET SCM policies, processes and systems. The Memorandum of Agreement was engaged with DHET to assist NSF with SCM functions including utilisation of bid committees.

#### Challenges experienced and how resolution is envisaged:

With the listing of the NSF as a Schedule 3A public entity, it is envisaged that the NSF will establish its own Supply Chain Management unit under the office of the NSF's Chief Financial Officer.

### Audit report matters in the previous year and how they would be addressed

The NSF received an unqualified audit report confirming that the financial statements fairly present, in all material respects, the financial position of the NSF as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with SA standards of GRAP and the requirements of the PFMA and the SDA.

An emphasis of matter was raised on the restatement of the annual financial statements. No material findings on the usefulness and reliability of the reported



performance information for Programme 1: Funding skills development was identified. Material misstatements on performance information has been corrected by management. Explanations were provided for the under- or overachievement of a number of planned targets for the year.

Material adjustments to the financial and performance reporting resulted in non-compliance with applicable laws and regulations as per the audit report matter to be addressed by the NSF.

The root causes resulting in inaccurate financial reporting can be attributed to inadequate daily, weekly and monthly processing and reconciliation controls including proper preparation and reporting on commitment note, related party notes and cash flow statement which have resulted in material adjustments identified in the financial and performance reports. This root cause is being addressed through the appointment of dedicated financial capacity within the Fund.

The root cause resulting in inaccurate and untimely performance information reporting can be attributed to insufficient monitoring and evaluation capacity within the Fund, the lack of an automated performance information system and the lack of dedicated performance information reporting capacity. This root cause is being addressed through the appointment of dedicated performance information capacity within the Fund, as well as the implementation of the new ICT system.

### Outlook for the future to address financial challenges

The NSF has committed and earmarked R20.899 billion (2015/16: R15.834 billion) towards skills development projects of national priority as at the end of the 2016/17 financial year.

These commitments will be funded through the NSF's current surpluses.

The NSF's levy stayed stable from the 2015/16 (R3.031 billion) to the 2016/17 (R3.033 billion) financial year. It is expected that the growth in the skills development levies may be limited due to the current economic conditions in

the country, with specific reference to factors impacting the country's wage bill e.g. high unemployment.

### Events after the reporting date

There are no events after reporting date.

### Economic viability

As per the Regulation approved by the Executive Authority, the NSF may utilise 10% of its income towards administration of the Fund. This allocation towards administrative costs is sufficient for the NSF to fund its operations as the NSF only used 3% (R120.8 million) (2015/16: 2.21% (R91.332 million)) of its annual revenue R3.873 billion (2015/16: R4.135 billion) towards administration.

### Financial management

The NSF's financial management is sound and compliant to PFMA and National Treasury regulations. The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

### Other PFMA requirements

The NSF reports through the structures and processes of the DHET in so far as compliance with the PFMA is concerned, namely:

- Basis of Accounting – The NSF prepared its financial statements for 2016/17 financial year on an accrual basis as required by the PFMA for Schedule 3A public entities.
- Quarterly reporting – The NSF's quarterly reporting for the 2016/17 financial year followed the reporting processes as required by the DHET. The NSF reports quarterly on its performance against its strategic plan and annual performance plan, as well on its financial and compliance information in accordance to the National Treasury prescribed format and timeframes.





- Actual revenue and expenditure projections – The relevant information that forms part of the MTEF & ENE processes are submitted to National Treasury via the processes of the DHET in the prescribed format and timeframes.
- Annual financial statements – These statements are compiled by the NSF and have been submitted timeously for audit purposes.
- Annual report – Information with regard to the NSF are covered within the Annual Report of the NSF.
- Completeness of revenue - Skills Development Levy (SDL) transfers are recognised when it is probable that future economic benefit can be measured reliably. This occurs when the DHET either makes an allocation or payment, whichever comes first, to the SETAs and NSF, as required by section 6(5) of the SDLA, 1999. The SDL transfer is measured at the fair value of the consideration received.

### Asset management

#### Asset management are performed by the NSF.

TVET college infrastructure development assets are however managed by the DHET in terms of the agency agreement between the DHET and the NSF. The TVET college infrastructure development assets are capitalised in the NSF's accounting records during construction thereof and de-recognised upon transfer to the respective TVET colleges upon completion.

### Irregular expenditure

The NSF incurred irregular expenditure during the 2016/17 financial year. Please refer to note 35 to the Annual Financial Statements.

### SCOPA resolutions

There were no new SCOPA resolutions affecting the fund during the reporting period.

Exemptions and deviations received from National Treasury

There were no exceptions and deviation received from National Treasury.

### Approval

The Annual Financial Statements have been approved by the Director-General of Higher Education and Training as the accounting authority of the NSF.



**Mvuyisi Macikama**  
Executive Officer  
National Skills Fund



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

#### Report on the audit of the financial statements

##### Opinion

1. I have audited the financial statements of the National Skills Fund set out on pages 98 to 199, which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the 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 National Skills Fund as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA).

##### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my 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) together with 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 the financial statements

7. As disclosed in note 25 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error discovered during the current year in the financial statements of the entity at, and for the year ended, 31 March 2017.

##### 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 SA 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 going concern and using the going concern basis of accounting unless the intention is to either liquidate the public entity or cease operations, or there is 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 the 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 2017 for Programme 1 – Funding Skills Development on pages 40 to 50.

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 identify any material findings on the usefulness and reliability of the reported performance information for Programme 1 – 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 40 to 50 for information on the achievement of planned targets for the year and explanations provided for the under- or overachievement of a number of targets.

#### Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information for Programme 1 – Funding Skills Development. 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 in respect of the compliance criteria for the applicable subject matters are as follows:

#### Annual financial statements

22. The financial statements submitted for auditing were not prepared in accordance with the prescribed accounting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of commitments, related party disclosure notes and the cash flow statement identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Other information

23. The public entity's Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the governance and human resource management report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have 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 programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information 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.
26. I have not yet received the annual report. When I do receive this information, and I conclude that it contains a material misstatement, I am required to communicate the matter to those charged with governance and to request that the other information be corrected. If the other information is not corrected, I may have to re-issue my auditor's report amended as appropriate.

### Internal control deficiencies

27. 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 thereon. 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

28. Leadership did not adequately exercise oversight responsibility over financial, performance reporting and compliance and related controls as sufficient monitoring controls were not in place to ensure accurate financial and performance reporting.
29. Although the public entity developed an action plan to address previously reported external audit findings, there were repeat findings from the previous year.



## Financial and performance management

30. Management did not implement adequate daily, weekly and monthly processing and reconciliation controls including proper preparation and reporting on commitment note, related party notes and cash flow statement which have resulted in material adjustments identified in the financial.

*Auditor-General*

**Pretoria**  
**31 July 2017**



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure A – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected 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 the auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the auditor's report. However, future events or conditions may cause the public entity to cease to continue 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 here applicable, related safeguards.



## National Skills Fund Financial Statements

### for the year ended 31 March 2017

The Annual Financial Statements for the year ended 31 March 2017 have been approved by the Accounting Authority in terms of section 55(1)(c) of the Public Finance Management Act (PFMA), No 1 of 1999.



**Mr. Gwebinkundla Fellix Qonde**  
**Director-General of Higher Education and Training**  
**Accounting Authority of the National Skills Fund**  
**31 July 2017**

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## Statement of Financial Position for the year ended 31 March 2017

Notes	2016/17	2015/16
	R'000	Restated
		R'000
<b>ASSETS</b>		
<b>Non-current Assets</b>	<b>544 385</b>	<b>601 988</b>
Property, plant and equipment	2. 7 735	10 996
Intangible assets	3. 439	1 227
TVET college infrastructure assets	4. 536 211	589 765
Trade and other receivables from non-exchange transactions	7. -	-
<b>Current Assets</b>	<b>10 212 911</b>	<b>11 324 605</b>
Investments	5. 8 860 484	10 423 328
Trade and other receivables from exchange transactions	6. 45	255
Trade and other receivables from non-exchange transactions	7. 93 723	150 716
Deferred expenditure on skills development grant disbursements	8. 648 469	564 233
Cash and cash equivalents	9. 610 190	186 073
<b>TOTAL ASSETS</b>	<b>10 757 296</b>	<b>11 926 593</b>



## Statement of Financial Position for the year ended 31 March 2017 (continued)

	Notes	2016/17 R'000	2015/16 Restated R'000
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>1 195 128</b>	<b>1 054 865</b>
Trade and other payables from non-exchange transactions	10.	15 127	5 102
Trade and other payables from exchange transactions	11.	61 140	43 135
Accruals from non-exchange transactions	12.	1 113 932	1 001 407
Accruals from exchange transactions	13.	2 925	2 230
Provisions	14.	2 004	2 991
<b>TOTAL LIABILITIES</b>		<b>1 195 128</b>	<b>1 054 865</b>
<b>TOTAL NET ASSETS</b>		<b>9 562 168</b>	<b>10 871 728</b>
<b>FUNDS CONTRIBUTED BY:</b>			
<b>Capital and Reserves</b>		<b>9 562 118</b>	<b>10 871 728</b>
TVET college infrastructure development reserve		2 411 256	2 618 628
SETA uncommitted surplus reserve		1 980 827	1 980 827
Accumulated surplus		5 170 035	6 272 273
<b>TOTAL CAPITAL AND RESERVES*</b>		<b>9 562 118</b>	<b>10 871 728</b>

\* 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 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 to effective use 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 for the year ended 31 March 2017

Notes	2016/17	2015/16
	R'000	Restated
		R'000
<b>REVENUE</b>		
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>	<b>3 051 031</b>	<b>3 414 964</b>
Skills development levies	15. 3 051 031	3 033 122
Income from SETAs	16. -	381 842
Bad debts recovered	17. -	-
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>822 804</b>	<b>720 938</b>
Finance income	18. 766 906	678 594
Finance income from advance payments to skills development programmes and projects	19. 55 898	42 344
<b>TOTAL REVENUE</b>	<b>3 873 835</b>	<b>4 135 902</b>
<b>EXPENSES</b>		
<b>SKILLS DEVELOPMENT EXPENSES</b>	<b>5 015 898</b>	<b>4 357 162</b>
Skills development grant disbursements	20. 5 015 898	4 357 162
Provision for impairment	7. -	-
<b>ADMINISTRATIVE EXPENSES</b>	<b>120 810</b>	<b>97 867</b>
Employee costs	21. 45 686	40 502
Operating expenses	22. 65 995	49 101
Management fees and bank charges	23. 2 924	3 165
Depreciation and amortisation	2. & 3. 6 205	5 099
<b>LEVY COLLECTION COSTS TO SARS</b>	<b>48 466</b>	<b>48 629</b>
<b>TOTAL EXPENSES</b>	<b>5 185 174</b>	<b>4 503 658</b>





## Statement of Financial Performance for the year ended 31 March 2017 (continued)

	Notes	2016/17	2015/16
		R'000	Restated
			R'000
<b>OTHER INCOME / (EXPENDITURE)</b>			
Loss on disposal of assets	2.	(5)	(47)
Fair value adjustments - Financial instruments at fair value	5.	1 734	-
<b>TOTAL OTHER INCOME / (EXPENDITURE)</b>		<b>1 729</b>	<b>(47)</b>
<b>NET (DEFICIT) / SURPLUS FOR THE YEAR</b>	<b>**</b>	<b>(1 309 610)</b>	<b>(367 803)</b>

\*\* The National Skills Fund'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 for the year ended 31 March 2017

	TVET college infrastructure development reserve	SETA uncommitted surplus reserve	Accumulated surplus	Total
	R'000	R'000	R'000	R'000
<b>Balance at 1 April 2015</b>	<b>2 612 729</b>	<b>2 586 023</b>	<b>6 040 779</b>	<b>11 239 531</b>
As originally stated	2 612 729	2 586 023	6 040 779	11 239 531
Prior period correction	-	-	-	-
Net surplus per Statement of Financial Performance	5 899	(605 196)	231 494	(367 803)
Total revenue and other income	5 899	363 943	3 766 060	4 135 902
Total expenses		(969 139)	(3 534 566)	(4 503 705)
<b>Balance at 31 March 2016</b>	<b>2 618 628</b>	<b>1 980 827</b>	<b>6 272 273</b>	<b>10 871 728</b>
<b>Balance at 1 April 2016</b>	<b>2 618 628</b>	<b>1 980 827</b>	<b>6 272 273</b>	<b>10 871 728</b>
Net deficit per Statement of Financial Performance	(207 372)	-	(1 102 238)	(1 309 610)
Total revenue and other income	-	-	3 875 569	3 875 569
Total expenses	(207 372)	-	(4 977 807)	(5 185 179)
<b>Balance at 31 March 2017 **</b>	<b>2 411 256</b>	<b>1 980 827</b>	<b>5 170 035</b>	<b>9 562 118</b>

\*\* 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 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 for the year ended 31 March 2017

	Notes	2016/17	2015/16
		R'000	R'000
<b>Cash flows from operating activities</b>			
Cash receipts from stakeholders		3 053 565	3 890 380
Levies, interest and penalties received		3 049 884	3 030 539
Other cash receipts from stakeholders		3 681	859 841
Cash paid to stakeholders, suppliers and employees		(4 808 477)	(3 821 326)
Skills development grant payments		(4 663 236)	(3 672 838)
Employee costs		(44 831)	(39 774)
Payments to suppliers and other		(100 410)	(108 714)
Cash (utilised)/ generated from operations	24.	(1 754 912)	69 054
Finance income		766 906	684 493
<b>Net cash from operating activities</b>		<b>(988 006)</b>	<b>753 547</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	2.	(2 161)	(5 305)
Additions to intangible assets	3.	-	(305)
Additions to TVET college infrastructure assets	4.	(150 343)	(340 128)
Utilisation of / (Additions to) investments		1 564 578	(2 492 277)
<b>Net cash flows from investing activities</b>		<b>1 412 074</b>	<b>(2 838 015)</b>
Increase/(Decrease) in cash and cash equivalents		424 067	(2 084 468)
Cash and cash equivalents at beginning of the year		186 073	2 270 541
<b>Cash and cash equivalents at end of the year</b>	<b>9.</b>	<b>610 190</b>	<b>186 073</b>



## Statement of Comparison of Budget and Actual Amounts

	Approved and final budget * Annual R'000	Actual amounts on accrual basis R'000	(Under) / Over budget R'000	(Under) / Over budget %
<b>REVENUE</b>				
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>	<b>3 033 122</b>	<b>3 051 031</b>	<b>17 909</b>	<b>0.6%</b>
Skills development levies Income from SETAs	3 033 122	3 051 031	17 909	0.6%
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>619 955</b>	<b>822 804</b>	<b>202 849</b>	<b>32.7%</b>
Finance income	577 611	766 906	189 295	32.8%
Other income	42 344	55 898	13 554	32.0%
<b>TOTAL REVENUE</b>	<b>3 653 077</b>	<b>3 873 835</b>	<b>220 758</b>	<b>6.0%</b>
<b>EXPENSES</b>				
<b>SKILLS DEVELOPMENT GRANT DISBURSEMENTS</b>	<b>6 017 408</b>	<b>5 015 898</b>	<b>(1 001 510)</b>	<b>(16.6%)</b>
Education and Training	2 789 596	2 418 500	(371 096)	(13.3%)
PSET System Development and Capacity Building	1 018 932	427 214	(591 718)	(58.1%)
No Fee Increase	1 895 175	1 894 861	(314)	(0.02%)
Skills Infrastructure Development	263 153	218 254	(44 899)	(17.1%)
Skills Development Research Innovation and Communication	50 552	57 069	6 517	12.9%
<b>TOTAL SKILLS DEVELOPMENT EXPENSES</b>	<b>6 017 408</b>	<b>5 015 898</b>	<b>(1 001 510)</b>	<b>(16.6%)</b>



## Statement of Comparison of Budget and Actual Amounts (continued)

	Approved and final budget * Annual	Actual amounts on accrual basis	(Under) / Over budget	(Under) / Over budget
	R'000	R'000	R'000	%
<b>ADMINISTRATIVE EXPENSES</b>				
Employee costs	50 000	45 686	(4 314)	(8.6%)
Operating expenses	84 286	65 995	(18 291)	(21.7%)
Management fees and bank charges	3 165	2 924	(241)	(7.6%)
Depreciation	9 099	6 205	(2 894)	(31.8%)
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>146 550</b>	<b>120 810</b>	<b>(25 740)</b>	<b>(17.6%)</b>
<b>COLLECTION COSTS TO SARS</b>	<b>154 803</b>	<b>48 466</b>	<b>(106 337)</b>	<b>(68.7%)</b>
<b>TOTAL EXPENSES</b>	<b>6 318 761</b>	<b>5 185 174</b>	<b>(1 133 587)</b>	<b>(17.9%)</b>
<b>TOTAL OTHER INCOME/ ( EXPENDITURE)</b>	<b>-</b>	<b>1 729</b>	<b>1 729</b>	<b>0.0%</b>
<b>NET (DEFECIT) / SURPLUS FOR THE YEAR</b>	<b>(2 665 684)</b>	<b>(1 309 610)</b>	<b>1 356 074</b>	<b>(50.9%)</b>

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





# Notes to the Annual Financial Statements

## 1. ACCOUNTING POLICIES

### 1.1 Basis of preparation

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The financial statements are presented in South African Rand which is the functional reporting currency for the National Skills Funds and all values are rounded off to the nearest thousands (R'000). The financial statements have been prepared on accrual basis with except for assets which 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 Further Education and Training Colleges.
- Directive 11: Changes in Measurement Bases following Initial Adoption of Standards of GRAP.
- Directive 12: The Selection of an appropriate Reporting Framework by Public Entities.



**Interpretations of the Standards of GRAP approved:**

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

**Approved guidelines of standard of GRAP:**

- Guide 1: Guideline on Accounting for Public Private Partnerships

**Effective accrual based IPSASs:**

- IPSAS 20: Related parties disclosure

**Effective IFRSs and IFRICs that are applied:**

- IAS 19 (AC 116): Employee benefits

**1.2 Changes in accounting policies, estimates and errors**

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

The entity changes an accounting policy only if the change:

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

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

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the Annual Financial Statements where applicable.

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



### 1.3 Critical judgements, estimations and assumptions

In the application of the NSF 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 regards to the determination of estimated useful lives and residual values of items of property, plant and equipment, as discussed further in 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 twelve months. The NSF surplus reserves will enable it to continue operating as a going concern.

### 1.5 Offsetting

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

### 1.6 Comparative information

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

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

## 1.8 Revenue recognition

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

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

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

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

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction

will flow to the company;

- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

### 1.8.1 Revenue from non-exchange transactions

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

#### 1.8.1.1 Skills development levy (SDL) income

Skills development levy (SDL) transfers are recognised when it is probable that future economic benefits can be measured reliably, and occurs when the Department of Higher Education and Training (DHET) makes the allocation or the payment, whichever event comes first, to the National Skills Fund (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 a skills development levy of 1% of the total payroll cost to the South African Revenue Services (SARS), who collects the levies on behalf of the Department of Higher Education and Training. 20% of the skills development levies are paid over to the NSF and 80% to the SETAs.

National Skills Fund SDL income is set aside in terms of the Skills Development Act, 1998 (Act No. 97 of 1998) as amended for the purpose of:

	2016/17	2015/16
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 the Department of Higher Education and Training (DHET) and are measured at fair value of the consideration received.

#### 1.8.1.3 Income from SETAs towards TVET College Infrastructure Development

Skills Development Circular No 08/2013 stipulates the role of SETAs with regards to the TVET College infrastructure development. In terms of the Circular, each SETAs' contribution towards the 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 the TVET college infrastructure development is recognised at fair value of the consideration received in the TVET college infrastructure development reserve as such funding is specifically received for use towards the TVET college infrastructure development. The related TVET college infrastructure development expenditure is also recognised against the TVET college infrastructure development reserve.

#### 1.8.1.4 Income from SETAs uncommitted surpluses

On 3 December 2012, the Minister of Higher Education and Training published the new SETA grant regulations in terms section 36 of the Skills Development Act, 1998 (No 97 of 1998), in Government Gazette No. 35940 to be effective from 1 April 2013. In terms of new SETA grant regulation 3(12), the uncommitted surpluses of the SETAs as at each year-end must be paid over by the SETA to the National Skills Fund by 1 October of each year. However, the SETA is allowed in terms of grant regulation 3(11) to retain a maximum of 5% of the uncommitted surpluses to be carried over to the next financial year. The SETA may also in terms of SETA grant regulation 3(12) submit a business case to the Minister requesting approval to carry over the surpluses where exceptional circumstances have led to projected under-spending. The approval of the business case for the retention of uncommitted surpluses is within the discretion of the Minister of Higher Education and Training. The SETAs must pay over their uncommitted surpluses to the NSF should the Minister not approve the SETAs business cases for retention of their uncommitted surpluses.

Income from SETAs uncommitted surplus is measured at fair value of the consideration received in the SETA uncommitted surplus reserve. Expenditure incurred on skills development funded from the SETA uncommitted surplus reserve is also recognised against the SETA uncommitted surplus reserve.





#### 1.8.1.5 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 NSF based on the approved memorandum of agreement entered into between the parties. This interest received by the training providers are utilised to incur project expenditure on behalf of 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 (Act. No. 9 of 1999), the Accounting Authority must, on a monthly basis as agreed between SARS and the Accounting Authority, settle the costs of collection by SARS from the levies paid into the National Skills Fund. The total amount of the collection costs, may not exceed 2% of the total amount of the levies collected by SARS.

### 1.9.2 NSF 10% employee costs and other operating expenses

According to section 28(2) of the 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 of salaries, paid annual leave, paid sick leave, thirteenth cheques, performance bonuses and non-monetary benefits such as medical care, housing and car allowances. The cost of short term employee benefits 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; and
- 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 a 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 memorandum of agreements entered into between the parties. Funds not spend by the training providers at year are accounted for as pre-paid expenditure in the financial statements of the NSF until the related eligible project expense 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.

### 1.10 Assets

#### 1.10.1 Property, plant and equipment

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

Property, plant and equipment comprise mainly of 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 NSF special projects are capitalized 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 Department of Higher Education and Training is the Accounting Authority of the fund in terms of the PFMA and must control the fund. Intangible comprise mainly of 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.

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 of TVET College campuses developed on behalf of the respective colleges.

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

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



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

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

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 agreements. Deferred expenditure paid reflects the outstanding capital amounts as well as accrued interest received by the training providers at financial year end. 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 risks 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 Public Investment Corporation (PIC). Cash and cash equivalents are measured at fair value.

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

### 1.11 Liabilities

#### 1.11.1 Defined contribution plans

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

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



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

### 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 includes annual leave, capped leave, thirteenth cheque as well as performance bonus commitments at year end (based on current salary rates).

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

### 1.11.3 Payables to skills development programmes and projects

Due to the nature of the NSF 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 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 is 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 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.

#### (a) Provision for levies less than threshold

Section 4(b) of the Skills Development Levies Act, No. 9 of 1999, stipulates that employers with a total yearly remuneration expense of below R500 000 are exempt from contributing skills development levies. In practice it does happen that some of these exempted employers contribute skills development levies. As a result, they are entitled to claim their contributions back. There is uncertainty over the timing and amount of the provision for levies paid below threshold, as the NSF does not know the amount or time of contributions that will be claimed back in the future. For purposes of calculating the provision management expects the future claims to be in line with the historic levies less than 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.





## (b) 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 NSF has not yet completed the performance assessments at year-end and determined the performance bonus payable. Management estimates the performance bonus payable to be in line with the prior period's performance bonus paid with an average increase for inflation.

### 1.12 Financial instruments

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

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

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

#### 1.12.1 Financial assets - classification

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

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

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

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

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

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

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

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



### 1.12.2 Financial liabilities - classification

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

- Trade and other payables.

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

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

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

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

In accordance with GRAP 104 the Financial Liabilities of the entity are all classified as "other financial liabilities".

### 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 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 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/services that have been received together with an accompanied invoice but final authorisation to affect payment has not been effected. Accruals are recognised in the Statement of Financial Position as trade and other payables.

### 1.12.4 Impairment of financial assets

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



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

A provision for impairment of accounts receivable is established when there is objective evidence that 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 that shows the remaining contractual maturities.

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

A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 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 which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

#### 1.13.2 Key management personnel

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

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



## 1.14 Commitments and earmarked funds

### 1.14.1 Commitments

Commitments only include funds that have been committed contractually at year-end. Funds committed contractually are commitments where the NSF has a contractual obligation to fund the skills development programme/project or administrative projects. With a contractual obligation there is a written agreement with specific terms between the NSF and 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:

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

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

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

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

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

Funds earmarked towards constructive commitments are funds that the NSF commits on an annual basis towards ongoing skills development programmes and projects. Due to 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 New Standards and interpretations (IGRAP) issued but not yet effective as at 31 March 2017:

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the entity:

- GRAP 18: Segment reporting: (Effective date: Not Announced)

The Standard is to establish principles for reporting financial information by segments. The disclosure of this information will:

- a) Standard is to establish principles for reporting financial information by segments. The disclosure of this information will:





- b) Enable users of the financial statements to better understand the entity's past performance, to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates; Identify the resources allocated to support the major activities of the entity and assist in making decisions about the allocation of resources; and
- c) Enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations.
- GRAP 20: Related party Disclosure

Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties

- GRAP 32: Service Concession Arrangements: Grantor

The Standard prescribes the accounting for service concession arrangements by the grantor, a public sector entity.

- GRAP 105: Transfer of functions between entities under common control (Effective date: Not announced);

The Standard establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

- GRAP 106: Transfers of functions between entities not under common control (Effective date: Not announced)

The Standard establishes accounting principles for the acquirer in a transfer of functions between entities not under common control.

- GRAP 107: Mergers (Effective date: Not announced).

The Standard establishes accounting principles for the combined entity and combining entities in a merger.

- GRAP 108: Statutory Receivables

The Standard prescribes accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

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Application of all of the above GRAP standards will be effective from the date as announced by the minister of finance. Currently not all of these dates have been announced.

The following interpretations (IGRAP) have been issued but not yet effective and have not been early adopted by the entity:

- IGRAP 7: The limit on defined benefit asset, minimum funding requirements and their interaction
- IGRAP 11: Consolidation - Special Purpose Entities



- IGRAP 12: Jointly Controlled Entities – Non Monetary Contributions by Venturers
- IGRAP 17: Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

Management has considered all of the above-mentioned GRAP standards 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.



## Notes to the Annual Financial Statements

### 2. Property, plant and equipment

#### Reconciliation of cost to net book value

Owned assets	2016/17			2015/16		
	Cost	Accumulated depreciation	Carrying Value	Cost	Accumulated depreciation	Carrying Value
Computer Software	15 241	(10 075)	5 166	13 139	(5 619)	7 520
Office Furniture	3 386	(1 634)	1 752	3 386	(957)	2 429
Office Appliance	198	(69)	129	198	(30)	168
Office Equipment	1 003	(315)	688	994	(115)	879
<b>Total</b>	<b>19 828</b>	<b>(12 093)</b>	<b>7 735</b>	<b>17 717</b>	<b>(6 721)</b>	<b>10 996</b>

#### Reconciliation of opening to closing net book value

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



## 2. Property, plant and equipment (continued)

### Reconciliation of opening to closing net book value

2015/16 R'000					
Owned assets	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
Computer Equipment	6 943	4 165	(47)	(3 541)	7 520
Office Furniture	2 885	206	-	(662)	2 429
Office Appliance	91	100	-	(23)	168
Office Equipment	143	834	-	(97)	879
<b>Total</b>	<b>10 062</b>	<b>5 305</b>	<b>(47)</b>	<b>(4 323)</b>	<b>10 996</b>



### 3. Intangible assets

#### Reconciliation of cost to net book value

	2016/17 R'000			2015/16 R'000		
Owned assets	Cost	Accumulated amortisation	Carrying Value	Cost	Accumulated amortisation	Carrying Value
Computer Software	2 527	(2 088)	439	2 527	(1 300)	1 227
<b>Total</b>	<b>2 527</b>	<b>(2 088)</b>	<b>439</b>	<b>2 527</b>	<b>(1 300)</b>	<b>1 227</b>

#### Reconciliation of opening to closing net book value

	2016/17 R'000				
Owned assets	Carrying value at beginning of year	Additions	Disposals	Amortisation	Carrying value at end of year
Computer Software	1 227	-	-	(788)	439
<b>Total</b>	<b>1 227</b>	<b>-</b>	<b>-</b>	<b>(788)</b>	<b>439</b>

#### Reconciliation of opening to closing net book value

	2015/16 R'000				
Owned assets	Carrying value at beginning of year	Additions	Disposals	Amortisation	Carrying value at end of year
Computer Software	1 697	305	-	(775)	1 227
<b>Total</b>	<b>1 697</b>	<b>305</b>	<b>-</b>	<b>(775)</b>	<b>1 227</b>





#### 4. TVET College Infrastructure Assets

##### Reconciliation of cost to net book value

TVET College Infrastructure Assets		2016/17 R'000			2015/16 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	Umfoloji	159 010	-	159 010	96 692	-	96 692
Giyani	Letaba	10 362	-	10 362	10 362	-	10 362
Graaff-	Eastern	10 338	-	10 338	10 338	-	10 338
Reinet	Cape Midlands						
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
Ngqungqushu (Lusikisiki)	Ingwe	10 338	-	10 338	10 338	-	10 338
Nkandla A	Umfoloji	242 497	-	242 497	158 565	-	158 565
Nkandla B	Umfoloji	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	-	-	-	199 804	-	199 804
Umzimkhulu	Esayidi	10 378	-	10 378	10 378	-	10 378
Vryheid	Mthashana	10 338	-	10 338	10 338	-	10 338
<b>Total</b>		<b>536 211</b>	<b>-</b>	<b>536 211</b>	<b>589 765</b>	<b>-</b>	<b>589 765</b>



#### 4. TVET College Infrastructure Assets (continued)

##### Reconciliation of opening to closing net book value

		2016/17 R'000				
TVET College Infrastructure Assets		Carrying value at beginning of	Additions	Disposals	Depreciation	Carrying value at end of year
Site	TVET College					
Aliwal North	Ikhala	10 338	-	-	-	10 338
Balfour	Gert Sibande	10 513	-	-	-	10 513
Bhambanana	Umfolozi	96 692	62 318	-	-	159 010
Giyani	Letaba	10 362	-	-	-	10 362
Graaff-	Eastern Cape	10 338	-	-	-	10 338
Reinet	Midlands					
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	158 565	80 457	-	-	239 022
Nkandla B	Umfolozi	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
<b>Total</b>		<b>589 765</b>	<b>150 343</b>	<b>(207 372)</b>	<b>-</b>	<b>532 736</b>



#### 4. TVET College Infrastructure Assets (continued)

##### Reconciliation of opening to closing net book value

2015/16 R'000						
TVET College Infrastructure Assets		Carrying value at beginning of	Additions	Disposals	Depreciation	Carrying value at end of year
Site	TVET College					
Aliwal North	Ikhala	10 338		-	-	10 338
Balfour	Gert Sibande	10 513		-	-	10 513
Bhambanana	Umfoloji	25 655	71 037	-	-	96 692
Giyani	Letaba	10 362		-	-	10 362
Graaff-	Eastern Cape	10 338		-	-	10 338
Reinet	Midlands					
Greytown	Umgungundlovu	10 338		-	-	10 338
Kwagqikazi	Mthashana	10 369		-	-	10 369
Msinga	Umgungundlovu	10 338		-	-	10 338
Ngqungqushu (Lusikisiki)	Ingwe	10 338		-	-	10 338
Nkandla A	Umfoloji	23 517	135 048	-	-	158 565
Nkandla B	Umfoloji	10 338		-	-	10 338
Nongoma	Mthashana	10 351		-	-	10 351
Sterkspruit	Ikhala	10 365		-	-	10 365
Thabazimbi	Waterberg	65 761	134 043	-	-	199 804
Umkhumbulu	Esayidi	10 378		-	-	10 378
Vryheid	Mthashana	10 338		-	-	10 338
<b>Total</b>		<b>249 637</b>	<b>340 128</b>	<b>-</b>	<b>-</b>	<b>589 765</b>



#### 4. TVET College Infrastructure Assets (continued)

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

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

The SETAs contribution of R1 billion was paid over to the NSF as an unconditional grant. The TVET college infrastructure development is financed by the NSF and is centrally implemented by the Department of Higher Education and Training as the implementing agency for the NSF. The ultimate beneficiaries of the TVET college infrastructure assets are the respective colleges as outlined above to whom the assets will be transferred upon completion thereof. Hence, the NSF is responsible for recognising the assets while under construction until completion and transfer thereof to the respective colleges.



## 5. Investments

It is the policy of NSF to account for changes in the fair value of monetary securities classified as held for trading through the Statement of Financial Performance. The fair value adjustment is calculated as the difference between the market value at the end of the reporting period and the cost of the investment. These investments are revalued once a year at the end of the reporting period by the Public Investment Corporation (PIC). The latest revaluation was performed on 31 March 2017.

	Notes	2016/17 R'000	2015/16 R'000
Composition at fair value			
Investments with the Public Investment Corporation (PIC)		<b>8 860 484</b>	<b>10 423 328</b>
Balance at the beginning of the year		10 423 328	7 931 051
Invested during the year		3 049 890	6 318 866
Interest received and capitalised	18.	765 255	676 529
Management fees and expenses	23.	(2 879)	(3 118)
Withdrawal		(5 376 844)	(4 500 000)
Fair value adjustment		1 734	-
<b>Closing balance end of year</b> (None of the financial assets are impaired)		<b>8 860 484</b>	<b>10 423 328</b>

The NSF has committed and earmarked its entire investment balance towards skills development initiatives as at year-end. Refer to note 26.

NSF assesses at each reporting date whether there is objective evidence that a financial asset or group financial assets are impaired. None of the financial assets at fair value through surplus / (deficit) are impaired on 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 the 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 Public Investment Corporation (PIC) in accordance the NSF's investment policy.



## 6. Trade and other receivables from exchange transactions

Notes	2016/17	2015/16
	R'000	R'000
The carrying and fair value of trade and other receivables from exchange transactions are as follows:		
Receivables from administrative expenditure	45	255
<b>Closing balance end of year</b>	<b>45</b>	<b>255</b>





## 7. Trade and other receivables from non-exchange transactions

	2016/17	2015/16
	R'000	R'000
<b>Current</b>		
<b>The carrying and fair value of current trade and other receivables from non-exchange transactions are as follows:</b>		
Receivables from skills development programmes and projects	91 272	144 584
Carrying amount	91 272	144 584
Less: Provision for impairment	-	-
SETA receivables for TVET college infrastructure development	-	3 681
Carrying amount	-	3 681
Less: Provision for impairment	-	-
SETA receivable from SETAs Uncommitted Surpluses	2 451	2 451
Carrying amount	2 451	2 451
Less: Provision for impairment	-	-
<b>Current trade and other receivables - Closing balance end of year</b>	<b>93 723</b>	<b>150 716</b>

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 2017, 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 (2015/16: R0). The aging of trade and other receivables from non-exchange transactions that is not impaired is as follows:



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

	2016/17 R'000				
	Current	31-180 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 receivables for TVET colleges infrastructure development	-	-	-	-	-
SETA receivable from SETAs uncommitted surpluses		-	-	2 451	2 451
	<b>12 124</b>	<b>15 435</b>	<b>32 387</b>	<b>33 776</b>	<b>93 723</b>

	2015/16 R'000				
	Current	31-180 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	28 532	116 052	-	-	144 584
SETA receivables for TVET colleges infrastructure development	3 681	-	-	-	3 681
SETA receivable from SETAs uncommitted surpluses	2 451	-	-	-	2 451
	<b>34 664</b>	<b>116 052</b>	<b>-</b>	<b>-</b>	<b>150 716</b>

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

As at 31 March 2017, no trade and other receivables (2015/16: R0) were impaired



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

### 7.2 Reconciliation of provision for impairment

	Notes	2016/17 R'000	2015/16 R'000
Opening balance		-	28 215
(Utilised)/Provided during the year	20.	-	-
Provision utilised during the year		-	(28 215)
<b>Closing balance end of year</b>		-	-
<b>Current year attributable to:</b>			
Receivables from skills development projects		-	-
Opening balance		-	28 215
Provided during the year		-	-
Provision utilised during the year		-	(28 215)
<b>Closing balance end of year</b>		-	-



## 8. Deferred expenditure on skills development grant disbursements

Notes	2016/17	2015/16
	R'000	R'000
<b>Education and Training</b>	<b>554 834</b>	<b>564 233</b>
Education and Training	554 834	436 825
<b>PSET system development and capacity building</b>	<b>10 416</b>	<b>1 961</b>
PSET system development and capacity building	10 416	1 961
<b>Skills Infrastructure development</b>	<b>31 147</b>	<b>93 069</b>
Skills Infrastructure development	31 147	93 069
<b>Skills development research, innovation and communication</b>	<b>52 072</b>	<b>32 378</b>
Skills development research, innovation and communication	52 072	32 378
<b>Deferred expenditure - Closing balance end of year</b>	<b>648 469</b>	<b>564 233</b>

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. 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.



## 9. Cash and cash equivalents

Notes	2016/17	2015/16
	R'000	R'000
<b>Favourable cash balances:</b>		
Cash in bank	610 190	186 073
<b>Closing balance end of year</b>	<b>610 190</b>	<b>186 073</b>

As required in Treasury Regulation 31.2, National Treasury approved the banks where the NSF bank accounts are held. The weighted average interest rate on short term bank deposits was 6.75% for the reporting period (2015/16: 6.7%).

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

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



## 10. Trade and other payables from non-exchange transactions

	Notes	2016/17	2015/16
		R'000	R'000
Payables to skills development programmes and projects	10.1	15 127	5 102
<b>Closing balance end of year</b>		<b>15 127</b>	<b>5 102</b>

### 10.1 Payables to skills development programmes and projects

	2016/17	2015/16
	R'000	R'000
<b>Education and Training</b>	<b>14 839</b>	<b>4 814</b>
Education and Training	14 839	4 814
<b>PSET system development and capacity building</b>	<b>-</b>	<b>-</b>
PSET system development and capacity building	-	-
<b>Skills Infrastructure development</b>	<b>-</b>	<b>-</b>
Skills Infrastructure development	-	-
<b>Skills development research, innovation and communication</b>	<b>288</b>	<b>288</b>
Skills development research, innovation and communication	288	288
<b>Closing balance end of year</b>	<b>15 127</b>	<b>5 102</b>





## 11. Trade and other payables from exchange transactions

Notes	2016/17	2015/16
	R'000	R'000
Administrative payables due to the Department of Higher Education and Training (DHET)	55 813	42 803
Other administrative payables	5 327	332
<b>Closing balance end of year</b>	<b>61 140</b>	<b>43 135</b>



## 12. Accruals from non-exchange transactions

	Notes	2016/17 R'000	2015/16 R'000
Accruals related to skills development programmes and projects	12.1	928 554	799 291
Other accruals	12.2	185 378	202 116
<b>Closing balance end of year</b>		<b>1 113 932</b>	<b>1 001 407</b>

### 12.1 Accruals related to skills development programmes and projects

	Notes	2016/17 R'000	2015/16 R'000
<b>Education and Training</b>		<b>598 366</b>	<b>449 102</b>
Education and Training		598 366	449 102
<b>PSET system development and capacity building</b>		<b>165 255</b>	<b>289 695</b>
		165 255	289 695
<b>Skills Infrastructure development</b>		<b>141 745</b>	<b>51 373</b>
Skills Infrastructure development		141 745	51 373
<b>Skills development research, innovation and communication</b>		<b>23 188</b>	<b>9 121</b>
Skills development research, innovation and communication		23 188	9 121
<b>Closing balance end of year</b>		<b>928 554</b>	<b>799 291</b>

As at 31 March 2017, accruals related to skills development grant projects and programmes amounting to R928.554 million (2015/16: R799.291 million) was recognised. Accruals related to skills development grant projects and programmes includes accruals that is 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 which has not been invoiced / claimed by the skills development providers. The accruals recognised for the relevant financial year is deducted from the remaining contractual commitments.



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

### 12.2 Other accruals

Other accruals from non-exchange transactions includes the following:

	2016/17 R'000	2015/16 R'000
Accrual for overpayment of SETA uncommitted surplus by the Services SETA*	185 378	185 378
Accrual for levy overpayment by the Department of Higher Education and Training	-	16 738
	<b>185 378</b>	<b>202 116</b>

\* Overpayment of SETA uncommitted surplus by Services SETA has been earmarked for the establishment of SAIVET. Contractual agreements to this effect is being finalised.



### 13. Accruals from exchange transactions

	Notes	2016/17 R'000	2015/16 R'000
Leave and bonus accruals	13.1	2 925	2 230
<b>Closing balance end of year</b>		<b>2 925</b>	<b>2 230</b>

#### 13.1 Leave and bonus accrual

	2016/17 R'000	2015/16 R'000
Balance at the beginning of the year	2 230	1 914
Amounts utilised during the year	(2 230)	(1 914)
Amount recognised during the year	2 925	2 230
<b>Closing carrying amount</b>	<b>2 925</b>	<b>2 230</b>
<b>Leave and bonus accrual composition:</b>		
<b>Current</b>		
Leave accrual	1 953	1 299
Bonus accrual (Thirteenth cheque)	972	931
<b>Closing balance end of year</b>	<b>2 925</b>	<b>2 230</b>

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



## 14. Provisions

	Notes	2016/17 R'000	2015/16 R'000
Provision for levies less than threshold	14.1	1 095	2 242
Performance bonus provision	14.2	909	749
<b>Closing balance end of year</b>		<b>2 004</b>	<b>2 991</b>

### 14.1 Provision for levies less than threshold

	Notes	2016/17 R'000	2015/16 R'000
Balance at the beginning of the year		2 242	4 825
Levies less than threshold provision raised/(utilised) for the year		(1 147)	(2 583)
<b>Closing balance end of year</b>		<b>1 095</b>	<b>2 242</b>

### 14.2 Performance bonus provision

	Notes	2016/17 R'000	2015/16 R'000
Balance at the beginning of the year		749	411
Performance bonus provision unutilised		-	-
Performance bonus additional provision for prior year performance bonuses		35	133
Performance bonus paid (utilisation of provision)		(784)	(551)
Performance bonus provision for the current year performance bonuses		855	756
<b>Closing balance end of year</b>		<b>909</b>	<b>749</b>

As at 31 March 2017, the performance bonus provision amounting to R855 thousand (2015/16: R749 thousand) was recognised. Performance bonuses accrue to staff on an annual basis subject to the achievement of predetermined performance standards. The provision is an estimate of the amount due to staff in the service of the NSF at the reporting date.



## 15. Skills development levies (Non-exchange revenue)

	Notes	2016/17	2015/16
		R'000	R'000
In terms of the Skills Development Act and the Skills Development Levies Act, the total levy income per the Statement of Financial Performance is as follows:			
Percentage of payroll payable as Skills Development Levy		1%	1%
<b>Skills Development Levies received from SARS (20%):</b>			
<b>Skills Development Levies received</b>		<b>3 049 884</b>	<b>3 030 539</b>
Skills Development Levies collected by SARS		15 249 414	15 152 696
Less: Amount withheld by the Department of Higher Education and Training and paid to the SETAs (80%)		(12 199 530)	(12 122 157)
Add: Levy overpayment by the Department of Higher Education and Training		-	-
Add: SARS levy refund		-	-
Less: Accrual for levy overpayment by the Department of Higher Education and Training		-	-
		3 049 884	3 030 539
Movement in provision for levies less than threshold	14.1	1 147	2 583
<b>Total</b>		<b>3 051 031</b>	<b>3 033 122</b>





## 16. Income from SETAs (Non-exchange revenue)

	Notes	2016/17	2015/16
		R'000	R'000
Income from SETAs uncommitted surpluses	16.1	-	363 943
Income from SETAs towards World Skills South Africa		-	2 000
Income from SETAs towards Indlela development and recapitalisation		-	10 000
Finance income on discounted SETA receivables for TVET colleges infrastructure development		-	5 899
<b>Total</b>		<b>-</b>	<b>381 842</b>

### 16.1

Income from SETAs uncommitted surpluses relates to the transfer of SETA uncommitted accumulated discretionary surpluses as at 31 March 2016 and 31 March 2015 from the respective SETAs to the NSF in terms of the regulation 3(12) of the SETA Grant Regulations, which has been published in terms of section 36 of the Skills Development Act, 1998 (Act No. 97 of 1998).

## 17. Bad debts recovered

	2016/17	2015/16
	R'000	R'000
Bad debts recovered	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



**18. Finance income (Exchange revenue)**

	Notes	2016/17 R'000	2015/16 R'000
Finance income from investments at the Public Investment Corporation (PIC)	5.	765 255	676 529
Finance income from other commercial banks		1 651	2 065
<b>Total</b>		<b>766 906</b>	<b>678 594</b>

Finance income from investments at the Public Investment Corporation (PIC) is disclosed net of realised losses of R0 (2015/ 16 R19 thousand) relating to financial assets that matured during the current financial year.

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

	2016/17 R'000	2015/16 R'000
Finance income from advance payments to skills development programmes and projects	55 898	42 344
<b>Total</b>	<b>55 898</b>	<b>42 344</b>

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.



## 20. Skills development grant disbursement

	2016/17	2015/16
	R'000	R'000
<b>Education and training</b>	<b>2 418 500</b>	<b>2 311 816</b>
Education and training	2 418 500	2 311 816
<b>PSET system development and capacity building</b>	<b>2 322 075</b>	<b>1 723 416</b>
PSET system development and capacity building	2 322 075	1 723 416
<b>Skills infrastructure development</b>	<b>218 254</b>	<b>278 153</b>
Skills infrastructure development	218 254	278 153
<b>Skills development research, innovation and communication</b>	<b>57 069</b>	<b>43 777</b>
Skills development research, innovation and communication	57 069	43 777
<b>Total</b>	<b>5 015 898</b>	<b>4 357 162</b>



## 21. Employee costs

	2016/17 R'000	2015/16 R'000
<b>Salaries and wages</b>	<b>40 629</b>	<b>35 424</b>
Basic salaries	32 287	28 913
Performance awards	944	881
Service bonuses	2 049	1 901
Other non-pensionable allowances	4 386	3 518
Overtime	68	46
Service benefits	57	-
Net movement: Leave accrual	797	14
Net movement: Service bonus accrual	41	151
<b>Social contributions</b>	<b>4 935</b>	<b>4 779</b>
Pension fund contributions: defined contribution plans	3 577	3 551
Medical aid contributions	1 347	1 221
Bargaining council	11	7
<b>Bursaries to employees</b>	<b>122</b>	<b>299</b>
<b>Total</b>	<b>45 686</b>	<b>40 502</b>
Average number of employees*	90	91
*Average number of employees:		
Permanent employees	69	70
Internships	6	7
Contract employees	15	14
Employees beginning of the financial year	91	94
Movement during the year:		
Resignations/Pensions	(3)	(3)
Appointments	2	-



## 22. Operating expenses

Notes	2016/17	2015/16
	R'000	R'000
Advertising and marketing	193	865
Catering	195	27
Cleaning services	195	107
Computer services and consumables	1 982	1 075
Consultancy and service provider fees*	22.1 16 619	16 937
Consumables	13	40
Courier and delivery	4	-
DHET shared services charge	22.2 9 290	10 649
Entertainment	4	1
External auditor's remuneration	3 593	3 924
Internal auditor's remuneration	2 959	1 932
Audit committee - meeting fees	272	87
Forensic investigation	-	300
Operating leases	412	286
Other	477	48
Printing and publications	342	397
Repairs and maintenance	164	27
Resettlement cost	-	(1)



**22. Operating expenses (continued)**

	Notes	2016/17	2015/16
		R'000	R'000
Security		1 202	1 550
Software expenses		424	101
Stationery		950	1 289
Telephone and fax		1 130	1 120
Training and development		982	1 088
Travel and subsistence		6 832	6 826
Venues and facilities		389	396
Warranty costs		263	31
Information security services - IT systems	22.3	17 109	-
<b>Total</b>		<b>65 995</b>	<b>49 101</b>





## 22. Operating expenses (continued)

### 22.1 Consultancy and service provider fees

#### 2016/17

\* The consulting and service provider fees relates to consultancy services to assist with the organisational transformation project for the National Skills Fund (project Siyaphambili). The service provider will assist NSF to:

- i) Improve alignment of the organisation to its mandate;
- ii) Optimise the NSF's operations, through the design and implementation of a new operating model, governance model, functional and interaction model, process model, organisational model and information and technology model;
- iii) Optimise the NSF's processes, through business process re-engineering;
- iv) Build, source and align the NSF's organisation structure that is aligned to the operating model;
- v) Build, source and improve the NSF's monitoring and evaluation capability; and
- vi) Build and improve the NSF's performance management, information and reporting.

#### 2015/16

\* The consulting and service provider fees relates to the following services:

1. Consultancy services to assist with the organisational transformation project for the National Skills Fund (project Siyaphambili). The service provider will assist NSF to:
  - i) Improve alignment of the organisation to its mandate;
  - ii) Optimise the NSF's operations, through the design and implementation of a new operating model, governance model, functional and interaction model, process model, organisational model and information and technology model;
  - iii) Optimise the NSF's processes, through business process re-engineering;
  - iv) Build, source and align the NSF's organisation structure that is aligned to the operating model;
  - v) Build, source and improve the NSF's monitoring and evaluation capability; and
  - vi) Build and improve the NSF's performance management, information and reporting.
2. Consultancy services to assist with the execution of the cash to accrual conversion, including the implementation of an accrual accounting system.



## 22. Operating expenses (continued)

### 22.2 DHET shared service charge

DHET shared service charges relates to a signed service level agreement between the DHET and the NSF, in which the DHET commit 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.

### 22.3 Information security services - IT systems

The information security services fees relates to services for the implementation, maintenance and support of information security services on the DHET IT infrastructure network

## 23. Management fees and bank charges

	Notes	2016/17 R'000	2015/16 R'000
Bank charges paid to banks		45	47
Management fees and expenses paid to Public Investment Corporation (PIC)	5.	2 879	3 118
<b>Total</b>		<b>2 924</b>	<b>3 165</b>



## 24. Cash generated from operations

	Notes	2016/17	2015/16
		R'000	R'000
<b>Net surplus / (deficit) as per Statement of Financial Performance Adjustment for non-cash items:</b>		(1 309 610)	(367 803)
Amortisation	3.	788	775
Depreciation	2.	5 417	4 324
Fair value adjustments to investments	5.	(1 734)	-
Loss on disposal of asset	2.	5	47
Disposal of TVET college infrastructure assets	4.	207 372	
Increase / (decrease) in provisions:			
Relating to employment	14.2	249	338
Relating to impairment	7.2	-	(28 216)
Relating to levy provisions		(1 147)	(2 583)
Adjustment for items disclosed separately:			
Finance income	18.	(766 906)	(684 493)
		(1 865 566)	(1 077 611)
Movements in working capital:		110 654	1 146 665
(Increase) / decrease in trade and other receivables		53 522	393 774
( Increase) / decrease in deferred expenditure		(84 236)	701 676
Increase / (decrease) in trade and other payables and accruals		141 368	51 215
<b>Cash generated from operations</b>		<b>(1 754 912)</b>	<b>69 054</b>



## 25. Prior period errors corrected

The following prior period errors occurred:

1. Operating expenses were not recognised in the correct period.
2. Movements in reserves and accumulated surplus were inaccurately calculated.
3. Contractual commitments disclosed incorrectly

The net effect of the above errors resulted in the following:

1. Trade and other payables and accruals from exchange transactions being understated by R6.5 million. The prior period trade and other payables and accruals balances were restated to reflect the correct balances as at the prior period year-end.
2. Operating expenses being understated by R6.5 million. The prior period operating expenses total was restated to reflect the correct total as at the prior period year-end.
3. Accumulated surplus being overstated by R6.5 million. The prior period accumulated surplus balance was restated to reflect the correct balance as at the prior period year-end.
4. The commitment value for contractual commitment were disclosed incorrectly in the prior period, this resulted in contractual commitments been understated by R158.988 million.

### Impact of prior period correction on the financial statements

The prior year financial statements have been adjusted retrospectively and the effect of the retrospective adjustment on prior year financial statements is as follows:



**25. Prior period errors corrected (continued)**

	2015/16 R'000
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	
<b>EXPENSES</b>	<b>4 503 658</b>
As originally stated	4 497 123
Prior period correction	6 535
<b>ADMINISTRATIVE EXPENSES</b>	<b>97 867</b>
As originally stated	91 332
Prior period correction	6 535
<b>NET (DEFICIT) / SURPLUS FOR THE YEAR</b>	<b>(367 803)</b>
As originally stated	(361 268)
Prior period correction	(6 535)
<b>STATEMENT OF FINANCIAL POSITION</b>	
<b>CURRENT LIABILITIES</b>	<b>1 054 865</b>
As originally stated	1 048 331
Prior period correction	6 535
<b>Trade and other payables from exchange transactions</b>	<b>43 136</b>
As originally stated	36 601
Prior period correction	6 535



**25. Prior period errors corrected (continued)****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

**2015/16****R'000****1 054 866**

1 048 331

6 535

**10 871 728**

10 878 263

(6 535)

**6 272 273**

6 278 808

(6 535)

**6 399 352**

6 239 364

159 988





## 26. 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 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.

	Notes	2016/17	2015/16
		R'000	R'000
<b>Total capital and reserves as at year-end</b>		<b>9 562 118</b>	<b>10 871 728</b>
<b>Commitments and earmarked funds</b>		<b>20 899 532</b>	<b>15 834 104</b>
1. Funds committed contractually at year-end	26.1 & 26.5	9 416 450	6 400 366
2. Funds earmarked towards skills development programmes and projects that have been approved at year-end, but not yet contracted	26.2	459 565	304 241
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	26.3	2 222 185	623 574
4. Funds earmarked towards constructive commitments arising from annual allocations to ongoing skills development programmes and projects over the 5 year strategic period	26.4	8 801 332	8 505 923
<b>(OVER) / UNDER COMMITTED AND EARMARKED TOWARDS SKILLS DEVELOPMENT</b>		<b>(11 337 414)</b>	<b>(4 962 376)</b>

### 26.1 Funds committed contractually at reporting date

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



## 26. Commitments and earmarked funds (continued)

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

Funds earmarked towards skills development programmes/projects, that have been approved at year-end, but not yet contracted are skills development programmes/projects that have been approved by the Director-General of Higher Education and Training 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.

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

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

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

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

	2016/17	2015/16
	R'000	R'000
1. Funds earmarked towards bursaries (funded via NSFAS, NRF and others)	2 213 098	5 203 510
2. Funds earmarked towards training of workers under the Expanded Public Works Programme	172 473	247 193
3. Funds earmarked towards training of workers under the DTI Monyetla Programme	153 509	164 323
4. Funds earmarked towards National Artisan Development	6 025 250	2 462 219
5. Funds earmarked towards supporting the Human Resource Development Council of South Africa	64 637	232 164
6. Funds earmarked towards supporting the National Skills Authority	172 365	196 514
<b>Total</b>	<b>8 801 332</b>	<b>8 505 923</b>



## 26. Commitments and earmarked funds (continued)

\* Funds earmarked towards commitments are limited towards the 5 year strategic period ending 31 March 2021 and are expected to increase annually by inflation, currently estimated at 6.06%.

### 26.5 Funds committed contractually at reporting date

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

	2016/17 R'000	2015/16 R'000
<b>NSDS III</b>		
<b>Education and training</b>	<b>2 990 647</b>	<b>2 938 475</b>
Education and training	2 990 647	2 938 475
<b>PSET system development and capacity building</b>	<b>5 937 014</b>	<b>1 180 081</b>
PSET system development and capacity building	5 937 014	1 180 081
<b>Skills infrastructure development</b>	<b>350 144</b>	<b>2 153 722</b>
TVET college infrastructure development	350 144	2 153 722
<b>Skills development research, innovation and communication</b>	<b>138 645</b>	<b>127 074</b>
Skills development research, innovation and communication	138 645	127 074
<b>Total Skills Development Commitments</b>	<b>9 416 450</b>	<b>6 399 352</b>
	<b>2016/17 R'000</b>	<b>2015/16 R'000</b>
<b>Administrative commitments</b>	<b>-</b>	<b>1 014</b>
Organisational transformation project (Project Siyaphambili)	-	1 014
MS Dynamics information and communication technologies - ICT project	15 117	-
<b>Total Commitments</b>	<b>9 431 567</b>	<b>6 400 366</b>



## 27. Financial instruments - Financial risk management

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

### Fair values

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

#### Financial assets - 2016/17

Cash and cash equivalents

Financial assets at fair value through surplus / (deficit)

Trade and other receivables

#### Financial assets - 2015/16

Cash and cash equivalents

Financial assets at fair value through surplus / (deficit)

Trade and other receivables

#### Financial liabilities - 2016/17

Trade and other payables

#### Financial liabilities - 2015/16

Trade and other payables

Carrying amount	Fair value
<b>9 564 442</b>	<b>9 564 442</b>
610 190	610 190
8 860 484	8 860 484
93 768	93 768
<b>10 760 372</b>	<b>10 760 372</b>
186 073	186 073
10 423 328	10 423 328
150 971	150 971
<b>76 267</b>	<b>76 267</b>
76 267	76 267
<b>48 237</b>	<b>48 237</b>
48 237	48 237

160

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.

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



## 27. Financial instruments - Financial risk management (continued)

### Cash and cash equivalents

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

### Financial assets at fair value through surplus / (deficit)

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

### Trade and other receivable

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

### Trade and other payable

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

### Fair value hierarchy

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

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

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

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



## 27. Financial instruments - Financial risk management (continued)

As at reporting date, NSF held the following financial instruments measured at fair value:

2016/17 R'000				
	Total	Level 1	Level 2	Level 3
Investments with the Public Investment Corporation (PIC)	8 860 484	8 860 484	-	-
	<b>8 860 484</b>	<b>8 860 484</b>	-	-

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

As at 31 March 2016 NSF held the following financial instruments measured at fair value:

2015/16 R'000				
	Total	Level 1	Level 2	Level 3
Investments with the Public Investment Corporation (PIC)	10 423 328	10 423 328	-	-
	<b>10 423 328</b>	<b>10 423 328</b>	-	-

During the reporting period ending 31 March 2016, 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. NSF does not have any material exposure to any individual or counter-party. 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 are 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 are also mitigated through the application of a reconciliation process which initiates the clearing of an outstanding provider advance before a second advance will be granted.





## 27. 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:

2016/17 R'000		
Rated	Non-rated	Total
Cash and cash equivalents	-	610 190
Investments	8 860 484	-
Trade and other receivables	93 768	-
<b>Total</b>	<b>8 954 252</b>	<b>9 564 442</b>

2015/16 R'000		
Rated	Non-rated	Total
Cash and cash equivalents	-	186 073
Investments	10 423 328	-
Trade and other receivables	150 971	-
<b>Total</b>	<b>10 574 299</b>	<b>10 760 372</b>



## 27. 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 2017 is as follows:

	2017/18	2018/19	2019/20
	R'000	R'000	R'000
Opening balance for the period	9 470 674	22 579 030	21 268 542
Operating proceeds	3 145 772	3 303 061	3 468 214
Operating outflow	9 599 508	(4 717 222)	(4 757 433)
Cash flow from investments	363 076	103 673	43 732
<b>Closing balance for the period</b>	<b>22 579 030</b>	<b>21 268 542</b>	<b>20 023 055</b>

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

#### At 31 March 2017

Trade and other payables

2016/17 R'000	
Less than 1 year	Total
76 267	76 267
<b>76 267</b>	<b>76 267</b>

#### At 31 March 2016

Trade and other payables

2015/6 R'000	
Less than 1 year	Total
48 237	48 237
<b>48 237</b>	<b>48 237</b>

## 27. Financial instruments - Financial risk management (continued)

### Market risk

Interest rate sensitivity analysis

### Financial assets

NSF is sensitive to the movements in the money market repo rate which is the primary rate to which the investment portfolios are exposed. The rates of sensitivity are based on management's assessment of possible changes to the interest rates and is formulated on a 100 basis point movement.

If the weighted average interest rate as at reporting date had been 100 basis higher or lower the interest income would have been affected as follows:

#### Financial assets - 2016/17

Investments - PIC

2016/17 R'000	
Increase / Decrease in basis point	Effect on the surplus/ deficit

+100	100 299
-100	(100 299)

#### Financial assets - 2015/16

Investments - PIC

2015/16 R'000	
Increase / Decrease in basis point	Effect on the surplus/ deficit

+100	101 562
-100	(101 562)



## 27. Financial instruments - Financial risk management (continued)

### Foreign exchange risk

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

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. NSF is not exposed to commodity price risk.

To manage its price risk arising from equity securities NSF diversifies its portfolio with the Public Investment Corporation (PIC). Diversification of the portfolio is done in accordance with limits set and agreed with PIC.

### Cash flow and fair value interest rate risk

As NSF has significant interest bearing assets, the revenue and operating cash flows are substantially depended on changes in market interest rates. As 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	2016/17 R'000			
	Effective interest rate	Subject to interest rate movement: Floating	Non-interest bearing	Total R'000
<b>Current financial assets</b>	<b>7.63%</b>	<b>8 860 484</b>	<b>703 958</b>	<b>9 564 442</b>
Cash and cash equivalents	n/a	-	610 190	610 190
Investments	7.63%	8 860 484	-	8 860 484
Trade and other receivables	n/a	-	93 768	93 768
<b>Current Liabilities</b>	<b>n/a</b>	<b>-</b>	<b>76 267</b>	<b>76 267</b>
Trade and other payables	n/a	-	76 267	76 267



**27. Financial instruments - Financial risk management (continued)**

Year ended 31 March 2016	2015/16 R'000			
	Effective interest rate	Subject to interest rate movement: Floating	Non-interest bearing	Total R'000
<b>Current financial assets</b>	<b>6.70%</b>	<b>10 423 328</b>	<b>337 044</b>	<b>10 760 372</b>
Cash and cash equivalents	n/a	-	186 073	186 073
Investments	6.70%	10 423 328	-	10 423 328
Trade and other receivables	n/a	-	150 971	150 971
<b>Current financial liabilities</b>	<b>n/a</b>	<b>-</b>	<b>48 237</b>	<b>48 237</b>
Trade and other payables	n/a	-	48 237	48 237



## 28. Contingent liabilities

The following contingent liabilities exist:

Legal claims instituted against the NSF

Application to retain accumulated surplus as at year end

Critical skills project expenditure

Notes	2016/17	2015/16
	R'000	R'000
28.1	1 739	1 739
28.2	9 562 118	10 871 728
28.3	1 236	1 236

### 28.1 Legal claims instituted against the NSF

The legal claims instituted against the NSF relates to five cases against services providers who rendered skills development training on behalf of the Fund. These claims relates to alleged breach of contract by the NSF. The legal processes is still ongoing to determine the final outcome of the claims.

### 28.2 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 2017 in terms of section 53(3) of the PFMA from National Treasury during the first quarter of the 2017/18 financial year. The accumulated surplus as at year-end is therefore disclosed as a contingent liability until the approval has been obtained.

### 28.3 Critical skills project expenditure

The NSF co-founded a critical skills project with the Energy and Water SETA (EWSETA) for the unemployed to the value of R17 million and there are unclaimed funds by the EWSETA of R1 236 000 (2014/2015: R1 236 000). This amount can only be confirmed when all the necessary documentation are provided to the NSF by the EWSETA for verification to validate the expenditure incurred.





## 29. Contingent assets

	Notes	2016/17	2015/16
		R'000	R'000
Legal claims instituted by NSF	29.1	397	397
Uncommitted surplus funds of SETAs to be transferred to the NSF	29.2	-	-
<b>Total</b>		<b>397</b>	<b>397</b>

### 29.1 Legal claims instituted by NSF

The legal claims instituted by the NSF relates to four cases against services providers who rendered skills development training on behalf of the Fund. These claims relates to service providers failing to deliver the service / training as per contract. The relevant state attorneys have issued summons to the respective service providers. The legal processes is still ongoing to determine the final outcome of the claims.

### 29.2 Uncommitted surplus funds from SETAs to be transferred to the NSF

On 3 December 2012, the Minister of Higher Education and Training published the new SETA grant regulations in terms section 36 of the Skills Development Act, 1998 (No 97 of 1998), in Government Gazette No. 35940 to be effective from 1 April 2013. In terms of new SETA grant regulation 3(12), the uncommitted surpluses of the SETAs as at each year-end must be paid over by the SETA to the NSF by 1 October of each year. However, the SETA is allowed in terms of grant regulation 3(11) to retain a maximum of 5% of the uncommitted surpluses to be carried over to the next financial year. The SETA may also in terms of SETA grant regulation 3(12) submit a business case to the Minister requesting approval to carry over the surpluses where exceptional circumstances have led to projected under-spending. Great uncertainty exists over the a reasonable estimate for the contingent asset to be received from the SETA uncommitted surpluses as at the current year-end, due to reasonably accurate information not being readably available with regards each SETA's uncommitted surplus. Also, no information is available as to whether the Minister of Higher Education and Training will allow the SETAs to retain their surpluses as well as whether the grant regulation is still applicable due to the ruling of the Labour Court. The SETAs' uncommitted surpluses can only be more reasonable estimated once the audit process have been completed for each SETA closer to the end of July of each year, once an indication has been obtained as to whether the Minister of Higher Education and Training will grant the SETAs approval to retain their surpluses and whether the specific grant regulation is still lawfully applicable. However, due to the fact that the SETAs had to transfer their uncommitted accumulated surplus to the NSF as at 31 March 2017, it is expected that no uncommitted surplus will remain within the SETAs at year end. Thus, the uncommitted surplus funds to be transferred to the NSF on assumption that the Minister of Higher Education and Training will not approve any SETA business cases to retain their uncommitted surplus, is estimated to be R0.



### 30. Related party transactions

The NSF reports to the Minister of Higher Education and Training. Accordingly the NSF transact with a number of related parties within the Department of Higher Education and Training.

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.

#### 30.1 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)
	Bank SETA
	Culture, Arts, Tourism and Hospitality SETA (CATHSETA)
	Construction Education and Training Authority (CETA)
	Chemical Industries Education and Training Authority (CHIETA)
	Education Training and Development Practices SETA (ETDP SETA)
	Energy and Water SETA (EWSETA)
	Finance and Accounting Services SETA (FASSET)
	Food and Beverages SETA (FOODBEV)
	Fibre Processing and Manufacturing SETA (FP&M SETA)
	Health and Welfare SETA (HWSETA)
	Insurance SETA (INSETA)
	Local Government SETA (LGSETA)
	Manufacturing, Engineering and Related Services SETA (MERSETA)



### 30. Related party transactions (continued)

Media, Information and Communication Technologies SETA (MICT SETA)  
 Mining Qualifications Authority (MQA)  
 Public Sector 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 (HRDSA)

### 30.2 Relationships

- TVET Colleges under the Department

Motheo TVET College	Mnambithi TVET College
Vuselela TVET College	Thekwini TVET College
Taletso TVET College	Mthashana TVET College
Orbit TVET College	Nkangala TVET College
South West Gauteng TVET College	Gert Sibande TVET College
Ekurhuleni East TVET College	Umfolozi TVET College
Ekurhuleni West TVET College	Buffalo City TVET College
Sekhukhune TVET College	Flavius Mareka TVET College
Vhembe TVET College	Letaba TVET College
Mopani South East TVET College	King Hintsa TVET College
Waterberg TVET College	Tshwane North TVET College
Sedibeng TVET College	Northern Cape Rural TVET College
Capricorn TVET College	Western Gauteng TVET College



**30. Related party transactions (continued)**

	Maluti TVET College	Tshwane South TVET College
	Goldfields TVET College	Ikhala TVET College
	Boland TVET College	Ingwe TVET College
	North Link TVET College	Central Johannesburg TVET College
	College of Cape Town TVET College	Lephalale TVET College
	False Bay TVET College	Northern Cape Urban TVET College
	South Cape TVET College	East Cape Midlands TVET College
	West Coast TVET College	Lovedale TVET College
	Majuba TVET College	Esayidi TVET College
	Umgungundlovu TVET College	Coastal TVET College
	Elangeni TVET College	King Sabata TVET College
	Elangeni TVET College	Port Elizabeth TVET College
- Members of senior management	Executive Officer	
	Chief Financial Officer	
	Director Strategic Projects	
	Director Skills Support Program	
	Director Provincial Operations	
	Director Finance	

**30.3 Related party transactions and balances - Operating expenses**

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DHET - Shared services

Notes	2016/17	2015/16
	R'000	R'000
	9 290	10 649



### 30. Related party transactions (continued)

#### 30.4 Key management personnel

	2016/17	2015/16
	R'000	R'000
<b>Short term employee benefits</b>		
<b>Post level 14: Executive Officer</b>		
Number of individuals		
1		
Basic salary and social contributions	1 069	1 020
Bonuses and performance related payments	110	91
Other short term employee benefits	27	86
<b>Post level 13: Chief Financial Officer</b>		
1		
Basic salary and social contributions	962	904
Bonuses and performance related payments	66	35
Other short term employee benefits	8	15
<b>Post level 13: Director Strategic Projects</b>		
1		
Basic salary and social contributions	1 045	990
Bonuses and performance related payments	103	49
Other short term employee benefits	48	61
<b>Post level 13: Director Skills Support Program</b>		
1		
Basic salary and social contributions	1 004	931
Bonuses and performance related payments	23	58
Other short term employee benefits	33	8

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**30. Related party transactions (continued)**

		2016/17	2015/16
		R'000	R'000
<b>Post level 13: Director Provincial Operations</b>	<b>1</b>		
Basic salary and social contributions		908	863
Bonuses and performance related payments		102	53
Other short term employee benefits		3	6
<b>Post level 13: Director Finance</b>	<b>2</b>		
Basic salary and social contributions		985	864
Bonuses and performance related payments		45	-
Other short term employee benefits		1	4
<b>Total</b>		<b>6 540</b>	<b>6 036</b>

Personnel remuneration is paid by the Department of Higher Education and Training 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.



## 30. Related party transactions (continued)

2016/17 R'000												
Related party	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET College infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA Receivables for TVET colleges' infra-structure development balance at 31 March 2017	SETA Receivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
Department of Higher Education and Training (DHET)						2 418 053		274 282				
Human Resource Development Council of South Africa (HRDCSA)				5		18 898		13 136	26 098			
National Skills Authority (NSA)				1 197		38 170	288	10 052	25 974			
National Institute for the Humanities and Social Sciences (NIHSS)				6 397		179 595		64 192	64 192			
National Student and Financial Aid Scheme (NSFAS)				37 413		825 494		171 570	123 223			
Quality Council for Trades Occupations (QCTO)												





## 30. Related party transactions (continued)

Related party	2016/17 R'000											
	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET College infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA Receivables for TVET colleges' infra-structure development balance at 31 March 2017	SETA Receivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
South African Qualifications Authority (SAQA)												
AGRISETA						(19 111)						13 440
BANK SETA												
CATHSETA												
CETA												
CHIETA												
ETDP SETA												
EWSETA												
FASSET												
FOODBEV												
FP&M SETA												
HWSETA												
INSETA												
LGSETA												
MERSETA						(176)						



## 30. Related party transactions (continued)

2016/17 R'000												
Related party	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET College infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA Receivables for TVET colleges' infra-structure development balance at 31 March 2017	SETA Receivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
MICT SETA												
MQA				786		43 028		9 342	21 183			
PSETA				222		5 153		675	1 602			
SASSETA												
SERVICES SETA												
TETA												
W&R SETA												
Boland TVET College				15		5						
Buffalo City TVET College				55		(86)						698
Capricorn TVET College				14		1 442	1 429					
Central Johannesburg TVET College						1	12 264					
Coastal TVET College												



## 30. Related party transactions (continued)

Related party	2016/17 R'000											
	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET College infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA Receivables for TVET colleges' infra-structure development balance at 31 March 2017	SETA Receivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
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						
Elangeni TVET College						15 500						
Esayidi TVET College				42	10 378	21 330			11			
False Bay TVET College				28		3 272						
Flavius Mareka TVET College												



## 30. Related party transactions (continued)

2016/17 R'000												
Related party	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET College infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA Receivables for TVET colleges' infra-structure development balance at 31 March 2017	SETA Receivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
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						



## 30. Related party transactions (continued)

Related party	2016/17 R'000											
	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET College infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA Receivables for TVET colleges' infra-structure development balance at 31 March 2017	SETA Receivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
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			
Northern Cape Urban TVET College												4



## 30. Related party transactions (continued)

Related party	2016/17 R'000											
	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET College infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA Receivables for TVET colleges' infra-structure development balance at 31 March 2017	SETA Receivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
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

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## 30. Related party transactions (continued)

Related party	2016/17 R'000											
	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET College infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA Receivables for TVET colleges' infra-structure develop-ment balance at 31 March 2017	SETA Receivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
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						
<b>TOTAL</b>	-	-	-	47 052	536 211	3 720 425	14 172	443 854	341 950	-	-	40 496





## 30. Related party transactions (continued)

2015/16 R'000												
Related party	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET college infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA rrReceivables for TVET colleges' infra- structure develop-ment balance at 31 March 2017	SETA rrReceivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
Department of Higher Education and Training (DHET)						1 616 761		287 894	33 306			
Human Resource Development Council of South Africa (HRDCSA)						8 423						
National Skills Authority (NSA)						298						
National Student and Financial Aid Scheme (NSFAS)				1 489		67 841			40 032			
South African Qualifications Authority (SAQA)				27 956		796 802			45 002			
Quality Council for Trades Occupations (QCTO)						356						
AGRISETA	54 796		167			481		19 109				



## 30. Related party transactions (continued)

Related party	2015/16 R'000											
	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET college infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA rrReceivables for TVET colleges' infra- structure develop-ment balance at 31 March 2017	SETA rrReceivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
BANK SETA	2 394		894									
CATHSETA			373									
CETA												
CHIETA			537									
ETDP SETA	65 247		412							3 681	1 851	
EWSETA			289									
FASSET												
FOODBEV	70 059		382									
FP&M SETA	32 879		454								151	
HWSETA			483									
INSETA												
LGSETA												
MERSETA						(10 020)						
MICT SETA			805									
MQA			1 103	2		13 011			12 325			
PSETA				204		9 901						5 858
SASSETA												



## 30. Related party transactions (continued)

2015/16 R'000												
Related party	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET college infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA rrReceivables for TVET colleges' infra- structure develop-ment balance at 31 March 2017	SETA rrReceivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
SERVICES SETA												
TETA											500	
W&R SETA	138,568											
Boland TVET College				38		10 564						611
Buffalo City TVET College				48		3 879		1 045	1 208			
Capricorn TVET College				193		8 483						
Central Johannesburg TVET College				1		11 242		12 263				
Coastal TVET College						7 243		60				
College of Cape Town TVET College				132		1 662						1 300
East Cape Midlands TVET College					10 338	11 001		2 944	2 944			

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## 30. Related party transactions (continued)

Related party	2015/16 R'000											
	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET college infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA rrReceivables for TVET colleges' infra- structure develop-ment balance at 31 March 2017	SETA rrReceivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
Ekurhuleni East TVET College												
Ekurhuleni West TVET College				231		(4 398)						4 308
Elangeni TVET College				394		32 113						13
Elanzeni TVET College				637		8 448						15 500
Esayidi TVET College					10 378	(1 479)						242
False Bay TVET College				78		4 861		2 147	2 147			
Flavius Mareka TVET College								7 149				7 149
Gert Sibande TVET College				31	10 513	13 995		836				843
Goldfields TVET College								1 222				1 222



## 30. Related party transactions (continued)

2015/16 R'000												
Related party	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET college infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA rrReceivables for TVET colleges' infra- structure develop-ment balance at 31 March 2017	SETA rrReceivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
Ikhala TVET College				180	20 703	3 153						4 907
Ingwe TVET College				5	10 338	(1 517)		133				133
King Hintsa TVET College				24		7 912						
King Sabata TVET College				1		96						
Lephalale TVET College				219		28 396						6 978
Letaba TVET College				40	10 362	1 672		831				831
Lovedale TVET College				1		(225)						
Majuba TVET College				3		2 790		392				392
Maluti TVET College				1		13 052		1				1
Mnambithi TVET College				45								16 588



## 30. Related party transactions (continued)

Related party	2015/16 R'000											
	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET college infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA rrReceivables for TVET colleges' infra- structure develop-ment balance at 31 March 2017	SETA rrReceivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
Mopani South East TVET College				24		1 105	902					
Motheo TVET College						(13 198)	3 911					
Mthashana TVET College				7	31 058	1 431		2 691				2 691
Nkangala TVET College				55		(1 556)						956
North Link TVET College				21		5 167		1 330				1 330
Northern Cape Rural TVET College				26		(807)						
Northern Cape Urban TVET College				11		5 443						4
Orbit TVET College						(960)		1				1
Port Elizabeth TVET College						11 961						



## 30. Related party transactions (continued)

2015/16 R'000												
Related party	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET college infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA rrReceivables for TVET colleges' infra- structure develop-ment balance at 31 March 2017	SETA rrReceivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
Sedibeng TVET College				90		12 222		1 417	2 318			
Sekhukhune TVET College				229		17 123		4 544				4 544
South Cape TVET College				152		16 351						2 315
South West Gauteng TVET College				299		(846)						6,305
Taletso TVET College						(2 201)						523
Thekwini TVET College				44		164		995				995
Tshwane North TVET College				78		10 101		77	77			
Tshwane South TVET College				6		2 787		1	1			
Umfolozi TVET College				8	265 595	(7 201)		1 280				1 280
Umgungundlovu TVET College				74	20 676	20 780						1 019





## 30. Related party transactions (continued)

Related party	2015/16 R'000											
	Income from SETAs uncommitted surpluses	Income from SETAs towards TVET college infra- structure development	Finance income on discounted SETA receivables for TVET colleges infra- structure development	Finance income from advance payments to skills development programmes and projects	TVET college infra- structure assets at 31 March 2017	Skills development grant disbursement expense	Payables to skills development programme and projects balance at 31 March 2017	Other accruals balance at 31 March 2017	Deferred expense balance at 31 March 2017	SETA rrReceivables for TVET colleges' infra- structure develop-ment balance at 31 March 2017	SETA rrReceivable from SETAs uncommitted surpluses balance at 31 March 2017	Receivables from skills development programmes and projects balance at 31 March 2017
Vhembe TVET College				41		5 997		4 019				4 019
Vuselela TVET College						2 968		1 237				
Waterberg TVET College				1	199 805	1 054		2 983				
West Coast TVET College				191		9 037		1 590	1 590			
Western Gauteng TVET College				1		9		25				14 968
<b>TOTAL</b>	<b>363 943</b>	<b>-</b>	<b>5 899</b>	<b>33 311</b>	<b>589 766</b>	<b>2 763 727</b>	<b>4 813</b>	<b>358 216</b>	<b>140 950</b>	<b>3 681</b>	<b>2 502</b>	<b>107 826</b>



### 31. Defined contribution plan

The NSF provides for retirement benefits for all its permanent employees through a defined contribution scheme to the GEPP that is subject to the Pension Funds Act, 1956 (Act No. 24 of 1956) as amended. In terms of the Pension Funds Act, 1956 (Act No. 24 of 1956) the fund is not required to be actuarially valued.

The NSF's liability is limited to its considerations made.

	2016/17	2015/16
	R'000	R'000
Contributions for the year included in employee cost	3 577	3 551
<b>21.</b>	<b>3 577</b>	<b>3 551</b>



### 32. 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

#### Parking

Due within one year

Due within two to five years

	2016/17	2015/16
	R'000	R'000
	<b>80</b>	<b>320</b>
	60	240
	20	80
	-	-
	<b>185</b>	<b>288</b>
	185	216
	-	72
	<b>265</b>	<b>608</b>

Minimum lease payments for photo copy machines recognised as an expense during the period amount to R191 662 (2015/16: R192 344). Leased machinery are contracted for the remaining periods of one and three years, with renewal options available in certain instances.

Minimum lease payments for parking recognised as an expense during the period amount to R221 400 (2015/16: R104 550).

### 33. Events after reporting period

There are no material adjusting events after the reporting date.



## 34. Notes to the statement of comparison of budget and actual amounts

### 34.1 Revenue from non-exchange transactions

The actual revenue received from non-exchange transactions is slightly above the budgeted revenue by 0.6%. The current economic climate and the unemployment rate statistics did not have a negative impact on the SARS levy income collected by SARS.

### 34.2 Revenue from exchange transactions

The actual revenue received from exchange transactions is 32.8% above the budget. During the financial year R5.3 billion was withdrawn of the total capital and income invested - R14.2 billion for the year. The NSF investment portfolio was able to earn favourable returns despite the current economic climate.

### 34.3 Skills development grant disbursements

The actual skills development grant disbursements was 16.6% below budget, which can mainly be attributed to the following:

1. Delays in the appointment of construction companies to start construction on the new TVET college campuses resulted in slow disbursements of funds in the current financial year, which will be rolled over to the next financial year; and
2. 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.
3. There has been generally slow progress on the implementation of skills development projects with the various TVET colleges, resulting in funds not being disbursed in the current financial year, which will be rolled over to the next financial year.
4. New projects (including WIL (Work Integrated Learning) projects, TVET colleges' allocations and rural agricultural projects) have been approved during the second quarter, and therefore the disbursements to the WIL projects were only made towards the end of the third quarter of the financial year.
5. Funding of the "No Fee" for the 2016 and 2017 academic year to NSFAS, universities and TVET colleges had an impact on the skills development grants disbursements to other skills development projects.

### 34.4 Employee cost

The actual employee costs are 8.6% 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 additional capacity would be commencing duty during quarter four and the new financial year (2017/18). The actual expenditure is comprising of employee expenditure of the current organisational structure



## 34. Notes to the statement of comparison of budget and actual amounts (continued)

### 34.5 Operating expenses

The actual operating expenses are 24.8% below the budgeted operating expenses. This saving is driven by the lower than budgeted employee costs mainly due to the delay in implementing the NSF's improved organisational structure. The delay was deemed necessary as a result of the listing as a schedule 3A public entity. It is expected that the additional posts will be filled within the next two years as part of the NSF's organisational transformation project (Project Siyaphambili).

### 34.6 Management fees and bank charges

Management fees and bank charges are 7.6% below budget. This is due to less funds were withdrawn (R5.3 billion) from the investment account than funds invested (R14.2 billion).

### 34.7 Collection cost to SARS

There was a saving of 68.7% 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 have 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 skills development levies, which were about 0.4%



### 35. Irregular expenditure

Notes	2016/17	2015/16
	R'000	R'000
<b>Reconciliation of irregular expenditure:</b>		
Opening balance - prior year	225 159	28 685
Add: Irregular expenditure - current year	170 694	196 474
Less: Amounts condoned	-	-
<b>Irregular expenditure awaiting condonation</b>	<b>395 853</b>	<b>225 159</b>
<b>Analysis of irregular expenditure per age classification:</b>		
Current year	170 694	196 474
Prior years	225 159	28 685
<b>Total</b>	<b>395 853</b>	<b>225 159</b>

#### Details of irregular expenditure:

Incident	Disciplinary steps taken	Number of cases	2016/17	2015/16
			R'000	R'000
Non-compliance to requirements of supply chain management	N/A	5		
Opening balance - prior year			225 159	28 685
Add: Irregular expenditure 2015/16			-	196 474
Add: Irregular expenditure condoned 2015/16			-	-
Add: Irregular expenditure 2016/17			170 694	-
Add: Irregular expenditure condoned 2016/17			-	-
<b>Total</b>			<b>395 853</b>	<b>225 159</b>

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### 35. Irregular expenditure (continued)

#### (i) Appointment of TVET college construction contractors:

TVET college infrastructure development is centrally managed by the Department of Higher Education and Training, and financed through the National Skills Fund in terms of the Memorandum of Agreement between the Department of Higher Education and Training and the National Skills Fund. Hence, the following is managed centrally by the Department of Higher Education and Training:

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

Current year irregular expenditure amounting to R131 136 million (2015/16: R193.569 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 (GB) should be in line with the value of the contract. Potentially emerging contractor (PE) 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 GB PE which is an indication that the project value could be for project values up to R130 million. The two tender awards for tender DHET041 were for contracts valued at between R167 million and R194 million.

CIDB regulation 25 (7A) does allow the award of tenders outside the tender value range; however, certain provisions are stipulated, amongst other:

- The margin of the tender exceeding the tender value range should be reasonable (according to regulation 25 (3) the limit is 20%);
- The award does not pose undue risk (in terms of experience/work capacity and financial capability were evaluated); and
- In terms of CIDB regulation 21(3), the Department should report to the CIDB the nature of the financial or management support and the benefit derived from such support in the development of that contractor.

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 considered not to have the financial and work capability to successfully complete the projects.

The appointment of the above contractors were done by the Department of Higher Education and Training 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 significant lower number of proposals were 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 sixteen construction sites.





### 35. Irregular expenditure (continued)

#### (ii) Appointment of a consultant to render communication and marketing services:

Irregular expenditure amounting to R3.1 million (2015/16: R2.9 million) is as a result of the appointment of a consultant to render communications and marketing services to the Department, that 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.

#### (iii) Appointment of nominated sub-contractors and use of contingencies - TVET infrastructure construction:

TVET college infrastructure development is centrally managed by the Department of Higher Education and Training, and financed through the National Skills Fund in terms of the Memorandum of Agreement between the Department of Higher Education and Training and the National Skills Fund. Hence, the following is managed centrally by the Department of Higher Education and Training:

#### Irregular Expenditure (continued)

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

Current year expenditure amounting to R1.397 million as result of expenditure incurred by principal agent not approved

By management prior to commencement of the project and it was further identified that the required procurement process was not followed for the same amount. A quotation process was followed instead of a bidding process for an amount above R500 000.

#### (iv) Appointment of service provider to render accommodation services:

Irregular expenditure amounting to R251 300 was as a result of the appointment of a service provider to render accommodation for hosting the NSF Technical Evaluation session that 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.

#### (v) Appointment of consultant to render events and conferencing services:

Irregular expenditure amounting to R26 million was as a result of the appointment of a consultant to render events and conference services to the Department that was in contravention of Treasury Regulation 16A6.3. The advertisement of the bid was for a period shorter than 21 days as stipulated in the Treasury Regulation 16A6.3, however the motivation for a shorter period was not adequately supported nor was the procurement being an emergency.



### 35. Irregular expenditure (continued)

#### (vi) Condonement of irregular expenditure:

Condonement of the irregular appointment of the construction contractors, consultants and related irregular expenditure will be sought from the Director-General as the Accounting Authority of the NSF



# *Funding to Skill our Nation*



## 5. 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					2 990 647	2 418 500
Bursaries and Scholarships					162 279	1390 404
NSF/10/4/5/1	National Research Foundation (NRF)	941 572	01 April 2016	31 December 2017	-	313 196
NSF/10/4/4/10	NIHSS	248 027	01 April 2014	31 March 2020	39 135	179 595
NSF/10/4/5/2	National Student and Financial Aid Scheme (NSFAS)	5 670 184	01 April 2016	31 December 2017	88 451	825 494
NSF/10/4/5/4	International Scholarships	49 379	15 April 2014	31 March 2019	34 693	8 460
Occupational Programmes (TVET Colleges)					1 342 394	209 610
NSF/10/3/7/22	Western Gauteng TVET College	41 605	01 August 2012	31 December 2015	-	39 440
NSF/10/3/7/26	Majuba TVET college	99 499	01 August 2012	31 December 2015	-	32 105
NSF/10/3/7/33	Lephalale TVET College	59 740	01 August 2012	31 December 2016	-	16 727
NSF/10/3/7/39	Ehlanzeni TVET College	20 000	01 August 2012	31 December 2015	-	15 500
NSF/10/3/7/27	Mnambithi TVET College	14 865	01 August 2012	31 December 2015	-	14 888
NSF/10/3/7/4	East Cape Midlands TVET College	102 396	02 August 2012	31 August 2016	-	8 280
NSF/10/3/7/49	False Bay TVET College	60 302	01 August 2012	31 July 2016	-	3 272
NSF/10/3/7/32	Capricorn TVET College	57 561	01 August 2012	31 December 2015	-	1 442
NSF/10/3/7/24	Elangeni TVET College	63 898	01 August 2012	31 December 2015	-	1 353
NSF/10/3/7/31	Umgungundlovu TVET College	52 126	01 August 2012	31 December 2015	-	1 210
NSF/10/3/7/25	Esayidi TVET College	45 240	01 August 2012	31 December 2015	-	281
NSF/10/3/7/50	Northlink TVET College	64 844	01 August 2012	31 December 2015	-	154
NSF/10/3/7/17	Ekurhuleni West TVET College	50 825	01 August 2012	31 December 2015	-	60



"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/10/3/7/5	Ikhala TVET College	11 244	01 August 2012	31 December 2015	-	23
NSF/10/3/7/34	Letaba TVET College	14 869	01 August 2012	31 December 2015	-	10
NSF/10/3/7/47	Boland TVET College	84 130	06 September 2012	31 December 2015	-	5
NSF/10/3/7/15	Central Johannesburg TVET College	37 770	01 August 2012	31 December 2015	-	1
NSF/10/3/7/7	King Hintsa TVET College	23 639	01 August 2012	31 December 2015	-	1
NSF/10/3/7/48	College of Cape Town TVET College	35 204	01 August 2012	31 December 2015	-	1
NSF/10/3/7/38	Waterberg TVET College	21 175	01 August 2012	31 December 2015	-	-
NSF/10/3/7/28	Mthashana TVET College	41 347	01 August 2012	31 December 2015	-	-
NSF/10/3/7/11	Flavius Mareka TVET College	14 290	01 August 2012	31 December 2015	-	-
NSF/10/3/7/23	Coastal TVET College	70 419	03 January 2012	31 December 2015	-	-
NSF/10/3/8/2/6	DSPP - Ekurhuleni East TVET	23 065	02 January 2016	31 December 2018	19 997	3 068
NSF/10/3/7/20	Tshwane North TVET College	74 685	01 August 2012	31 December 2017	37 151	6 063
NSF/10/3/7/52	West Coast TVET College	68 445	01 August 2012	31 December 2017	16 485	(2 744)
NSF/10/3/7/6	Ingwe TVET College	8 093	01 August 2012	31 December 2018	37	915
NSF/10/3/7/3	Buffalo City TVET College	26 912	03 January 2012	30 June 2016	-	(86)
NSF/10/3/7/19	South West Gauteng TVET College	10 127	02 August 2012	31 December 2015	-	(151)
NSF/10/3/7/51	South Cape TVET College	79 475	01 August 2012	31 December 2015	-	(337)
NSF/10/3/7/29	Thekwini TVET College	20 000	01 August 2012	31 December 2015	-	(402)
NSF/10/3/7/18	Sedibeng TVET College	20 742	01 August 2012	31 December 2015	-	(453)
NSF/10/3/7/43	Taletso TVET College	4 377	01 August 2012	31 December 2015	-	(664)
NSF/10/3/7/36	Sekhukhune TVET College	39 593	01 August 2012	31 December 2015	-	(967)





"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/10/3/7/35	Mopani South East TVET College	50 726	01 August 2012	31 December 2015	-	(1 115)
NSF/10/3/7/44	Vuselela TVET College	29 802	01 August 2012	31 December 2015	-	(1 237)
NSF/10/3/7/37	Vhembe TVET College	72 367	01 August 2012	31 December 2015	-	(2 136)
NSF/10/3/7/16	Ekurhuleni East TVET College	24 850	01 August 2012	31 December 2015	-	(2 188)
NSF/10/3/4/11	"Esayidi TVET College (Coaching Sports)"	45 177	01 July 2016	31 December 2019	24 128	21 049
NSF/10/3/8/2/7	DSPP - Ekurhuleni West TVET	4 065	02 January 2016	31 December 2019	948	3 117
NSF/10/5/1/13	King Sabata Dalindyebo TVET College	59 260	12 September 2016	31 December 2018	50 620	8 640
NSF/10/5/1/14	Lovedale TVET College	63 410	09 September 2016	31 December 2017	40 879	22 531
NSF/10/3/7/56	TVET - 2 - Ikhalala	39 882	18 October 2016	31 December 2019	39 882	-
NSF/10/3/7/60	TVET - 2 - Lovedale	39 882	23 November 2016	30 December 2019	39 882	-
NSF/10/3/7/61	TVET - 2 - Port Elizabeth	57 878	25 October 2016	31 December 2019	53 632	4 245
NSF/10/3/7/103	TVET - 2 - West Coast	64 285	23 January 2017	31 December 2019	64 285	-
NSF/10/3/7/69	TVET - 2 - Sedibeng	39 882	29 September 2016	31 December 2019	39 882	-
NSF/10/3/7/74	TVET - 2 - Coastal	33 475	28 September 2016	31 December 2019	33 475	-
NSF/10/3/7/75	TVET - 2 - Elangeni	39 882	08 December 2016	31 December 2019	39 882	-
NSF/10/3/7/76	TVET - 2 - Esayidi	64 285	28 November 2016	31 December 2019	64 285	-
NSF/10/3/7/77	TVET - 2 - Majuba	64 285	16 November 2016	31 December 2019	64 285	-
NSF/10/3/7/81	TVET - 2 - Umfolozi	64 285	27 September 2016	31 December 2019	64 285	-
NSF/10/3/7/82	TVET - 2 - Umgungundlovu	64 285	29 September 2016	31 December 2019	64 285	-
NSF/10/3/7/86	TVET - 2 - Mopani South East	64 285	01 December 2016	31 December 2019	64 285	-
NSF/10/3/7/88	TVET - 2 - Vhembe College	64 285	05 December 2016	31 December 2019	60 658	3 627



"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/10/3/7/91	TVET - 2 - Gert Sibande	64 285	23 January 2017	31 December 2019	62 843	1 441
NSF/10/3/7/93	TVET - 2 - Orbit	39 882	14 October 2016	31 December 2019	36 235	3 647
NSF/10/3/7/96	TVET - 2 - Northern Cape Rural	64 285	18 October 2016	31 December 2019	55 285	9 000
NSF/10/3/7/97	TVET - 2 - Northern Cape Urban	39 882	06 October 2016	31 December 2019	39 882	-
NSF/10/3/7/98	TVET - 2 - Boland	39 882	24 January 2017	31 December 2019	39 882	-
NSF/10/3/7/99	TVET - 2 - College Cape Town	57 878	12 December 2016	31 December 2019	57 878	-
NSF/10/3/7/100	TVET - 2 - False Bay	51 428	19 January 2017	31 December 2019	51 428	-
NSF/10/3/7/101	TVET - 2 - Northlink	51 428	07 December 2016	31 December 2019	51 428	(6)
NSF/10/3/7/102	TVET - 2 - South Cape	64 285	12 January 2017	31 December 2019	64 285	-
<b>Skills Programmes (Part Qualifications)</b>					<b>238 459</b>	<b>232 959</b>
NSF/10/3/4/10	National Institute for the Deaf (NID 3)	35 464	01 April 2015	31 March 2017	-	16 040
NSF/10/3/3/6	Sisonke Economic Development Agency	78 861	01 January 2013	30 June 2016	-	11 256
NSF/10/3/3/11	NSF: Gov P1 Earth Child Consulting	62 707	02 April 2014	31 March 2016	-	4 248
NSF/10/3/1/34	BIGEN - Africa Services	38 539	29 October 2013	31 December 2015	-	1 771
NSF/10/3/3/8	Skillwise Pty Ltd	39 901	05 June 2013	31 December 2015	-	1 653
NSF/10/3/4/5	Inkwanca Home Based Care Centre (IHBC)	4 177	20 August 2012	30 June 2015	-	-
NSF/10/3/3/3	Department of Public Works (EPWP)	310 000	10 November 2009	31 March 2018	61 165	49 727
NSF/10/3/3/4	Nsingweni Consulting CC / Nsingweni - Kalwayi NGO	175 290	01 August 2012	31 July 2017	22 670	31 258
NSF/10/3/3/7	Nkungumathe YDF - Project 2	33 941	25 June 2013	31 December 2017	6 826	8 305
NSF/10/3/3/15	Skillwise Multi-Purpose Co-Operatives	25 965	01 January 2016	31 March 2019	7 044	18 921





"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/10/3/6/10	SEDA - BESD - Programme	84 000	17 April 2012	30 June 2018	44 374	23 020
NSF/10/3/1/18	Sizimisele Sesto JV	42 947	02 April 2012	31 March 2016	-	(150)
NSF/10/3/1/19	Epilepsy South Africa - Western Cape	21 637	29 June 2012	31 December 2015	-	(802)
NSF/10/3/1/22	Africa Skills Village (Training and Management Services) Pty Ltd	43 341	01 August 2012	30 June 2016	-	(821)
NSF/10/3/3/14	MZINTLAVA QUARRY: Centre For Economic Participation	69 540	23 June 2015	31 May 2017	12 436	39 566
NSF/10/3/1/39	Passionate about People 3	13 437	01 April 2015	31 December 2017	3 276	6 051
NSF/10/3/6/25	South African Disability Trust (SADDT-2)	27 733	19 June 2015	31 March 2019	21 496	3 344
NSF/10/4/4/11	LIMA Rural Development Foundation	26 421	03 August 2015	31 August 2017	16 278	6 980
NSF/10/3/1/44	Blouberg Municipality	55 483	12 August 2016	12 July 2019	42 892	12 591
<b>Training Lay-off</b>					<b>-</b>	<b>(176)</b>
NSF/10/4/3/1	Merseta TLS	41 689	01 August 2011	Ongoing	-	(176)
<b>Worker Education</b>					<b>10 782</b>	<b>8 963</b>
NSF/10/4/1/3	Workers College Project 2	19 767	26 June 2013	31 December 2017	2 316	5 658
NSF/10/4/1/4	DITSELA Project 2	11 771	01 January 2016	31 March 2019	8 466	3 305
<b>Workplace-based learning</b>					<b>1 236 733</b>	<b>576 742</b>
NSF/10/3/1/11	Office of the Premier KZN	45 793	19 August 2011	30 June 2018	10 173	3 420
NSF/10/3/2/5	DTI - TOOLING INITIATIVE PROGRAMME	200 335	22 September 2012	31 December 2016	-	30 980
NSF/10/3/1/15	Dept. of Public Works (DPWP) Learnerships and Artisans	52 500	01 April 2011	31 March 2018	27 369	6 189



"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/10/3/1/16	Department of Public works (NC) artisan development	7 100	01 April 2011	31 March 2018	5 609	-
NSF/10/3/3/13	Tsiku Training Cons	44 475	08 May 2015	31 March 2017	-	22 546
NSF/10/3/3/12	Department of Agriculture, Forestry and Fisheries	44 465	29 September 2014	31 March 2017	-	21 254
NSF/10/3/1/23	Ada Holdings (Previously Cannistraro Investments)	65 769	20 August 2012	30 June 2017	360	523
NSF/10/3/1/36	NSF: Gov PI Denel SOC Ltd	42 561	08 July 2014	31 March 2017	-	7 009
NSF/10/3/4/8	African Institute for Mathematical Science	18 131	28 June 2013	31 December 2016	-	2 811
NSF/10/3/3/9	Motlompegi Management Consultants and Projects CC	31 670	05 June 2013	30 June 2016	-	1 925
NSF/10/3/1/30	Transnet Rail Engineering	217 526	01 August 2012	31 December 2018	42 000	-
NSF/10/3/2/6	DTI - Unemployed Graduate programme (Itukise Work Experience project)	71 865	01 January 2013	31 August 2016	-	1 331
NSF/10/3/1/5	PSETA	64 428	10 August 2011	31 March 2018	19 566	5 153
NSF/10/3/2/7	DTI - Monyetla 4	71 244	24 May 2013	31 March 2016	-	31
NSF/10/3/3/10	Therapeuo Training	313	11 March 2014	31 December 2016	-	10
NSF/10/3/3/1	Department of Rural & Land Reform (NARYSEC)	191 024	18 April 2012	31 March 2018	90 442	25 724
NSF/10/3/3/17	College of Sustainable Agriculture: Tyelera Agriculture	48 622	01 October 2016	30 September 2018	24 043	24 579
NSF/10/3/4/7	Nelson Mandela Childrens Hospital Trust	70 328	05 June 2013	31 March 2019	43 715	8 384



"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/10/3/4/9	SANCB	20 513	09 May 2014	31 December 2017	5 588	4 991
NSF/10/3/6/20	Furniture World Private College for Further Education & Training	93 890	15 June 2014	31 December 2017	7 383	12 020
NSF/10/3/1/26	South African Maritime Safety Authority (SAMSA)	81 935	21 August 2012	31 December 2015	-	(28)
NSF/10/3/1/37	ESKOM Artisan Development Support	173 750	06 February 2015	31 December 2018	59 170	62 682
NSF/10/3/1/38	Denel (Project 73)	15 458	16 April 2015	31 December 2018	7 205	1 796
NSF/10/3/1/46	Sea Safety Training Group (Pty) Ltd	34 213	25 November 2016	31 December 2019	30 409	3 804
NSF/10/3/1/45	Better Best Skills Development (Pty) Ltd	17 631	30 November 2016	31 December 2019	15 741	1 891
NSF/10/5/4/1	South African Airways Technical	23 797	30 March 2015	31 December 2020	18 450	5 347
NSF/10/4/5/5	Belgium Campus	5 250	01 April 2015	31 December 2018	2 447	1 309
NSF/10/4/4/12	NMMU - SAIMI Project	296 145	01 April 2015	31 December 2018	226 148	54 094
NSF/10/3/8/1	NAD: Mining Qualification Authority (MQA) (NC & WC)	96 195	01 September 2015	31 March 2019	52 493	43 636
NSF/10/3/1/41	MQA Italy Project	20 676	22 January 2016	31 December 2017	20 660	(608)
NSF/10/3/9/1	WIL - EC Office of the Premier	75 285	29 February 2016	30 December 2017	43 990	30 269
NSF/10/3/9/2	WIL - Tshwane University of Technology (TUT)	8 254	17 December 2015	31 December 2017	6 319	1 935
NSF/10/3/8/3	NECSA	25 834	01 October 2016	30 September 2019	21 569	4 265
NSF/10/3/8/4	Transnet Rail Engineering	64 500	11 January 2017	11 December 2020	64 500	-
NSF/10/3/1/43	43 Air School	36 638	12 April 2016	31 March 2019	7 765	28 873
NSF/10/3/1/42	DPW - Water Graduate Items	57 200	01 July 2015	31 March 2018	18 074	17 813



"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/10/3/1/47	Shipping and Transport College (Pty) LTD	7 082	30 November 2016	31 July 2019	6 334	748
NSF/10/3/3/16	SAWIT Project 2	31 936	01 January 2016	31 March 2018	22 925	9 011
NSF/10/3/9/3	WIL - Furniture World Training Centre	35 740	12 September 2016	31 March 2019	19 039	16 700
NSF/10/3/9/4	WIL - Dzunde Farming Co-operative Ltd	5 083	12 September 2016	31 March 2019	3 357	1 726
NSF/10/3/9/5	WIL - African Global Skills Academy	38 281	12 September 2016	31 March 2019	21 323	16 958
NSF/10/3/9/6	WIL - Mthenganya ( Associates Pty Ltd	23 827	12 September 2016	31 March 2019	14 190	9 637
NSF/10/3/9/7	WIL - MTL Training and Project	31 769	12 September 2016	31 March 2019	17 555	14 213
NSF/10/3/9/8	WIL - Talent Emporium Training	23 509	12 September 2016	31 March 2019	16 451	7 058
NSF/10/3/9/9	WIL - Hope Africa	21 047	12 September 2016	31 March 2019	17 692	3 355
NSF/10/3/9/10	WIL - VPK Business Venture	23 827	12 September 2016	31 March 2019	13 488	10 339
NSF/10/3/9/11	WIL - Netgrow Training Solutions	17 949	12 September 2016	31 March 2019	14 097	3 852
NSF/10/3/9/12	WIL - Ulwazi Training and Development	6 830	12 September 2016	31 March 2019	3 680	3 150
NSF/10/3/9/13	WIL - Royal Dish	2 383	12 September 2016	31 March 2019	1 400	983
NSF/10/3/9/14	WIL - Motlhompegi Management Consultants	17 314	12 September 2016	31 March 2019	12 164	5 150
NSF/10/3/9/15	WIL - Tourism World Pty Ltd	7 942	12 September 2016	31 March 2019	5 622	2 320
NSF/10/3/9/16	WIL - Ikoti Coal	7 942	12 September 2016	31 March 2019	5 478	2 464
NSF/10/3/9/17	WIL - Aubrey Nyiko Business Enterprise	33 357	12 September 2016	31 March 2019	23 941	9 416
NSF/10/3/9/18	WIL - Godisang Development	3 971	12 September 2016	31 March 2019	2 529	1 442
NSF/10/3/9/20	WIL - SGC Training Consultants Pty	31 133	22 September 2016	31 March 2019	24 717	6 416
NSF/10/3/9/21	WIL - Elasmocol Pty Ltd	7 942	12 September 2016	31 March 2019	5 387	2 555



"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/10/3/9/22	WIL - Tek-Mation	3 971	30 September 2016	31 March 2019	2 411	1 560
NSF/10/3/9/27	WIL - Elangeni Consulting	3 177	13 September 2016	31 March 2019	2 855	322
NSF/10/3/9/23	WIL - Diocese of Grahamstown	21 444	19 September 2016	31 March 2019	15 901	5 543
NSF/10/3/9/24	WIL - Tetrafull 1220 CC	3 971	04 October 2016	31 March 2019	2 556	1 415
NSF/10/3/9/25	WIL - Intelimali Pty Ltd	1 986	23 September 2016	31 March 2019	1 427	558
NSF/10/3/9/26	WIL - KZN Sharks Board	1 827	10 October 2016	31 March 2019	809	1 017
NSF/10/3/9/28	WIL - EOH Abantu Pty Ltd	60 361	07 November 2016	31 March 2019	50 436	9 924
NSF/10/3/9/29	WIL - Gillan & Veldhuizen Inc	396	20 January 2017	31 March 2019	361	35
NSF/10/3/9/30	WIL - National Business Initiative For Growth, Development and Democracy	5 758	01 February 2017	31 March 2019	5 758	-
NSF/10/3/9/31	WIL - Educo Trust of Africa	11 913	02 December 2016	31 March 2019	11 913	-
NSF/10/3/1/1	Agriseta & Commissioner for Land Rights Restitution	44 550	31 July 2014	31 December 2016	-	(19 111)
NSF/10/3/9/19	WIL - Emanzini Staffing Solutions Pty Ltd	31 769	12 September 2016	31 March 2019	19 744	12 025
<b>PSET SYSTEM DEVELOPMENT AND CAPACITY BUILDING</b>					<b>5 937 014</b>	<b>2 322 075</b>
<b>Cross-cutting PSET System Development, Capacity Building and Support</b>					<b>5 848 438</b>	<b>2 277 395</b>
NSF/10/4/6	DHET Projects	9 994 687	06 March 2014	31 December 2017	5 830 678	2 267 738
NSF/10/4/4/13	CEPD (Student Leadership Capacity)	27 430	22 June 2015	31 May 2019	17 760	9 657
<b>TVET College Sub-System Development, Capacity Building and Support</b>					<b>22 782</b>	<b>5 422</b>
NSF/10/3/8/2/9	DSSP - Port Elizabeth TVET	7 265	02 January 2016	31 December 2019	5 554	1 711
NSF/10/3/8/2/8	DSSP - East Cape MidlandsTVET	4 315	01 July 2016	31 December 2019	4 315	-
NSF/10/3/8/2/4	DSPP - SSACI	16 624	01 April 2016	31 December 2018	12 913	3 711



“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
University Sub-system Development, Capacity Building and Support					65 794	39 258
NSF/10/4/2/6	SAICA Walter Sisulu University	189 454	03 January 2012	31 December 2017	65 794	39 258
SKILLS DEVELOPMENT RESEARCH, INNOVATION AND COMMUNICATION					138 645	57 069
Human Resource Development and Council (HRDSA) Research, Planning, Advocacy and Communication					41 697	18 898
NSF/10/1/1	HRDSA Funding	105 200	01 April 2015	31 March 2020	41 697	18 898
National Skills Authority Constituency Capacity Building and Advocacy					42 517	29 005
NSF/10/2/1/11	NSA - South African National Civic Organisation (SANCO)	10 640	01 April 2014	31 March 2018	4 320	1 920
NSF/10/2/1/12	NSA -2- WNC	11 160	01 April 2014	31 March 2018	3 510	3 263
NSF/10/2/1/13	NSA -2- APPETD	5 350	01 April 2014	31 March 2018	2 741	1 260
NSF/10/2/1/14	NSA -2- NACTU	4 360	01 April 2014	31 March 2018	1 184	1 416
NSF/10/2/1/15	NSA -2- DPSA	14 385	01 April 2014	31 March 2018	5 400	5 000
NSF/10/2/1/16	NSA -2- FEDUSA	3 810	01 April 2014	31 March 2018	1 628	978
NSF/10/2/1/18	NSA -2- SACPO	5 213	01 April 2014	31 March 2018	1 425	1 191
NSF/10/2/1/19	NSA -2- SAYC	31 502	01 April 2014	31 March 2018	14 567	11 434
NSF/10/2/1/20	NSA - 2 - COSATU	10 519	01 July 2013	31 March 2018	5 454	2 232
NSF/10/2/1/21	NSA - 2 - BUSA	2 600	00 January 1900	31 March 2018	2 288	313
National Skills Authority Monitoring, Research, Planning, Policy Development and Communication					54 432	9 165
NSF/10/2/5/4	NSA SAB&T	72 444	18 November 2014	18 November 2017	54 432	9 165



“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
SKILLS INFRASTRUCTURE DEVELOPMENT					350 144	218 254
TVET College Infrastructure Development					169 253	173 920
NSF/10/5/1/7	DHET TVET Infrastructure - W&RSETA/ Mthashana TVET	39 350	01 April 2014	30 September 2017	13 815	-
NSF/10/5/1/8	DHET TVET Infrastructure - LGSETA/ Lovedale TVET	46 000	31 March 2014	30 December 2017	46 000	-
NSF/10/5/1/9	DHET TVET Infrastructure - ServicesSETA/King Sebata TVET	50 000	31 March 2014	31 December 2018	50 000	-
NSF/10/5/1/5/1	DHET TVET Infrastructure	2 500 000	09 December 2013	30 June 2016	-	150 315
NSF/10/5/1/6	NSF: SI-1 ADA Holdings - Ingwe Projects	187 416	03 April 2014	30 June 2017	59 438	23 605
University Infrastructure Development					180 891	44 334
NSF/10/5/1/1	University of Pretoria (Veterinary project)	164 200	20 September 2012	31 December 2018	57 248	3 982
NSF/10/5/1/2	University of Pretoria (MBChB programme)	416 562	01 August 2012	30 June 2017	103 235	2 875
NSF/10/5/1/4	Cape Peninsula University of Technology Renewable Energy Infrastructure Project (CPUT)	105 578	25 January 2013	31 March 2018	19 290	20 112
NSF/10/5/1/3	SI-1 UJ - ENGINEERING DEV	212 689	30 April 2013	31 December 2015	-	(1 124)
NSF/10/5/1/15	UCT Hair & Cosmetic Laboratory	19 608	18 August 2016	18 January 2018	1 119	18 489
TOTAL					9 416 451	5 015 898





## 6. ANNEXURE B - HUMAN RESOURCE OVERSIGHT STATISTICS (NEW ORGANOGRAM)

### Personnel cost by programme: New Organisational Structure

Programme	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total exp	No. of employees	Average personnel cost per employee
	(R'000)	(R'000)	(R'000)		(R'000)
Skills Development (2016/17)	5 015 898	45 686	0.91%	93*	491

\*93 includes 69 permanent employees, 6 interns and 15 contract posts 3 terminations

### Personnel cost by salary band: New Organisational Structure

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
	(R'000)	(R'000)		(R'000)
Top Management	6 540	14%	7	934
Senior Management	21 016	46%	18	1 168
Skilled	18 130	40%	68*	263
Semi-skilled	0	0%	0	0
<b>TOTAL</b>	<b>45 686</b>	<b>100%</b>	<b>93</b>	<b>491</b>

\*68 includes 44 permanent employees, 6 interns, 15 contract posts and 3 terminations



### Performance Rewards: New Organisational Structure

Programme	Performance rewards	Personnel Expenditure	% of performance rewards to total personnel cost
	(R'000)	(R'000)	(R'000)
Top Management	379	6 540	5.80%
Senior Management	409	21 016	1.95%
Skilled	156	18 130	0.86%
Semi-skilled	0	0	0.00%
<b>TOTAL</b>	<b>944</b>	<b>45 686</b>	<b>2.07%</b>

### Training Costs: New Organisational Structure

Directorate/ Business Unit	Personnel Expenditure (R'000)	Training Expenditure	Training Expenditure as a % of Personnel Cost
		(R'000)	
NSF staff establishment	45 686	982	2.15%

### Employment and vacancies: New Organisational Structure

Programme	2015/2016	2016/2017 Approved Posts	2016/2017	2016/2017	% of vacancies
	No. of Employees		No. of Employees	Vacancies	
Skills Development	95	180	93	87	48%



### Employment and vacancies (continue): New Organisational Structure

Programme	2015/2016	2016/2017 Approved Posts	2016/2017	2016/2017	% of vacancies
	No. of Employees		No. of Employees	Vacancies	
Top Management	6	22	7	15	8%
Senior Management	20	60	18	42	23%
Professional qualified	0	0	0	0	0%
Skilled	69	98	68*	30	17%
Semi-skilled	0	0	0	0	0%
Unskilled	0	0	0	0	0%
<b>TOTAL</b>	<b>95</b>	<b>180</b>	<b>93</b>	<b>87</b>	<b>48%</b>

\*68 includes 44 permanent employees, 6 interns, 15 contract posts and 3 terminations

### Employment changes: New Organisational Structure

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	6	1	0	7
Senior Management	20	0	2	19
Professional qualified	0	0	0	0
Skilled	68	3	3	68*
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>Total</b>	<b>94</b>	<b>4</b>	<b>5</b>	<b>93</b>

\*68 includes 44 permanent employees, 6 interns, 15 contract posts and 3 terminations



## Reasons for staff leaving: New Organisational Structure

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	3	2%
Dismissal	0	0%
Retirement	1	1%
Ill health	0	0%
Expiry of contract	0	0%
Other	1	0%
<b>Total</b>	<b>5</b>	<b>3%</b>

## Labour Relations: Misconduct and disciplinary action: New Organisational Structure

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissal	0



### Equity Target and Employment Equity Status (Male): New Organisational Structure

Levels	Male			
	African	Coloured	Indian	White
	Current	Current	Current	Current
Top Management	2	0	0	2
Senior Management	8	2	0	0
Professional qualified	0	0	0	0
Skilled	25	0	0	1
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>35</b>	<b>2</b>	<b>0</b>	<b>3</b>

### Equity Target and Employment Equity Status (Female): New Organisational Structure

Levels	Female			
	African	Coloured	Indian	White
	Current	Current	Current	Current
Top Management	2	0	0	1
Senior Management	8	0	0	1
Professional qualified	0	0	0	0
Skilled	35	0	0	6
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>8</b>



## Disabled staff: New Organisational Structure

Levels	Disabled Staff	
	Male	Female
	Current	Current
Top Management	0	0
Senior Management	0	0
Professional qualified	0	0
Skilled	0	1
Semi-skilled	0	0
Unskilled	0	0
<b>TOTAL</b>	<b>0</b>	<b>1</b>



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higher education  
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