

Annual Report

2015/16

National Skills Fund
Funding to skill our nation



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA





Funding to skill our nation

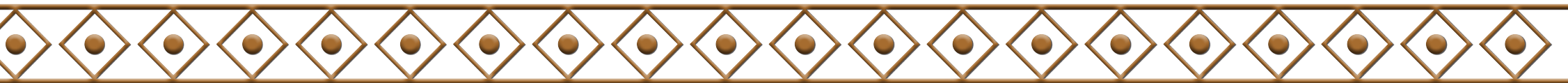


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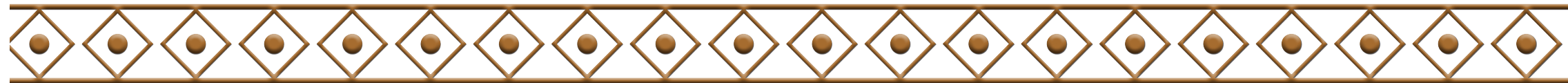
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PART A General Information



PART A General Information

1. NATIONAL SKILLS FUND GENERAL INFORMATION

REGISTERED NAME: National Skills Fund

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WEBSITE ADDRESS: www.dhet.gov.za

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

| | | | |
|------------------------|---|------------------|--|
| ADRS | Applied Development Research Solutions | DIRCO | Department of International Relations and Cooperation |
| BRICS | Brazil, Russia, India, China and South Africa | DOL | Department of Labour |
| CAO | Centralised Applications Office | DPE | Department of Public Enterprises |
| CACH | Central Applications Clearing House | DSAP | Duel System Apprenticeship Programme |
| CAS | Career Advice Services | DST | Department of Science and Technology |
| CC | Closed Corporation | DTA | Denel Technical Academy |
| CD | Chief Director | DTI | Department of Trade and Industry |
| CEM | Council of Education Ministers | ECM | Enterprise Content Management |
| CEO | Chief Executive Officer | EEP | Employment Equity Plan |
| CEPD | Centre for Education Policy Development | EFA | Education for All |
| CESM | Classification of Educational Subject Matter | ELRC | Education Labour Relations Council |
| CET | Community Education and Training | ENE | Estimates of National Expenditure |
| CETA | Construction Education and Training Authority | EPWP | Expanded Public Works Programme |
| CETC | Community Education and Training Centre (see PALC) | ETQA | Education and Training Quality Assurance |
| CFO | Chief Financial Officer | EXCO | Executive Council |
| CHE | Council on Higher Education | FETCBU | Further Education and Training Colleges Bargaining Unit |
| COL | Commonwealth of Learning | FETMIS | Further Education and Training Management Information System |
| COMEDAF | Conference of Ministers of Education of the African Union | FMPPI | National Treasury's Framework for Managing Programme Performance Information |
| COSE | Collaboration for Occupational Skills Excellence | FMS&G | Financial Management Systems and Guidelines |
| CPIX | Consumer Price Index | GENFETQA | General and Further Education and Training Quality Assurance |
| CPUT | Cape Peninsula University of Technology | GEPF | Government Employee Pension Fund |
| CSIR | Council for Scientific and Industrial Research | GETC | General Education and Training Certificate |
| CUT | Central University of Technology | GFETQSF | General and Further Education and Training Quality Assurance |
| DAFF | Department of Agriculture, Forestry and Fisheries | GIS | Geographical Information System |
| DBE | Department of Basic Education | | |
| DDG | Deputy Director-General | | |
| DG | Director-General | | |
| DHET/DEPARTMENT | Department of Higher Education and Training | | |

2. LIST OF ABBREVIATIONS/ACRONYMS (CONTINUED)

| | | | |
|-----------------|--|-----------------|--|
| GITO | Government Information Technology Office | MEDUNSA | Medical University of South Africa |
| GPSSBC | General Public Service Sector Bargaining Council | MIS | Management Information System |
| GRAP | Generally Recognised Accounting Practices | MLO | Media Liaison Officer |
| GTPP | Generic Trade Test Preparation Programme | MMM | Minister's Management Meeting |
| HE | Higher Education | MPAT | Management Performance Assessment Tool |
| HEAIDS | Higher Education HIV/AIDS Programme | MTEF | Medium Term Expenditure Framework |
| HEDCOM | Heads of Education Departments Committee | MTSF | Medium Term Strategic Framework |
| HEI | Higher Education Institutions | NAMB | National Artisan Moderation Body |
| HEMIS | Higher Education Management Information System | NARYSEC | National Rural Youth Service Corps |
| HEQF | Higher Education Qualifications Framework | NASCA | National Senior Certificate for Adults |
| HESA | Higher Education South Africa | NATED | National Accredited Technical Education Diploma |
| HIV/AIDS | Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome | NC(V) | National Certificate (Vocational) |
| HRD | Human Resource Development | NDP | National Development Plan |
| HRDSCA | Human Resource Development Council of South Africa | NEGP | New Economic Growth Path |
| HRDSA | Human Resource Development Strategy for South Africa | NGP | New Growth Path |
| HRMIS | Human Resource Management Information System | NIHE | National Institute of Higher Education |
| HSRC | Human Science Research Council | NIPF | National Industrial Policy Framework |
| IBSA | India-Brazil-South Africa | NQF | National Qualifications Framework |
| ICASS | Internal Continuous Assessment | NRF | National Research Foundation |
| ICT | Information and Communication Technology | NSA | National Skills Authority |
| ILO | International Labour Organisation | NSDS | National Skills Development Strategy |
| IT | Information Technology | NSDSIII | National Skills Development Strategy III |
| ITIL | Information Technology Infrastructure Library | NSF/FUND | National Skills Fund, established in terms of section 27(1) of the Skills Development Act, 1998 (Act No. 97 of 1998) |
| INDELEA | Institute for the National Development of Learnerships, Employment Skills and Labour Assessments | NNSF ALC | National Norms and Standards for Funding Adult Learning Centres |
| IPAP | Industrial Policy Action Plan | NSF DIS | National Skills Fund Disbursement Information System |
| LAN | Local Area Network | NSFAS | National Student Financial Aid Scheme |

2. LIST OF ABBREVIATIONS/ACRONYMS (CONTINUED)

| | | | |
|----------------|--|----------------|---|
| OAG | Office of the Accountant General | SAMSA | South African Maritime Safety Authority |
| ODA | Overseas Development Assistance | SANCB | South African National Council for the Blind |
| OECD | Organisation for Economic Cooperation and Development | SANEDI | South African National Energy Development Institute |
| OER | Open Education Resources | SAQA | South African Qualifications Authority |
| OFO | Organising Framework for Occupations | SARETEC | South African Renewable Energy Technical Centre |
| OQSF | Occupational Qualifications Sub-Framework | SARS | South African Revenue Service |
| PAA | Public Audit Act , 2004 (Act No. 25 of 2004) | SAUS | South African Union of Students |
| PALC | Public Adult Learning Centre (see CETC) | SCOPA | Standing Committee on Public Accounts |
| PED | Provincial Education Department | SCM | Supply Chain Management |
| PERSAL | Personnel Salary System | SDA | Skills Development Act, 1998 (Act No. 97 of 1998) |
| PFMA | Public Finance Management Act, 1999 (Act No. 1 of 1999) | SDLA | Skills Development Levies Act, 1999 (Act No. 9 of 1999) |
| PIC | Public Investment Corporation | SDL | Skills Development Levy |
| PICC | Presidential Infrastructure Coordinating Commission | SEDA | Small Enterprise Development Agency |
| PIVOTAL | Professional, Vocational, Technical and Academic Learning | SET | Science, Engineering and Technology |
| PME | Performance Management and Evaluation | SETA | Sector Education and Training Authority |
| PQM | Programmes and Qualifications Mix | SIC | Standard Industrial Classification |
| PRASA | Passenger Rail Agency of South Africa | SIP | Strategic Integrated Project |
| PSIRA | Private Security Industry Regulation Act | SITA | State Information Technology Agency |
| PSETA | Public Service SETA | SOM | School of Medicine |
| QCTO | Quality Council for Trades and Occupations | SPU | Sol Plaatje University |
| RPL | Recognition of Prior Learning | SRC | Student Representative Council |
| RDG | Research Development Grant | SSP | Sector Skills Plan |
| SADC | Southern African Development Community | SSS | Student Support Services |
| SAGEN | South African German Energy Programme | STI | Sexually Transmitted Infection |
| SAICA | South African Institute of Chartered Accountants | TB | Tuberculosis |
| SAIDE | South African Institute of Distance Education | TDG | Teaching Development Grant |
| SAIVCET | South African Institute for Vocational and Continuing Education and Training | TVET | Technical and Vocational Education and Training |
| | | TWG | Technical Working Group |

2. LIST OF ABBREVIATIONS/ACRONYMS (CONTINUED)

| | |
|--------|--|
| UCCF | University Council Chairs Forum |
| UIF | Unemployment Insurance Fund |
| UMP | University of Mpumalanga |
| UN | United Nations |
| UNESCO | United Nations Educational, Scientific and Cultural Organisation |
| UoT | University of Technology |
| VCET | Vocational and Continuing Education and Training |
| WAN | Wide Area Network |
| WIL | Work Integrated Learning |
| WITS | Witwatersrand University |
| WSU | Walter Sisulu University |

3. STRATEGIC OVERVIEW

3.1. Our vision

Funding to skill our nation.

3.2. Our mission

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

3.3. Our seven values

The National Skills Fund upholds the following seven values:

Passion

Integrity

Collaborative

Accountability

Service Excellence

Objectivity

Developmental

3.4. Strategic outcome oriented 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 in its work.

4. LEGISLATIVE AND OTHER MANDATES

4.1 Established in terms of the Skills Development Act

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

The money in the fund may be used for the primary objectives as defined by the prescripts of the Skills Development Act, namely:

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

The current main revenue sources for the National Skills Fund are:

1. 20 percent of the skills development levies as contemplated in the Skills Development Levies Act, 1999 (Act No. 9 of 1999);
2. Interest earned on investments held at the Public Investment Corporation; and
3. Uncommitted surpluses from the SETAs that are transferred to the NSF in terms of SETA grant regulation 3(12).

The National Skills Fund may also receive revenue from the following sources:

1. The skills development levies collected and transferred to the Fund, 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 SETAs;
2. Money appropriated by Parliament for the Fund;
3. Donations to the Fund; and
4. Money received from any other source.

4.2 Retention of accumulated surplus

In terms of section 29(3) of the Skills Development Act, 1998 (Act No. 97 of 1998), the unexpended balance in the Fund at the end of the financial year must be carried forward to the next financial year as a credit to the Fund.

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

On 12 October 2012, the Minister of Finance listed the National Skills Fund as a Schedule 3A public entity in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), retrospectively effective from 1 April 2012 (Notice number 821 in Government Gazette No. 35759). Prior to the listing as a public entity, the National Skills Fund 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.

5. ORGANISATIONAL STRUCTURE

5.1 Executive Officer's Office



Mr. M Macikama
EXECUTIVE OFFICER



Left to right: Mahlodi Mashao, Dineo Lehula, Mvuyisi Macikama, Bongiwe Sipengane

5.2 Bursaries



Ms. C Khambako
DEPUTY DIRECTOR: BURSARIES



Front row left to right: Miriam Mosehla, Theresia Mmola, Bagcinile Khumalo, Dineo Mosomane

Back row left to right: Sindiswa Mphangwa, Nditsheni Ramakokovhu, Dumo Zongo, Alpheus Mathulachipi, Lutendo Mudau, Thabang Sephai, Norman Sithole

Absent: Conny Khambako

5.3 Strategic projects



Mr. E Mashabane
DIRECTOR: STRATEGIC PROJECTS



Front row left to right: Shelly Makhesa, Nokuthula Mbatha, Morongwa Mphake, Lindiwe Gwebu, Kelebogile Pitsoane, Nomusa Dlamini, Elsabe Horton
Back row left to right: Kenneth Maluleka, Lerato Tema, Mavis Gijima-Dzobo, Phumudzo Ramawa, Nyandano Mukwevho, Eubert Mashabane, Joe Magabane, John Zulu, Humphrey Masemola, Droby Matsimane

5.4 Skills support programmes



Mr. F Strydom
DIRECTOR: SKILLS SUPPORT PROGRAMMES



Front row from left to right: Andisiwe Bandezi, Zandile Mahlaba, Maureen Rannyama, Slindile Nkiwane

Back row from left to right: Msengi Buntu, Shaafig Fredericks, John Nchabeleng, Frans Strydom, Lusani Shavhani, Bongani Mkhize, Gerit Ferreira

Absent: Claudia Mboya, Gideon Sauls

5.5 Provincial operations



Mrs. KF Hlongwane
DIRECTOR: PROVINCIAL OPERATIONS



Front row left to right: Meriam Malebo, Lydia Mathagu, Tendani Moila, Kgaugelo Hlongwane, Sinovuya Fikeni, Ivy Moroko, Hellen Sebopetsa

Middle row left to right: Thanduxolo Ndyenge, Njabulo Sithole, Tebogo Selepe, Hloniphile Mhlongo, Londiwe Twumasi, Lerato Marota, Mabel Malatji, Donald Tebele, Ian Moloisi, Humphrey Manzini

Back row left to right: Eliphus Sako, Edgar Motlhabane, Clement Nkuna, John Dihashu

5.6 Finance and administration



Mr. W Minnie
CFO

Mrs. S Theron
DIRECTOR FINANCE

Front row left to right: Lehlogonolo Seaga, Mary Monosi, Karuwani Tshivhase, Claudette Grobler, Belinda Bouwer, Sanel Theron
Back row left to right: Bridgette Siwada, Wean Minnie, Edwisch Nkuna, Kgaugetlo Tjale, Bridgette Setuki, Marinda Ferreira, Cecilia Pieterse, Thabo Mogotshane, Phumzile Maleka, Nyawa Dikwayo
Absent: Rietjie Souwitzsky, Rina Koen, John Magoro

6. FOREWORD BY THE MINISTER



DR BE NZIMANDE, MP

Minister of Higher Education and Training

The National Development Plan (NDP) proposal for the first five years states that 'in further education and training, institutions will be strengthened by improving training for college lecturers, establishing satellite colleges and building new colleges where necessary.'

In response to the commitment I made to expand the capacity of the Post-school Education and Training (PSET) system, in the financial year under review, the National Skills Fund (NSF) has disbursed R512 million towards college capacity building and lecturer development. Furthermore, the NSF has made great strides in support of the NDP objectives by providing funding amounting to R340 million for upgrading, refurbishing and construction of new infrastructure in the post-school sector.

The NSF continues to focus on broader PSET priorities by funding university infrastructure that supports critical and scarce skills development. In 2015, two universities started utilising infrastructure that supports scarce and critical skills: the University of Pretoria effectively doubled its capacity to produce doctors and veterinary scientists and the University of Johannesburg completed a brand new centre for priority skills in engineering, most needed for planned government infrastructure development. The University of Pretoria opened newly-built facilities

with technologically advanced lecture halls, an administrative complex, a 300-bed student residence and state-of-the-art skills laboratories in the schools of medicine and veterinary sciences.

The Cape Peninsula University of Technology (CPUT) is the host of the new South African Renewable Energy Technology Centre (SARETEC) funded by the NSF. I have committed the centre to partner with national and international universities to strengthen the country's role in training and research in the area of renewable energy. SARETEC is gearing itself to develop green skills in the energy sector as a way of addressing the shortage of skills that are necessary to unleash progress towards a shift to 'Green Economy' solutions.

As identified in the New Growth Path, the Green Economy focus is expected to combat the current high unemployment levels and at the same time reduce the country's carbon footprint. A growing green economy should result in the expansion of production capacity and service delivery, create job opportunities by facilitating up-skilling and re-skilling and contribute to poverty reduction and socio-economic development in the medium and long terms.

In the past financial year the NSF has made a tremendous contribution towards the implementation of the Turnaround Strategy for the Technical and Vocational Education and Training (TVET) college system. The TVET Turnaround Strategy seeks to improve capacity and infrastructure development within the TVET college system to make it more responsive to the needs of the students and the South African economy. Systemic improvement is expected to contribute to increased enrolments at TVET colleges as they claim their rightful place in the education and training space as institutions of choice for the youth, unemployed and the employed seeking to improve their knowledge and skills.

In anticipation of increased enrolments at TVET colleges, DHET through the NSF, has ring-fenced funding for the building of 12 new campuses and the refurbishment of 2 campuses. The first new college campus for the Waterberg TVET College was officially opened in Thabazimbi in June 2016 and is the first post-apartheid new TVET campus. Nkandla A and Bhambanani campuses are at advanced stages of construction and are planned to be completed by the end of 2016. The remaining 9 campuses will be constructed in phases.

The TVET Colleges Infrastructure Development Programme is informed by the National Skills Development Strategy (NSDS III). Goal 4.3 of the NSDS III asserts the promotion of a public TVET College system that is responsive to sector, local, regional and national skills needs and priorities. The NSDS III objectives are the backdrop to the current TVET Infrastructure Programme.

Communities are benefiting through skills programmes and learnership opportunities during construction of NSF funded infrastructure projects. NSF funding of infrastructure for the post-school sector supports broader government national infrastructure plan objectives and has a multiplier effect on economic opportunities for the local and regional communities.

Successful building of a developmental state, capable of responding to the ever-changing needs of society, rests in the country's ability to establish and maintain a strong, widely accessible quality public education and training system. My department is committed to the creation of sustainable education and training infrastructure in order to give a meaningful expression to the expansion of opportunities for quality education and access.



DR BE NZIMANDE, MP
MINISTER OF HIGHER EDUCATION AND TRAINING



7. FOREWORD BY THE DEPUTY MINISTER



MR MC MANANA

Deputy Minister of Higher Education and Training

The 2015/16 financial year saw an overwhelming support by the National Skills Fund for the promotion of the ‘Decade of the Artisan’ advocacy campaign launched by the Minister in 2014.

As the campaign continues to gather resounding momentum with the slogan ‘It’s cool to be a 21st century artisan’ we traversed the country engaging high school learners in grades 9-12 and the youth, especially those not in employment, education nor training (NEETs), to consider artisanship as a career of choice. Furthermore we advocated effective partnerships with employers as an integral stakeholder and TVET colleges as the training partner to advance artisan development.

Great strides have been made towards achieving the goal of producing 30 000 artisans by 2030. Currently the country is producing 13 000 artisans annually through the considerable investment and commitment exhibited by all artisan development role players, especially industry, and repositioning TVET colleges as institutions of choice under our sustained, committed and high profile political leadership. We continue to support our partnerships with State Owned Companies (SOCs) to utilise fully their facilities 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 and South African Airways Technical Division have begun to yield fruitful results with more than a hundred qualified artisans exiting the artisan training programmes.

The National Skills Fund continues to support the efforts of the Dual System Pilot Project (DSPP), which is an integrated training system that is being piloted at two Eastern Cape and two Gauteng TVET Colleges. Eventually the programme will be rolled out to the other Colleges in the country. As a result of the integrated model of DSPP the role of employers and TVET Colleges continues to be critical for the realisation of the final goal. The NSF will continue to build impetus and upscale artisan development opportunities through engagements with private sector and business formations in collaboration with the National Artisan Moderating Body and TVET Colleges.

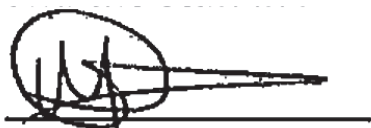
The experience from our participation at the World Skills International Competitions for the first time as a fully-fledged affiliate to World Skills International gave us more assurance of the efforts and work that needs to be done in line with world standards. We anticipate once again to participate in the competition next year to further showcase our efforts and stay current, competitive and relevant in an increasingly knowledge-based world economy.

We continue to support ‘First Things First’ which is a major programme of the Higher Education and Training HIV/AIDS Programme (HEAIDS). Now in its sixth year, First Things First speaks to the priority of South Africans to look after their health and encourages particularly youth in the PSET sector to know their HIV status and screen and treat STIs and TB.

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 and thus avert possible stampedes and long queues that take place at the beginning of each academic year. The campaign also targets far-flung and often neglected rural areas, villages and townships to ensure that learners in those areas make informed career choices. Career Guidance further promotes the ‘100 Occupations in high demand’ list that was released by the Minister in 2014.

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

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



MR MC MANANA, MP
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 committed to the vision of government as set out by all our national policies. The long term vision of the NSF is that no qualifying, needy, academically deserving student to be denied the opportunity to access funds. It is for this reason that students from disadvantaged backgrounds and circumstances are afforded the opportunity to realise their potential during their years of study. The NSF, as guided by the Public Finance Management Act (PFMA), has the ultimate objective of promoting sound financial management in order to maximize the delivery of services through the efficient and effective use of limited resources in the awarding of scholarships, bursaries and loans through the National Student Financial Aid Scheme (NSFAS).

National Student Financial Aid Scheme

In response to the growing financial barriers to higher education, the NSF is currently contributing towards increasing enrolments in critical skills areas at all universities through undergraduate bursary funding provided through NSFAS to support financially deserving undergraduate students for new enrolments and continuing students to study in scarce and critical skills fields. The NSF awarded

more than R1 billion in scholarships and bursaries in 2015/16 to benefit more than 15 000 students in their respective programmes as approved by the NSF. In addition, the NSF committed more than R37 million to the National Institute of Human and Social Science (NIHSS) to benefit more than 270 post-graduate candidates to enhance and support the Human and Social Sciences in South Africa.

Students assisted through this bursary funding, who hail from different walks of life, universities and fields of study, tell inspiring accounts of how bursaries have changed their lives.

Mabulana Tebogo Collen, a 23 year old postgraduate from the University of Limpopo, wrote of his misfortunes growing up in a poor household run by a single uneducated and unemployed mother. He was awarded a bursary by the NSF and was able to complete his bachelor degree and honours in Development. He wrote that he is the first and only one in his family to go to varsity and that the bursary not only changed him but his entire family.

Sinovuyo Rodolo was born and raised in Mthatha in the Eastern Cape. The NSF made it possible for her to study at the 'University of her Dreams' in Cape Town.

"Coming from a rural village with literally nothing around to inspire you, I always wanted to run away to a beautiful city and Cape Town for me was the ultimate place because I had once seen it in a torn magazine and it looked like paradise. Not only did the bursary help me financially but it put me in a place I had dreamed of since I was a little girl," wrote Rodolo. Currently she works at Unilever as an Assistant Brand Manager.

Students shared similar stories, stories of hope changing their circumstances of despair that is beyond their control to circumstances with unlimited opportunities.

Further commitments made by the NSF to facilitate our mission and vision to help students obtain a meaningful qualification in their respective fields of study are told on different pages in this report.

The National Research Foundation

In addition to the undergraduate funding, the NSF's strategic funding framework allows for the funding of post-graduate bursaries for science, technology and innovation, which is currently facilitated through a long-term partnership with the National Research Foundation (NRF).

The NSF awarded over R197 million to the NRF in scholarships for the post-graduate student funding programme, namely the Scarce Skills Development Fund (SSDF). This programme is aimed at increasing the number of highly skilled youth in strategic research areas and to complement the capacity of supervisors at local universities. This fund supports students at the Honours, Masters and Doctoral levels and Post-doctoral Research Fellows as well as strategic initiatives such as the South African Institute of Chartered Accountants (SAICA) students studying towards the Certificate for Theory in Accounting (CTA). I am pleased to report that more than 1 000 students graduated in the 2015 academic year of which 354 are at Masters level; 59 at Doctoral level and 30 at Post-doctoral level. The NSF will continue to ensure that these numbers increase in the years to come. This collaboration with the NRF is crucial in addressing the larger issues of building an educated workforce to support economic growth and stability.

The South African Institute of Chartered Accountants (SAICA) programmes

The NSF remains committed to allocate funding towards strategic programmes such as the SAICA programmes at the University of Limpopo and the University of Fort Hare as these programmes target students who are pursuing fields aligned to the national priorities of scarce and critical skills in support of the National Skills Development Strategy III. The NSF awarded over R19 million to the University of Limpopo to benefit 155 CTA students. I am pleased to report that there were 104 CTA graduates in this period. The NSF further committed more than R16 million to the University of Fort Hare to benefit 160 students, producing 94 graduates in this period. Through these programmes, the beneficiaries are supported throughout their studies and are provided with access to mentors, skills development facilities such as study and workplace training and they are also introduced to employment and leadership opportunities.

International Scholarships

The National Development Plan (NDP) gives impetus to the need to implement a National Programme to develop the Next Generation of Academics for South African Higher Education. In addition to this, the NDP further emphasises the importance of building a strong and coherent system for delivering quality education, science and technology innovation, training and skills development. It will be necessary to develop world-class institutions and programmes within the

national system of innovation and the higher education sector over the next 20 years.

The NSF remains committed to collaboration at all levels of government, TVET colleges, institutions of higher learning, the private sector and with peer international organisations. It is for this reason that through South Africa's bilateral agreement with other countries, the NSF allocated top-up funding to students who were accepted for scholarships to pursue their undergraduate and post-graduate studies in other countries. In 2015, the NSF committed more than R10 million to support South African students that were awarded scholarships provided by the governments of Russia, China and Sri Lanka. We are pleased to report 6 Masters and 1 undergraduate qualification thus far.

I would like to extend my gratitude to all our partners for your continued support in ensuring that the NSF delivers on its mandate. Working collectively, regardless of the limited funds to achieve our mission, is what we continuously seek to improve. These collaborations are critical to the students' success and essential to addressing the larger issues of building an educated workforce to support economic stability, promote public engagement and advance the continued high quality of life in our community, as envisaged in the NDP.

I thank you.



MR GF QONDE
DIRECTOR-GENERAL OF HIGHER EDUCATION AND TRAINING

9. EXECUTIVE OFFICER'S OVERVIEW



MR MV MACIKAMA

Executive Officer

The National Skills Fund (NSF) remains a key source of government funding towards skills development in South Africa. Established in terms of the Skills Development Act, 1998 (Act No. 97 of 1998), the 20% levy contribution has seen a steady growth in revenue which now stands at over R3 billion in the 2015/16 financial year, when compared with the previous financial year (2014/15: R2.7 billion). Of note is the significant rise in NSF expenditure since the 2012/13 financial year and a current deficit record in the 2015/16 financial year as compared to the past financial years which reflected high amounts of surplus figures. This is attributed to the focused leadership approach in the delivery of education and training opportunities to tens of thousands of deserving young people by the Department of Higher Education and Training (DHET). 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."

Under the strategic guidance of the National Skills Development Strategy (NSDS) III, the NSF continues to fulfil its role as a catalytic fund towards skills development. The continued contribution towards delivery of government programmes, amongst which are the National Development Plan (NDP), New Economic Growth Path (NEGP) and Industrial Policy Action Plan (IPAP) remains a priority for the NSF.

The NSF continues to foster change through partnership-based programmes that contribute significantly to raising the low base of education and training in our country, as guided by government policies of redress and promotion of equity.

In the 2015/16 financial year, the NSF concluded its pilot funding allocation to the Technical and Vocational Education and Training (TVET) college system. This saw a budget allocation of R2.5 billion towards the TVET college sector programme expansion and capacity building which contributed to the NDP target relating to the Post-school Education and Training (PSET) system. The next cycle of allocation sees a much more focused approach which aims to address broadly the NSDS III goals and other government strategies by:

1. supporting the expansion and growth of TVET Colleges by ensuring that they are able to implement the skills needs required in the respective municipalities, provinces and nationally;
2. supporting skills initiatives in key growth sectors of the economy, for example energy efficiency, beneficiation, mining, construction, farming, manufacturing, the oceans economy and information and communication technology;
3. improving access to skills development initiatives that will benefit the unemployed, under-employed, women, youth and people with disabilities;
4. supporting capacity building initiatives of the TVET College sector by enabling an integrated and improved skills delivery system; and
5. building and supporting partnerships towards an effective public skills delivery.

The above will be implemented through programmes in artisan training, learnerships, internships/ Work Integrated Learning (WIL), skills programmes and capacity building.

The NSF prides itself on some of the success stories which have contributed significantly to the transformation of ordinary South Africans.

The Department of Higher Education and Training (DHET) has taken the responsibility of ensuring that engineering students are well equipped with workplace experience in order to grow the country's economy. More than R500 million has been set aside by the National Skills Fund with a view to producing employable graduates in the area of artisan development, in line with the National Development Plan (NDP) target to produce 30 000 artisans by 2030. Long-term partnerships with State Owned Companies (SOCs) are bearing good fruit in this area.

Student engineers who are sorely needed by the labour market are currently undergoing intensive Engineering Development and Innovation Programmes at the University of Johannesburg (UJ), in partnership with the DHET. The main focus of these ambitious Work-Integrated Learning sessions, which were implemented on 1 September 2012, is to assist students with various technical skills and include a Mechanical Workshop for basic training, an Electrical Workshop for hands on training, general writing techniques and practices, and a Theoretical Classroom to provide training in the Occupational, Health and Safety Act. UJ training encourages partnerships with a range of stakeholders in order to facilitate better workplace readiness for students completing their studies in the field of engineering.

The identified need of positioning the NSF to better serve the country continues to be acted upon through the Siyaphambili (which means 'we are going forward') project launched in April 2014, which is now reaching its final stages of implementation. This project remains a key focus area which will further improve government programme delivery to the benefit of all intended beneficiaries.

In conclusion, I would like to thank the Honourable 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 realising these achievements and the continuing efforts of creating opportunities that will enable the needy of this country to find purpose by contributing to the economy of this country. To the NSF management and the staff, "ndiyabulela kakhulu" for your dedication, support and sacrifices you always display. The people of this country rely on your relentless efforts in upholding the

NSF's vision of "Funding to Skill our Nation". You are indeed dynamic, thank you.



MR MV MACIKAMA

EXECUTIVE OFFICER: NATIONAL SKILLS FUND



Success Story

CLOSE TO A BILLION RAND FOR STUDENTS THROUGH NSFAS BURSARIES

The Department of Higher Education and Training (DHET), through the National Skills Fund (NSF), has been able to open the doors of learning to more than 15 000 academically deserving students. This was achieved by the disbursement of more than R1 billion in bursaries through the National Student Financial Aid Scheme (NSFAS) during the 2015/16 financial year.

These students, who have hailed from different walks of life and have studied at different universities in a variety of fields of study, tell inspiring accounts of how the bursaries have changed their lives.

Khethiwe Kunene, who obtained a BEng (Chemical Engineering) from the University of Pretoria, said the bursary afforded her the opportunity to break out of a lifestyle she would have probably never been able to escape.

"This bursary allowed me to pursue my dream of becoming one of the leading female chemical engineers in this country. I am now an inspiration and of great assistance to other young people around me because they see that education opens doors.

I now work for Wispeco Aluminium and I am also able to help my parents financially," she said. "This NSF sponsorship has not only made an impact on my life but also on the lives of my family members and many others who will hear my story or receive aid or advice from me".

Anza Mugwabana, studying a BTech: Mechanical Engineering at the Vaal University of Technology - Vanderbijlpark Campus, said the NSF bursary allowed him to follow his passion without the financial burden of student fees.

"Having the bursary also gave me the push I needed to do well in my studies as the fear of losing funding was always in the back of my mind. In a way I owe my

success in my university studies to the NSF bursary scheme. NSF gave me hope when I had lost all hope of obtaining a qualification".

Mankosi Singo, who obtained a BCom in Internal Auditing at the University of Pretoria, said the bursary "has changed my life by giving me a platform to further my education and be able to take the next step towards my dream of being a world-renowned Certified Internal Auditor. If it was not for this bursary, I do not think I would have been able to have had a fully paid account and a degree to my name. Today I have a job and will work hard to assist my family financially".

Singo said the NSF did not just give her money for fees and resources but provided consultants she could talk to, as well as giving her hope "that dreams do actually come true".

Siphenathi Madlulela, who completed a Bachelor of Administration (BAdmin) and an honours degree from the University of Fort Hare, said the bursary removed the burden caused by financial concerns and reduced the risk of dropping out.

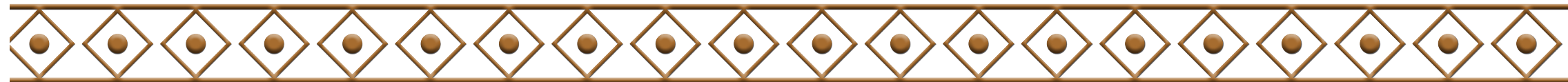
Varsetile Nkwinika, who completed a BSc in Biochemistry and Microbiology at the University of Venda and hopes one day to run a research foundation and build franchised medical hospitals, said the NSF "provided a head-start for achieving my dreams".

"I am now a confident, budding young medical scientist, inspired to continue learning without boundaries," said Nkwinika, who is now registered for an honours degree.



Part B · Performance Information

PART B Performance Information



PART B Performance Information

1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

Statement of Responsibility for Performance Information for the year ended 31 March 2016

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 2016.

The performance information of the entity set out on page 25 to page 50 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 OF HIGHER
EDUCATION AND TRAINING

31 July 2016



MR MV MACIKAMA
EXECUTIVE OFFICER NATIONAL
SKILLS FUND

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 79 to 81), 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 (DHET), 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 ENE targets and reported via the DHET.

Since the dawn of the NSDS III the NSF's performance has increased significantly seeing the Fund's investment towards skills development increasing to R4.4 billion (2014/15: R3.2 billion) during the current financial year, benefiting almost 64 000 learners.

The majority of these 64 000 learners are still receiving training in on-going courses as their training courses extend over periods longer than one year. The NSF remains

committed towards funding these learners over their entire qualification period. This is to ensure a maximum throughput of learners obtaining their qualifications and preventing a high drop-out of learners from one academic year to the next due to a lack of funding to continue studies.

The NSF's increased performance under NSDS III can be clearly 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; and
- 5th Year of NSDS III (2015/16): Investment towards skills development increased by 38% from R3.2 billion to R4.4 billion.

Furthermore, the NSF has a remaining commitment of R15.7 billion (2014/15: R8.4 billion) towards the various skills development projects of national priority. This high level of commitment has strategically positioned the Fund to maintain its high level of performance into the future.

3.2 Organisational environment

The key organisational challenges for the National Skills Fund to overcome during the next financial year relate to following:

- Overcoming capacity constraints in the following areas:
 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) that 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 that will be responsible for ongoing evaluation of outcomes and impact of NSF funded initiatives;
4. Strengthened monitoring capacity that 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 continuous business improvement capacity that will be responsible for innovation and continuous improvement both externally and internally to the NSF.
 - Improving the efficiency of the NSF's financial and performance information processes and systems to ensure timely and accurate reporting. 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.
7. 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.

3.3 Key policy developments and legislative changes

Following publication of the NSDS III (2011-2016), the Fund has engaged the NSA to develop the Strategic Framework and Criteria for the allocation of funding to support NSDS III.

This Strategic Framework document was approved by the Minister and paved the way for the NSF to fund projects under the NSDS III.

The key programmes of the NSF as set out in the Strategic Framework for the allocation of funding are the following:

1. Supporting the priorities of the Human Resource Development Strategy of South Africa (HRDSA);
2. Supporting the priorities of the Minister in consultation with the NSA;
3. Funding NSDS III priorities in the following areas:
 - a. New Economic Growth Path;
 - b. Industrial Policy Action Plan;
 - c. Skills to support rural development;
 - d. Skills for a green economy;
 - e. Skills for education and health;
 - f. Skills to support the justice sector; and
 - g. Support towards artisan development.

4. Funding priorities identified by the Director-General supporting the Skills Development Act, 1998 (Act No. 97 of 1998) in the following areas:
 - a. Worker Education;
 - b. Skills System Institution Capacity Building;
 - c. Trainee Lay-off Scheme; and
 - d. Academic profession, research and development.
5. Priorities to address skills infrastructure in the following areas:
 - a. Recapitalisation of public delivery infrastructure;
 - b. Community Education and Training Centres;
 - c. Skills Development Institutes; and
 - d. State-Owned Companies (SOCs).

On 3 December 2012 the Minister of Higher Education and Training published new SETA grant regulations in terms of section 36 of the Skills Development Act, 1998 (Act No. 97 of 1998) (Government Gazette 35940 Notice No. 990). As per the new SETA grant regulations, the remaining surplus of the uncommitted discretionary funds from the SETAs must be paid over by each SETA by 1 October of each year into the National Skills Fund. This regulation significantly increased the income of the National Skills Fund, especially during the first year in which the applicable section relating to the grant regulations came into effect in 2014/15.

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 NSF's current projects are aligned to the priorities as contained in the National Development Plan 2030.

3.4 Strategic Outcome Oriented Goals

The strategic objective of the National Skills Fund is to provide funds to support projects that are national priorities in the NSDS III, that advance the Human Resource Development Strategy (HRDS) of South Africa and that supports the NSA in its work. The National Skills Fund's high level of performance has resulted in the Fund overachieving on its strategic outcome oriented goals.



Success Story

NEW LEARNING FRONTIERS OPEN UP WITH INTERNATIONAL SCHOLARSHIPS

A number of young South Africans have been able to embark on a life-changing travel and learning opportunity after receiving NSF scholarships to study in China.

All have expressed their appreciation for the opportunity to realise their dreams and to experience a different culture and global perspective.

With the help of a NSF bursary, Busiswa Buso obtained her Masters of Economics in Finance at Zhongnan University of Economics and Law in China.

“Since going to China I have learned to appreciate my country more than I used to. And I have now gained the international exposure and learned what they are doing better than we Africans. With that mentality I am eager to transfer the knowledge gained from China, which I believe will be beneficial.

“When I was still young, my dream was to work for some well-known companies until I came back from China. I realised success is in our hands, all we have to do is to unite, be creative and innovate and promote the spirit of entrepreneurship. The Chinese economy is rapidly growing through entrepreneurship and innovation, which I believe we as Africans can also do.”

Thamsanqa Mahlobo, a young academic and research analyst in Environmental Resource and Development Economics, completed his Masters in Applied Economics at the College of International Trade and Economics at Hunan University.

He has since become a lecturer in Environmental Sustainability at the Durban University of Technology and recently began a second Masters degree in Regional and Cultural Studies at Hiroshima University in Japan through a Japanese International Corporation Agency scholarship and the African Business Education Initiative.

“I wish the NSF continues to open the eyes of young South Africans to their beauty that goes beyond our shores that indeed proves we can change the world, Mahlobo said.

Octavia Motshwane, who studied for a BCom at Wits, was appointed as an intern at the DHET when she applied to study in China. She obtained a Masters in financial Economics from Shanghai University of Finance and Economics.

“This bursary has provided me with a lifetime of memories, an opportunity to study in another country and today I have a Masters degree due to the bursary,” Motshwane said.

“I am now ready to find a permanent role in the Financial industry. I am ready to climb the corporate ladder, to learn to be a manager and a CFO in the long run. I appreciate the NSF and the team that took great care of us abroad. The communication was on point and I would ask a lot of questions yet someone would always be there to answer.”

Sharissa Muniappen, who struggled to get accepted for her chosen course at a South African University, obtained an MMBS, Bachelor of Clinical Medicine at Central South University, China and is now on track to become a specialist in Neurology.

“No words would ever be able to express my utmost gratitude to the NSF. Thank you for investing in my future and for helping me to realise my dream.”

Kerillyn Padarath who studied for a MBBS at the Central South University-Xiangya School of Medicine, had similar problems finding a place at a South African University. The bursary relieved the heavy financial burden of her chosen field of study and offered her an opportunity to experience another culture and learn a new language.

“Having lived and studied in China for six years, I was given the opportunity to work with and learn from extraordinary people from all over the world. My university is affiliated to Yale and I had the opportunity of working with research professors and acquiring innovative skills from them. I also experienced the Chinese medical environment which was very different from our medical system.

“The key from the DHET/NSF bursary is opportunity. I am forever grateful for the endless opportunities that I was afforded,” said Padarath, who is hoping to get a PhD in orthopaedic surgery in South Africa.

4. PERFORMANCE INFORMATION 2015/16

4.1 Strategic Objective 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). | | | | | | | | |
| Planned Annual Target 2015/16 | | Performance Indicator | Actual Achievement 2015/16 | | | | | |
| 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 | |
| 1.5 | NSDS III: Skills Infrastructure | | 100% | 2 153 722 | 3 762 191 | 57% | Not 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. |
| 1.6 | NSDS IV | | 100% | - | - | 0% | Not achieved | |
| Total | | | | 14 745 287 | 10 878 263 | | | |

4. PERFORMANCE INFORMATION 2015/16 (CONTINUED)

4.1 Strategic Objective 1 (continue)

| Planned Annual Target 2015/16 | | Performance Indicator | Actual Achievement 2015/16 | | | | | |
|----------------------------------|--|--|-------------------------------|---|---|---|--|--|
| 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 | | |

4. PERFORMANCE INFORMATION 2015/16 (CONTINUED)

4.1 Strategic Objective 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. | | | | | | | | |
| Planned Annual Target 2015/16 | | Performance Indicator | Actual Achievement 2015/16 | | | | | |
| 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) | | | | | | |
| 3.2 | NSDS III: NSA Ministerial | | | | | | | |
| 3.3 | NSDS III: Government Priorities | | 40 000 | 44 458 | Achieved (111%) | 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. | | |
| 3.4 | 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 | | | | |

4. PERFORMANCE INFORMATION 2015/16 (CONTINUED)

4.2 Strategic Objective 2 (continue)

| Planned Annual Target 2015/16 | | Performance Indicator | Actual Achievement 2015/16 | | | | | |
|----------------------------------|--|---|-------------------------------|----------------------------------|---|----------------------------------|--|--|
| 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 TVEIs 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 | | | |

4. PERFORMANCE INFORMATION 2015/16 (CONTINUED)

4.2 Strategic Objective 2 (continue)

| Planned Annual Target 2015/16 | | Performance Indicator | Actual Achievement 2015/16 | | | |
|----------------------------------|---|---|-------------------------------|-------------------------------|---|--|
| 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 | | | | | |

4. PERFORMANCE INFORMATION 2015/16 (CONTINUED)

4.3 Strategic Objective 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 |

4. PERFORMANCE INFORMATION 2015/16 (CONTINUED)

4.3 Strategic Objective 3 (continue)

| 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. |

Success Story

TUKS NOW TO TRAIN MORE DOCTORS, VETS

Responding to the dire shortage of medical and veterinary professionals, significant NSF funding allocations to the University of Pretoria (UP) have given it the opportunity to train more doctors and vets to fill the critical gap.

Estimates by the World Health Organisation in 2012 indicated that Africa carried 25% of the world's disease burden and had only 1.3% of the world's health professionals.

The University of Pretoria was accepting just 240 students (220 local and 20 from SADC countries) a year into its medical school and by 2010 was receiving more than 4 300 applications for these places.

In 2012 the DHET approved NSF funding of R311 million for UP to increase the number of students admitted for medicine to 350 initially and to grow to 400 over time.

The funding has enabled UP to build a lecture hall, new administrative complex, re-development of an existing building, extensions to the library and skills laboratory and construction of a residence.

The project has resulted in a significant increase in capacity at the School of Medicine, with opportunities created annually for 160 students who would otherwise have been turned away due to capacity constraints.

In the Faculty of Health Sciences infrastructure development programme, work on the HW Snyman Complex, Prinshof Campus and the 300 bed residence are all complete.

- At the Prinshof campus, a new building located in the parking area south of the BMS Building reached practical completion in the first quarter of 2016.
- Completion of this building then made way for construction of the library which commenced in the first quarter of 2016 and significant progress has been made.

- The upgrade of the Skills Lab is scheduled to commence in the third quarter of 2016.
- Savings from the completed Bophelong Residence construction have been earmarked for a pedestrian bridge to link its residence and the Medical campus. Construction will be completed in December 2016.

All of the work is expected to be completed by 31 March 2017.

UP, which is the only institution to offer full professional training in veterinary sciences, is able to accept 140 students and various plans have been underway to increase its capacity.

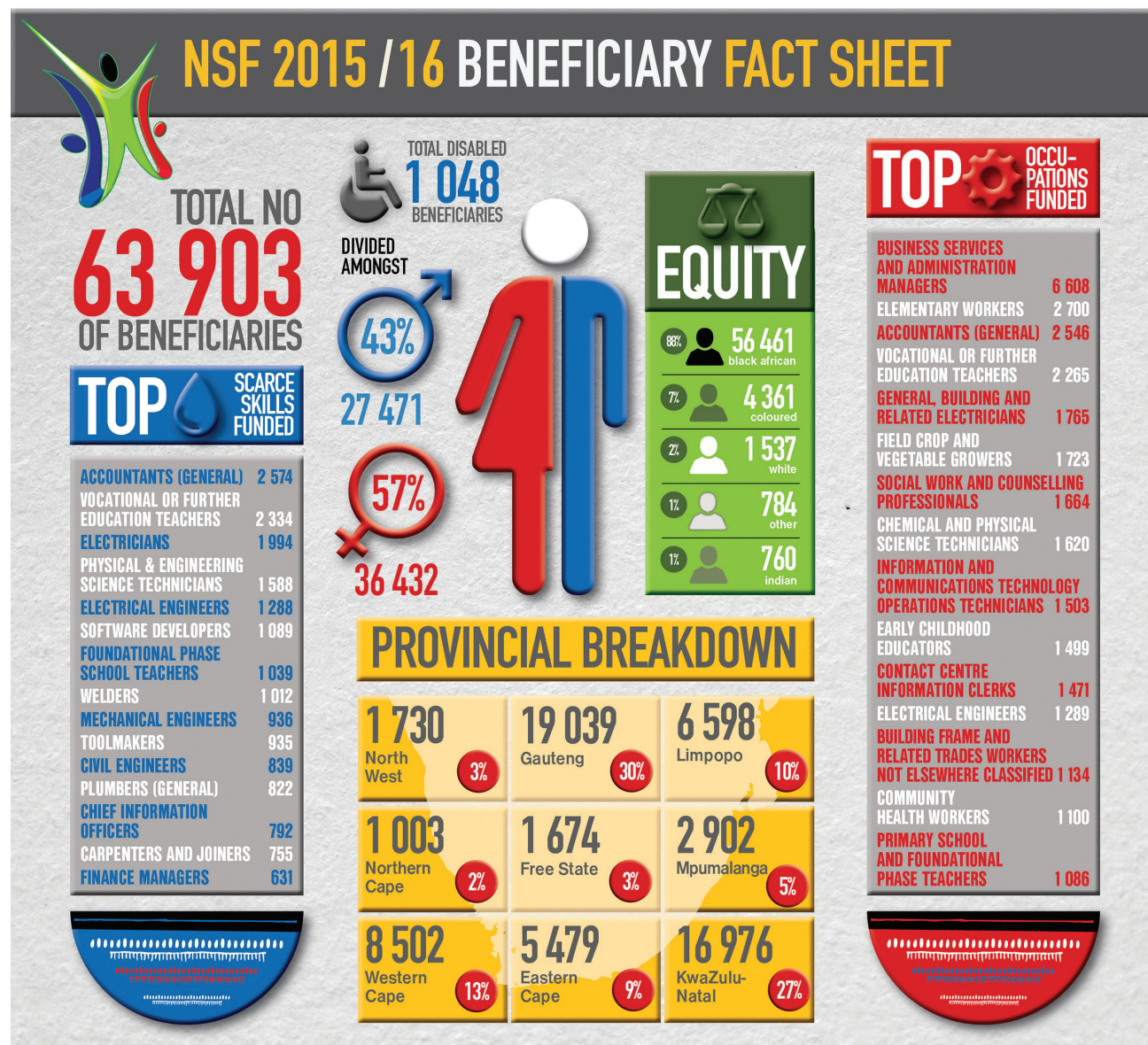
The NSF stepped in to help alleviate the dire skills shortage and allocated funding for the extensions to UP's Faculty of Veterinary Sciences. The investment will result in an annual increase of 50 veterinary science students, resulting in a 36% intake of first year students.

In June 2012 the Department approved an allocation of R113 million from the NSF and the Lesedi Complex was opened in February 2016. The complex includes labs and a residence.

In the Faculty of Veterinary Sciences:

- The Lesedi Complex which houses the modified lecture facilities, multi-purpose student laboratory, skills laboratory, student facilities and expanded Onderstepoort Veterinary Academic Hospital has been completed and the opening ceremony was held in February 2016.
- A change request was made to move some funds from satellite clinic facilities towards refurbishing and expansion of the library. This will start as soon as the IT Lab has been moved. Completion of the Library and study work facility is scheduled for December 2017.
- Relocation of the IT Lab to the ground floor has commenced and is scheduled for completion by March 2017.
- A request for approval of a new approach to satellite clinics is under discussion and pending approval.

5. BENEFICIARY FACTSHEET 2015/16



6. PERFORMANCE INFORMATION 2014/15 (PRIOR YEAR)

6.1 Strategic Objective 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).

| | Strategic target for the NSDS III period 2011/12 to 2015/16 | Strategic target for the MTEF period 2014/15 to 2016/17 | Performance Indicator | Planned Target 2014/15 | Actual Achievement 2014/15 | Deviation from planned target to Actual Achievement for 2014/15 | Comment on deviations |
|------------------------------|---|--|---|------------------------|----------------------------|---|---|
| TARGET 1 | | | | | | | |
| 1. | 100% of reserve funds committed towards skills development | 100% of reserve funds committed towards skills development | % of reserve funds committed towards skills development | 100% | 96% | Under-achieved | Committed 96% of reserve funds contractually |
| TARGET 1 PER BUDGET CATEGORY | | | | | | | |
| 1.1 | NSDS III: HRDSSA | 100% of reserve funds committed towards skills development | % of reserve funds committed towards skills development | 100% | 91% | Partially achieved | Commitments on some priority areas will need further attention to ensure targets are met. |
| 1.2 | NSDS III: NSA Ministerial | | | 100% | 118% | Achieved | |
| 1.3 | NSDS III: Government Priorities | | | 100% | 112% | Achieved | |
| 1.4 | NSDS III: Director-General Priorities | | | 100% | 90% | Partially achieved | |
| 1.5 | NSDS III: Skills Infrastructure | | | 100% | 85% | Partially achieved | |
| 1.6 | NSDS IV | | | | | | |

6. PERFORMANCE INFORMATION 2014/15 (PRIOR YEAR) (CONTINUED)

6.1 Strategic Objective 1 (continue)

| | Strategic target for the NSDS III period 2011/12 to 2015/16 | Strategic target for the MTEF period 2014/15 to 2016/17 | Performance Indicator | Planned Target 2014/15 | Actual Achievement 2014/15 | Deviation from planned target to Actual Achievement for 2014/15 | Comment on deviations |
|-------------------------------------|--|--|--|------------------------|----------------------------|---|---|
| TARGET 2 | | | | | | | |
| 2. | Commit R2.52 billion of future income towards skills development | Commit R2.52 billion of future income towards skills development | Future Future committed income towards (R billion) | R2 billion | R0.1 billion | R1.9 billion under-achieved | The under-achievement of income in relation to commitments in advance is due to a higher than expected increase in income for the NSF and slow performance on skills projects in the TVET sector, resulting in slower under-achieved commitments towards the sector as a priority growth sector. Processes are currently in process to increase the NSF's commitments towards skills development. |
| TARGET 2 PER BUDGET CATEGORY | | | | | | | |
| 2.1 | NSDS III: HRDSSA | Commit R2.52 billion of future income towards skills development | Future income committed towards skills development (R billion) | R0.05 bn | (0.01) | R1.9 billion under-achieved | The under-achievement of income in relation to commitments in advance is due to a higher than expected increase in income for the NSF and slow performance on skills projects in the TVET sector, resulting in slower commitments towards the sector as a priority growth sector. Processes are currently in process to increase the NSF's commitments towards skills development |
| 2.2 | NSDS III: NSA Ministerial | | | R0.05 bn | 0.02 | | |
| 2.3 | NSDS III: Government Priorities | | | R0.95 bn | 0.34 | | |
| 2.4 | NSDS III: Director-General Priorities | | | R0.95 bn | (0.22) | | |
| 2.5 | NSDS III: Skills Infrastructure | | | R0 | (0.50) | | |
| 2.6 | NSDS IV | | | | | | |

6. PERFORMANCE INFORMATION 2014/15 (PRIOR YEAR) (CONTINUED)

6.1 Strategic Objective 1 (continue)

| | Strategic target for the NSDS III period 2011/12 to 2015/16 | Strategic target for the MTEF period 2014/15 to 2016/17 | Performance Indicator | Planned Target 2014/15 | Actual Achievement 2014/15 | Deviation from planned target to Actual Achievement for 2014/15 | Comment on deviations |
|-------------------------------------|---|---|--|------------------------|----------------------------|---|--|
| TARGET 3 | | | | | | | |
| 3. | Plan to fund minimum 80 000 learners per year | Plan to fund minimum 80 000 learners per year | Learners planned to be funded (number of learners) | 80 000 | 73 803 | Under-achieved by 6 197 learners | Under-achievement due to slow uptake of funding from TVET college sector specifically resulting in lower number of learners benefitting from the TVET sector |
| TARGET 3 PER BUDGET CATEGORY | | | | | | | |
| 3.1 | NSDS III: HRDSSA | | | | | | |
| 3.2 | NSDS III: NSA Ministerial | | | | | | |
| 3.3 | NSDS III: Government Priorities | Plan to fund minimum 80 000 learners per year | Learners planned to be funded (number of learners) | 65 000 | 63 253 | Under-achieved by 1 747 learners | Under-achievement due to slow uptake of funding from TVET college sector specifically resulting in lower number of learners benefitting from the TVET sector |
| 3.4 | NSDS III: Director-General Priorities | | | 15 000 | 10 003 | Under-achieved by 4 997 learners | Under-achievement due to increase in funding towards priority skills infrastructure development |
| 3.5 | NSDS III: Skills Infrastructure | | | | | | |
| 3.6 | NSDS IV | | | | | | |

6. PERFORMANCE INFORMATION 2014/15 (PRIOR YEAR) (CONTINUED)

6.2 Strategic Objective 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.

| | Strategic target for the NSDS III period 2011/12 to 2015/16 | Strategic target for the MTEF period 2014/15 to 2016/17 | Performance Indicator | Planned Target 2014/15 | Actual Achievement 2014/15 | Deviation from planned target to Actual Achievement for 2014/15 | Comment on deviations |
|-------------------------------------|---|---|---|------------------------|----------------------------|---|---|
| TARGET 4 | | | | | | | |
| 4. | Fund 70 000 learners for training | Fund 70 000 learners for training | Number of learners funded for training (number of learners) | 70 000 | 62 617 | 7 383 | Reasons for the adverse variance (63 604/70 000 = 91%) is mainly due to the slow utilisation of available funds by the TVET colleges towards occupational and vocational programme enrollments. The over-achievement on target 5 indicates that funds are efficiently disbursed by the NSF towards the training providers (including TVET colleges and NSFAS), however utilisation thereof by the TVET sector specifically remains slow |
| TARGET 4 PER BUDGET CATEGORY | | | | | | | |
| 4.1 | NSDS III: HRDSSA | | | | | | |
| 4.2 | NSDS III: NSA Ministerial | | | | | | |
| 4.3 | NSDS III: Government Priorities | Fund 70 000 learners for training by outer year | Number of learners funded for training (number of learners) | 60 000 | 46 204 | (13 796) | Under-achievement due to slow uptake of funding from TVET college sector specifically resulting in lower number of learners benefitting from the TVET sector |
| 4.4 | NSDS III: DG Priorities | | | 10 000 | 15 913 | 5 913 | Over-achieved on DG priorities, especially with regard to the awarding of bursaries through NSFAS and NRF to scarce and critical skills |
| 4.5 | NSDS III: Skills Infrastructure | | | 0 | 500 | 500 | |
| 4.6 | NSDS IV | | | | | | |

6. PERFORMANCE INFORMATION 2014/15 (PRIOR YEAR) (CONTINUED)

6.2 Strategic Objective 2 (continue)

| | Strategic target for the NSDS III period 2011/12 to 2015/16 | Strategic target for the MTEF period 2014/15 to 2016/17 | Performance Indicator | Planned Target 2014/15 | Actual Achievement 2014/15 | Deviation from planned target to Actual Achievement for 2014/15 | Comment on deviations |
|-------------------------------------|---|---|---|------------------------|----------------------------|---|---|
| TARGET 5 | | | | | | | |
| 5. | Disburse 90% of grant income receive | Disburse 90% of grant income receive | Grants disbursed versus grant income received (%) | 90% | 118% | Over-achieved | NSF continues to disburse funds efficiently towards skills development. The effective and efficient utilisation thereof at achieved specifically TVET college level however remains slow. |
| TARGET 5 PER BUDGET CATEGORY | | | | | | | |
| 5.1 | NSDS III: HRDSSA | Disburse 90% of grant income received | Grants disbursed versus grant income received (%) | 1% | 0% | Under- achieved | Savings from the HRDCSA has resulted in no additional funding being required from the NSF |
| 5.2 | NSDS III: NSA Ministerial | | | 1% | 2% | Achieved | |
| 5.3 | NSDS III: Government Priorities | | | 30% | 46% | Achieved | NSF continues to disburse funds efficiently towards skills development. The effective and efficient utilisation thereof at specifically TVET college level however remains slow |
| 5.4 | NSDS III: Director-General Priorities | | | 24% | 54% | Achieved | |
| 5.5 | NSDS III: Skills Infrastructure | | | 34% | 16% | Under- achieved | Slow progress on the TVET college infrastructure development has resulted in the under-achievement |
| 5.6 | NSDS IV | | | | | | |

6. PERFORMANCE INFORMATION 2014/15 (PRIOR YEAR) (CONTINUED)

6.2 Strategic Objective 2 (continue)

| | Strategic target for the NSDS III period 2011/12 to 2015/16 | Strategic target for the MTEF period 2014/15 to 2016/17 | Performance Indicator | Planned Target 2014/15 | Actual Achievement 2014/15 | Deviation from planned target to Actual Achievement for 2014/15 | Comment on deviations |
|-------------------------------------|---|---|---|------------------------|----------------------------|---|---|
| TARGET 6 | | | | | | | |
| 6. | Fund 80% of earmarked infrastructure projects | Fund 80% of earmarked infrastructure projects | Infrastructure projects funded versus projects earmarked for funding (%) | 75% | 100% | Over-achieved | Achieved target. Planned infrastructure projects are currently funded by NSF |
| TARGET 6 PER BUDGET CATEGORY | | | | | | | |
| 6.1 | NSDS III: HRDSSA | | | | | | |
| 6.2 | NSDS III: NSA Ministerial | | | | | | |
| 6.3 | NSDS III: Government Priorities | | | | | | |
| 6.4 | NSDS III: Director-General Priorities | | | | | | |
| 6.5 | NSDS III: Skills Infrastructure | Fund 80% of earmarked infrastructure projects by outer year | Infrastructure projects funded versus projects earmarked for funding (%) | 75% | 100% | Over-achieved | Achieved target. Planned infrastructure projects are currently funded by NSF |
| 6.6 | NSDS IV | | | | | | |

6. PERFORMANCE INFORMATION 2014/15 (PRIOR YEAR) (CONTINUED)

6.3 Strategic Objective 3

STRATEGIC OBJECTIVE 3: EXCELLENCE IN RESOURCE MANAGEMENT

This objective aims to address strategic resource management aspects for the NSF, which is critical in achieving excellence in resource management. Resource management includes a number of areas: HR Management, Financial Management, ICT Management, Information / knowledge management, Infrastructure / facilities management and shared logistical services management. Most of the performance indicators on these areas are operational in nature and have not been included in the strategic plan. However, those resource areas that require specific interventions that are key in the achievement of the other strategic objectives are included in the strategic plan.

| | Strategic target for the NSDS III period 2011/12 to 2015/16 | Strategic target for the MTEF period 2014/15 to 2016/17 | Performance Indicator | Planned Target 2014/15 | Actual Achievement 2014/15 | Deviation from planned target to Actual Achievement for 2014/15 | Comment on deviations |
|---|---|---|---|------------------------|----------------------------|---|--|
| Excellence in Human Resource Management (HR acquisition, development, individual performance management, employee wellness) | | | | | | | |
| TARGET 7 | | | | | | | |
| 7. | 90% of key funded filled by each year-end | 90% of key funded filled by each year-end | Percentage of key funded positions filled (%) | 90% | 100% | Over-achieved | Achieved target. Filled all current key positions of the NSF |
| TARGET 8 | | | | | | | |
| 8. | 60% of total funded positions filled | 60% of total funded positions filled | Percentage of total funded positions filled (%) | 60% | 88% | Over-achieved | Achieved target. Filled 88% of total funded positions |
| Excellence in Information and Communication Technology/Management | | | | | | | |
| TARGET 9 | | | | | | | |
| 9. | Implement 60% of key ICT needs | Implement 60% of key ICT needs | Percentage of key ICT needs implemented (%) | 60% | 71% | Over-achieved | Achieved target. Implemented 71% of key ICT needs |

Success Story

NSF AND SETAs GO ON THE OFFENSIVE WITH EDUCATION

Research shows that time in prison makes individuals significantly less employable. Providing education, training and employment services for offenders is one of the key ways to support resettlement of ex-offenders back into the community and reduce their risk of re-offending.

The NSF and various Sector Education and Training Authorities (SETAs) made provision for an allocation of R66.4 million to the Department of Correctional Services (DCS) for a five-year offender skills development intervention to assist around 11 000 offenders with various skills programmes. These ranged from building and plastering to tiling, plumbing, painting, electricity, welding, vehicle maintenance and repairs, vegetable production and chef assistant and computer skills.

The goal of the project was to provide offenders with access to occupationally-directed skills programmes that would lead to the acquisition of skills needed in the labour market. This would create access to employment opportunities and entrepreneurship within various sectors. All learners were trained in accredited programmes, and 98.3% were Historically Disadvantaged Individuals, 7.2% were women and 60.7% were youth.

The offender rehabilitation path strategy includes interventions to ensure effective management of Correctional Sentence Plans, the restructuring of the Management Area and Centre levels of the department, increased involvement of offenders in correctional programmes, and the involvement of offenders in development programmes, especially educational programmes and skills development, in production workshops and agriculture.

Objectives of the project were to:

- provide project management services;
- recruit accredited training providers;
- implement the identified skills programmes;

- provide learner support to ensure achievement of results;
- conduct monitoring and evaluation of training delivery.

Learners who were found to be competent were able to earn credits from the skills programme, thereby providing opportunities for further education and training, entrepreneurship or employment.



Success Story

BLUE SKY DREAMS COME TRUE FOR ARTISANS

NSF funding of aviation and engineering training has allowed hundreds of people to fulfil dreams they never thought possible.

“Never in a million years did I ever imagine that I would disassemble, repair and reassemble a vehicle, never mind an aircraft,” said Zanele Dikko, who is in her second year of training as an aircraft mechanic.

Apart from helping Dikko and others realise their career aspirations, the Denel training programme, which has been expanded over the past three years thanks to generous NSF funding, is also allowing many people without access to funding for education to train for careers in aviation and engineering.

With a reputation for innovative research and development and global partnerships, state-owned defence solutions company Denel has become a fertile training ground for people wishing to hone their skills in aviation and engineering-related industries.

Denel has a solid international reputation for its engineering, product development, advanced manufacturing and wider industrial base capabilities, and it has nurtured engineers, technicians and artisans who contribute to key national projects in transportation, construction, power generation and manufacturing.

The Denel Technical Academy (DTA) has, for more than 40 years, offered training for the aviation industry (avionics, radio, electrical, mechanics) and broader engineering trades (toolmakers, machinists, fitters, welders, electricians, millwrights). The vast majority of people who pass through the academy are provided with high level skills for broader industry, while Denel itself absorbs a relatively small percentage of its own training graduates.

Over the past 10 years DTA has trained on average 250 learners per year (2 500 learners). The DTA's Advanced Technical Training facilities programme has trained 519 delegates in advanced short courses and 222 artisans.

As a state-owned entity, Denel is committed to support the renewal Artisan Development drive by Government and DTA is the primary vehicle for Denel to execute its commitment to youth and skills development.

Based on this commitment, it applied for NSF funding to increase the intake of learners into its training programmes.

This funding enabled it to provide facilities for learners who cannot afford to pay for their own studies and resulted in it recruiting 38 learners in 2014 and 73 learners in 2015 for focused training in aircraft avionics, electrics, mechanics and structural work, as well as in general electronics, fitting and turning, machine tooling, welding and tool-making. At the end of 2015 it took on a further 65 learners, with 59 placed in its academy and six placed in on-the-job training, where a number of people from previous years' intake are now in training at different companies after completing their theory training.

The funding has enabled Denel to leverage its existing capabilities to significantly increase the number of qualified artisans and professionals produced through its training programmes targeting the unemployed and underemployed.

The NSF-funded programme at Denel has allowed people like Mpho Sebola to focus on education rather than on financing.

Sebola, who is an aircraft structural work apprentice doing a second on-the-job apprenticeship at Denel Aerostructures, is planning to pursue a career in the aviation industry.



7. SUMMARY OF FINANCIAL INFORMATION

7.1 Revenue Collection

| Sources of revenue | 2015/16 | | | 2014/15 | | |
|---------------------------|------------------|--------------------------|--------------------------|------------------|--------------------------|--------------------------|
| | Budget* | Actual Amount Collected* | (Over)/Under Collection* | Budget* | Actual Amount Collected* | (Over)/Under Collection* |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Skills Development Levies | 2 937 293 | 3 030 539 | (93 246) | 2 687 353 | 2 768 542 | (81 189) |
| Income from SETAs | - | 859 841 | (859 841) | 560 537 | 2 905 050 | (2 344 513) |
| Finance Income | 302 258 | 678 594 | (376 336) | 303 226 | 422 992 | (119 766) |
| Other Income | - | 42 344 | (42 344) | 50 000 | 58 711 | (8 711) |
| TOTAL | 3 239 551 | 4 611 318 | (1 371 767) | 3 601 116 | 6 155 295 | (2 554 179) |

* Amounts are disclosed on the cash 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 3%. Income from SETAs exceeded the budget by R860 billion (2014/15: R2.345 billion) due to uncommitted surpluses from the SETAs being transferred to the NSF. The NSF is not in a position to budget for SETA uncommitted surpluses.

The income from investments increased with 39.5% mainly due to an increase in investments as a result of funding received from the SETAs towards the TVET college infrastructure development.

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

7. SUMMARY OF FINANCIAL INFORMATION (CONTINUED)

7.2 Programme Expenditure

| Expenditure type | 2015/16 | | | 2014/15 | | |
|--------------------|------------------|----------------------|---------------------------|------------------|----------------------|---------------------------|
| | Budget* | Actual Amount Spent* | (Over)/Under Expenditure* | Budget* | Actual Amount Spent* | (Over)/Under Expenditure* |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Skills Development | 4 866 431 | 4 037 824 | 828 607 | 5 637 688 | 2 739 969 | 2 897 719 |
| NSF Operations | 256 290 | 139 818 | 116 472 | 268 524 | 143 281 | 125 243 |
| TOTAL | 5 122 721 | 4 177 642 | 945 079 | 5 906 212 | 2 883 250 | 3 022 962 |

* Amounts are disclosed on the cash basis in accordance with the Statement of Comparison of Budget and Actual Amounts.

The actual skills development grant disbursements were 17% 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 funds not being disbursed in the current financial year, which will be rolled over to the next financial year; and
2. There has been generally 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.

The actual expenses of R140 million on NSF's operations are 45% below budget, mainly due to the delay in implementing NSF's improved organisational structure.

The delay was deemed necessary to allow the NSF to develop an efficient and effective operating model, with re-engineered business processes to improve operational efficiencies and enable strategic alignment. The new organisational structure, based on the re-engineered business processes, is currently being implemented. It is expected that the additional posts will be filled within the next financial year as part of the NSF's organisational transformation project (Project Siyaphambili).

Success Story

COLLABORATION SUCCESS FAST-TRACKS 1 000 CO-OPERATIVES

A project to support 1 000 co-operative enterprises, backed by R163 million in funding from the NSF, is putting emerging businesses on the fast track to success and sustainability.

The project to develop and sustain these co-operatives has led to numerous new business opportunities not otherwise available to them.

The Letsatsi Co-operative Development project was initiated in support of the NSF's strategy to assist 1 000 co-operative enterprises with training, mentoring and administrative interventions to ensure co-operatives have sustainable businesses.

The project was initiated in response to a Department of Trade and Industry (DTI) baseline study, conducted in 2009, which showed that of the approximately 17 000 registered co-operatives, only 2 664 were functional and they contributed only 0.33% to GDP, indicating the co-operative sector is yet to fulfil a significant role in the economy as a source of employment and poverty alleviation.

Run over three years from July 2012 to June 2015, and with funding of R163 million, the project was managed by LHR Solutions, trading as Letsatsi, a private FET college, under contract to the DHET.

Letsatsi identified 220 qualified Co-operative Development Facilitators (CDFs) who were deployed nationally to support 1 000 predominantly black-owned emerging co-operatives with technical and developmental support and training mentoring and administrative support.

Objectives included education and training in principles and governance; financial, market, governance and strategy competencies; technical skills to improve marketability and productivity; and development and business improvement.

There were some initial challenges, including difficulties recruiting appropriate learners, language barriers due to poor literacy levels and stakeholder relationship issues.

But the project achieved its overall objectives and, in the case of some deliverables, recorded over-performance and more people than initially planned have benefited from the training.

The successes include a number of CDFs moving to permanent employment and co-operatives securing contracts with private and municipal organisations. Co-operatives were able to secure business due to opportunities identified with the facilitators and co-ordinator support.

These included business opportunities in catering, cleaning services, supplying supermarkets with vegetables, supplying linen for hospitals, making garments recycling. Some co-operatives have received DTI Co-operative Incentive Scheme (CIS) funding while other applications are in progress.

Among the successes are:

- Footwear producer Etsang Dieta co-operative in Gauteng, which was on contract for a few months of the year only, but which was able to expand its business.
- Maintenance co-operative Siyazumisa which obtained a number of excellent contracts.
- 19 schools feeding programme co-operatives in KwaZulu-Natal which have been contracted by the KZN Department of Basic Education.
- North West co-operative Village Hybrids Entertainment which substantially increased its turnover.

There were also some social benefits including assistance with additional toilets at creches, churches and hospitals and renovation of community halls.

Success Story

NSF POWERS UP ARTISAN TRAINING AT ESKOM

One of the biggest risks facing power utilities like Eskom is the loss of skills and knowledge required to sustain the business.

With ageing and increasingly mobile workforces and inadequate knowledge and skills transfer to young people being a challenge globally, the Eskom Academy of Learning was created to address technical skills development and effective skills transfer for engineers, technicians and artisans.

Eskom's requirements for trained artisans have been increasing due to its large scale build programmes at Medupi, Kusile and Ingula and its own internal training programme has received a significant boost from NSF funding.

The NSF approved R174 million funding for Eskom to recruit and train 1 250 learner artisans over three years from the beginning of 2015 at the main project sites where Eskom is currently building and operating. These recruits are being trained as artisans, plant operators and welders and will largely be absorbed into permanent positions when their internship contracts end.

The training started in January 2015 with 387 learners recruits and to date, 1 253 learners have been recruited, slightly over the target.

Recruited learners have to have an NCV Engineering: Level 4 and N3- N6 trade in engineering as a requirement to be trained on the Artisan Development Programme. Of the recruits, 98% have an electrical trade and 2% have a mechanical trade from colleges and universities of technology.

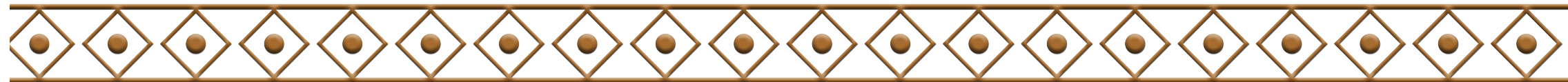
Currently 61 plant operator learners have been absorbed by Eskom on a permanent or a contractual basis and others are still on the programme.

The extensive training programme has included theory, practical, simulation and on-the-job training at various Eskom centres.





PART C Governance



PART C Governance

1. INTRODUCTION

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

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

2. PORTFOLIO COMMITTEES

For the year under review, the National Skills Fund attended the following portfolio committee meetings:

| Description | Date |
|---|-----------------|
| Presentation on the NSF's Strategic Plan 2015/16 to 2019/20, Annual Performance Plan 2015/16 and Budget 2015/16 | 27 May 2015 |
| Presentation on the NSF's Annual Report 2014/15 | 28 October 2015 |

3. EXECUTIVE AUTHORITY

As per the requirements of the PFMA, the National Skills Fund reported quarterly to the Minister of Higher Education and Training as the Executive Authority of the Fund. 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 is the Accounting Authority of the National Skills Fund as stipulated in section 29(1) of the Skills Development Act, 1998 (Act No. 97 of 1998).

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

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 Department of Higher Education and Training. These include the skills development branch management meetings, the senior management meetings and the ministerial

The role of the Accounting Authority is as follows:

As accounting authority of the National Skills Fund, the Director-General of Higher Education and Training has amongst others the following responsibilities to:

1. Manage the Fund in accordance with the PFMA;
2. Keep a proper record of all financial transactions, assets and liabilities of the Fund
3. Prepare annual financial statements for the Fund in the prescribed form;
4. Subject to the laws governing the public service, appoint the executive officer of the Fund, who will, upon such appointment, be in the employ of the public service;

5. Prescribe a limit for the amount that can be used in the administration of the Fund; and
6. Submit the annual financial statements to the National Skills Authority 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 Fellix Qonde, is the Accounting Authority of the National Skills Fund as per section 29(1) of the Skills Development Act, 1998 (Act No. 97 of 1998).

Remuneration of Accounting Authority

The Director-General of Higher Education and Training does not receive any remuneration in his capacity as the Accounting Authority of the National Skills Fund.

5. RISK MANAGEMENT

The risk management activities of the NSF are covered within the Department of Higher Education and Training's comprehensive risk assessment facilitated by the directorate: internal audit of the Department of Higher Education and Training.

6. INTERNAL CONTROL

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

7. INTERNAL AUDIT AND AUDIT COMMITTEES

Key activities and objectives of the 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 to:

- Compile three-year rolling strategic and annual audit plans;
- Perform internal audits on the following systems:
 - Risk management systems;
 - Control systems; and
 - Governance systems.
- Report to management and the audit committee.

Audit work

The following activities as per the audit plan were completed:

- Corporate governance;
- Compliance with laws and regulations;
- Review of quarterly monitoring reports on projects;
- Audit of funding windows; and
- Audit of commitments.

Key activities and objectives of the audit committee

The objective of the audit committee is to assist the Accounting Officer 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 to:

- Consider the effectiveness of the internal control systems;
- Understand the scope of internal and external auditors' reviews of internal control over financial reporting, and obtain reports on significant findings and recommendations together with management's responses;
- Assess whether the departmental assets have been properly safeguarded and used;
- Review the NSF 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 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 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 are regularly monitored.

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, compiled by the internal audit directorate of the Department of Higher Education and Training.

The NSF uses the whistle blowing policy of the DHET.

No cases of fraud have become known to the NSF during the last financial year.

10. MINIMISING CONFLICT OF INTEREST

Through the MoA with the Department of Higher Education and Training for shared services, the NSF has permission from the Department of Higher Education and Training to use its bid committees, which follow the department's supply chain management policy.

11. CODE OF CONDUCT

Since all NSF employees are currently employed by the Department of Higher Education and Training, NSF employees are bound by the code of conduct of 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 2015/16 financial year.

14. MATERIALITY AND SIGNIFICANCE FRAMEWORK

The NSF prepared its materiality and significance framework which was approved by the Director-General of Higher Education and Training as the Accounting Authority of the NSF 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 2016.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee was appointed during May 2014 and consists of the members listed below. As per its approved terms of reference the audit committee should meet at least two times per annum. During the financial year four meetings were held.

| Name of member | Number of meetings attended |
|-----------------------|-----------------------------|
| Prof. DP van der Nest | 4 |
| Ms S Padayachy | 4 |
| Mr S Makhubu | 4 |

AUDIT COMMITTEE RESPONSIBILITY

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

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 of 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 NSF is in a period of transition and a structured project is in process to map the way forward for the NSF. This has also contributed to the fact that the system of internal control was not entirely effective during the year under review. In spite of improvement in the system of internal control there were still several instances of non-compliance with internal controls 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 materially.

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.

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 mis-statements identified during the audit of the financial statements and these were adjusted by management.

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 the internal audit and the audits approved in the coverage plan by the Audit committee were completed.

AUDITOR-GENERAL OF SOUTH AFRICA

The audit committee has met with the AGSA to ensure that there are no unresolved issues. The audit committee wishes to express its gratitude to the team from the AGSA for their professional conduct and contribution to the NSF.

CONCLUSION

The audit committee congratulates the NSF for achieving an unqualified audit report for the year under review. Our appreciation is also extended to management, the Chief Financial Officer and staff for their efforts regarding the financial statements. The audit committee will monitor the improvements made by management in addressing control deficiencies identified by the external and internal audits.



Prof D.P. van der Nest

Chairperson of the Audit Committee

31 July 2016

Success Story

THE ITUKISE INTERNSHIP PROGRAMME FOR UNEMPLOYED GRADUATES

The Skills for the Economy unit in the Department of Trade and Industry (the DTI) developed the Itukise Internship Programme for Unemployed Graduates to provide unemployed graduates with the opportunity to gain work experience to increase their employability. The funding of Itukise was facilitated through a Memorandum of Agreement (MoA) between the DTI and the National Skills Fund (NSF) of the Department of Higher Education & Training (DHET) to the value of R71 million over a two-year period. These funds were utilised primarily for the monthly stipends of the participants, and were channeled through the DTI's contracted implementing agent.

Itukise provides much-needed work experience through a twelve (12) month internship in companies with the capacity to provide experiential learning to unemployed graduates so that they have a fair chance to compete for jobs on a more level playing field as most employers stipulate work experience as part of their selection criteria.

According to the DTI the delivery of the project encompassed 244 host entities across the nine provinces and across 10 industry sectors participated and provided the necessary work experience to approximately 1 129 unemployed graduates and 322 in-service trainees.

In March 2016 the DTI successfully hosted a certification ceremony where Minister Dr Rob Davies awarded certificates of participation to the graduate interns. Approximately 418 participants have already gained full-time employment at the host entities and elsewhere largely through the programme. The DTI will continue to track the employment absorption of the interns.



Success Story

SKILLS TRAINING BONANZA FOR EMERGING ENTREPRENEURS

One of the biggest problems facing emerging entrepreneurs is lack of skills, but often an even bigger problem is that they cannot find anyone to teach them these skills.

A unique partnership between the DHET and the Small Enterprise Development Agency (SEDA), with funding provided through the NSF, has aimed at solving both problems at once. NSF funding of R84 million was granted in 2011 to SEDA over a three year period for the Basic Entrepreneurial Skills Development (BESD) programme for the training of about 200 Entrepreneurial Development Practitioners (EDPs) who would, in turn, provide skills development training to 2 000 emerging entrepreneurs in all nine provinces.

The project was aimed at contributing to alleviating some of the challenges facing South Africa including high levels of unemployment and poverty, the gap between rich and poor, lack of skills and the slow economic growth since the 2009 recession.

Phase 1 started in early 2013 with Deutsche Gesellschaft für Internationale Zusammenarbeit providing SEDA with technical assistance. The BESD programme provides training to emerging entrepreneurs operating in the informal economy by the Entrepreneurial Development Practitioners who are previously unemployed young people who are hired and specially trained to become practitioners. The programme is aimed at promoting sustainable livelihoods through skills development - both for the development trainers and for the entrepreneurs.

The BESD approach, designed with German-government support, utilises one-on-one coaching at the site of the entrepreneur's business to reinforce business skills transfer and developmental support. All of the basic skills are covered, including entrepreneurship, bookkeeping and financial management, marketing, customer care and business planning.

More than 100 unemployed youth and around 800 emerging entrepreneurs have participated in the EDP and emerging entrepreneurs courses respectively. Over 90% of the unemployed people trained as EDPs successfully completed the course. Of the 80% of emerging entrepreneurs who completed the programme, the majority of their businesses showed substantial improvements including more customers and higher incomes.

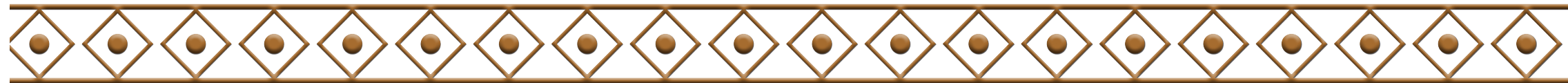
While there are currently 108 EDPs training entrepreneurs at 12 sites, the project has proceeded slowly and the number of entrepreneur participants has been relatively poor. This has been attributed to the fact that some entrepreneurs did not meet the criteria, had the wrong expectations of the programme and were slow to hand in applications.

On SEDA's side, some of the reasons identified were marketing and staff issues.





PART D Human Resource Management



PART D Human Resource Management

1. INTRODUCTION

The Nationals Skills Fund has a current funded staff establishment of 145 posts of which 50 posts are vacant. All employees of the NSF are currently employed by the Department of Higher Education and Training 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 exp. as a % of total exp (R'000) | No. of employees | Average personnel cost per employee (R'000) |
|--------------------|--|-------------------------------|--|------------------|---|
| Skills Development | 4 497 123 | 40 428 | 0.90% | 95* | 426 |

*95 include 70 permanent employees, 7 interns, 15 contract posts and 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 | 6 007 | 15% | 6 | 1 001 |
| Senior Management | 15 695 | 39% | 20 | 785 |
| Skilled | 18 726 | 46% | 69* | 271 |
| Semi-skilled | 0 | 0 | 0 | 0 |
| TOTAL | 40 428 | 100% | 95 | 426 |

*69 include 44 permanent employees, 7 interns and 15 contract posts and 3 terminations.

Performance Rewards

| Programme | Performance rewards (R'000) | Personnel Expenditure (R'000) | % of performance rewards to total personnel cost (R'000) |
|-------------------|-----------------------------|-------------------------------|--|
| Top Management | 160 | 6 007 | 2.67% |
| Senior Management | 265 | 15 695 | 1.69% |
| Skilled | 455 | 18 726 | 2.43% |
| Semi-skilled | 0 | 0 | 0.00% |
| TOTAL | 881 | 40 428 | 2.18% |

Training Costs

| Directorate/ Business Unit | Personnel Expenditure (R'000) | Training Expenditure (R'000) | Training Expenditure as a % of Personnel Cost |
|----------------------------|-------------------------------|------------------------------|---|
| NSF staff establishment | 40 428 | 931 | 2.30% |

Employment and vacancies

| Programme | 2014/2015 No. of Employees | 2015/2016 Approved Posts | 2015/2016 No. of Employees | 2015/2016 Vacancies | % of vacancies |
|--------------------|-------------------------------|-----------------------------|-------------------------------|------------------------|----------------|
| Skills Development | 95 | 145 | 95 | 50 | 34% |

Employment and vacancies (continue)

| Programme | 2014/2015 No. of Employees | 2015/2016 Approved Posts | 2015/2016 No. of Employees | 2015/2016 Vacancies | % of vacancies |
|------------------------|-------------------------------|-----------------------------|-------------------------------|------------------------|----------------|
| Top Management | 6 | 6 | 6 | 0 | 0% |
| Senior Management | 20 | 21 | 20 | 1 | 0.7% |
| Professional qualified | 0 | 0 | 0 | 0 | 0% |
| Skilled | 69 | 118 | 69* | 49 | 41.5% |
| Semi-skilled | 0 | 0 | 0 | 0 | 0% |
| Unskilled | 0 | 0 | 0 | 0 | 0% |
| TOTAL | 95 | 145 | 95 | 50 | 42.2% |

*69 include 44 permanent employees, 7 interns and 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 | 0 | 20 |
| Professional qualified | 0 | 0 | 0 | 0 |
| Skilled | 51 | 15 | 3 | 69* |
| Semi-skilled | 0 | 0 | 0 | 0 |
| Unskilled | 0 | 0 | 0 | 0 |
| TOTAL | 77 | 15 | 3 | 95 |

*69 include 44 permanent employees, 7 interns and 15 contract posts and 3 terminations.

Reasons for staff leaving

| Reason | Number | % of total no. of staff leaving |
|--------------------|----------|---------------------------------|
| Death | 0 | 0% |
| Resignation | 2 | 2% |
| Dismissal | 0 | 0% |
| Retirement | 1 | 1% |
| Ill health | 0 | 0% |
| Expiry of contract | 0 | 0% |
| Other | 0 | 0% |
| TOTAL | 3 | 3% |

Labour Relations: Misconduct and disciplinary action

| 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 | 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 |
| TOTAL | 35 | 2 | 0 | 3 |

Equity Target and Employment Equity Status (Female)

| Levels | Female | | | |
|------------------------|-----------|----------|----------|----------|
| | African | Coloured | Indian | White |
| | Current | Current | Current | Current |
| Top Management | 1 | 0 | 0 | 1 |
| Senior Management | 9 | 0 | 0 | 1 |
| Professional qualified | 0 | 0 | 0 | 0 |
| Skilled | 36 | 0 | 0 | 7 |
| Semi-skilled | 0 | 0 | 0 | 0 |
| Unskilled | 0 | 0 | 0 | 0 |
| TOTAL | 46 | 0 | 0 | 9 |

Disabled staff

| 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 |
| TOTAL | 0 | 1 |

Success Story

MULTI-MILLION PROGRAMME TRAINS NORTH WEST PROVINCE ARTISANS

Artisans in the North West Province have benefited from an R42.8 NSF-funded programme which provided training, based upon the needs of the province, its various sectors and people.

The Sizimisele-Seto Joint Venture North West Discretionary and Innovation Project put in place various training interventions between April 2012 and March 2016 to create a pool of artisans.

The programme targeted 483 employed and unemployed people across four district municipalities in the province, and achieved a high level of success with a 91% completion rate. The average competency rate attained by apprentices across all trades was 80% for learnerships and 89% for professional qualifications.

Specific objectives included the delivery of 240 apprenticeships, 242 learnerships/professional qualifications and the training of 42 people with disabilities.

The programme was aligned to the National Skills Development Strategy and other skills development initiatives. Sizimisele-Sesto identified and delivered on a number of scarce and critical skills including professional skills (local government accounting and clothes manufacturing) and technical skills (mechanical, electrical and construction artisans, welding and radiation protection specialists and engineering technicians).

The project also identified North West Province for the development of critical skills, and its strategy was aimed at providing communities in the province with the opportunity to develop their skills and work ethic to gain meaningful employment once the project was complete.

Sizimisele-Seto garnered input from training providers, North West Department of Public Works and Roads, North West Department of Local Government and Traditional Affairs, host employers and artisan monitoring specialists to ensure it was delivering the correct training.

The Sizimele-Seto JV has laid the foundation for training and development of previously disadvantaged individuals, set up a network of host employers and built and maintained relationships with stakeholders. As the project ran in conjunction with a slowing economy, the joint venture implemented a number of contingencies including learner work rotations, assertive negotiation tactics to ensure timeframes and budgets were adhered to, successful discussions with the province to augment learner stipends and budget management.

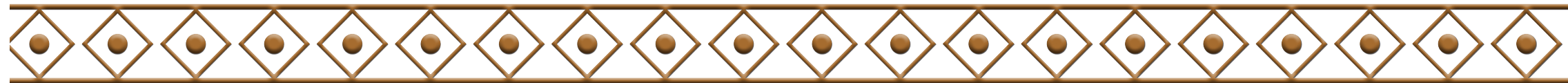
The skills interventions of this project placed the province in a favourable position to enlarge its local and global market share in business, markets and industry. It has provided the province with skills it sorely requires in local government accounting, mechanical, electrical and construction disciplines and textile and energy sector skills.

It is expected the project will result in increased employment opportunities and enable beneficiaries to improve their personal and economic welfare in the longer term. They have completed the project well-equipped to enter the job market with sought after skills, and are also now in a position to further their education after gaining national qualifications as professionals and getting exposure to various industries and sectors.





PART E Financial Information



1. STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

As the Accounting Authority I am required by the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), to maintain adequate accounting records and I am responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is my responsibility as the Accounting Authority to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period 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 endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

As the Accounting Authority I am of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

As the Accounting Authority I have reviewed the entity's cash flow forecast for the year to 31 March 2016 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 independently auditing and reporting on the entity's Annual Financial Statements.

As the Accounting Authority, I hereby approve the Annual Financial Statements set out on pages 84 to 185, 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

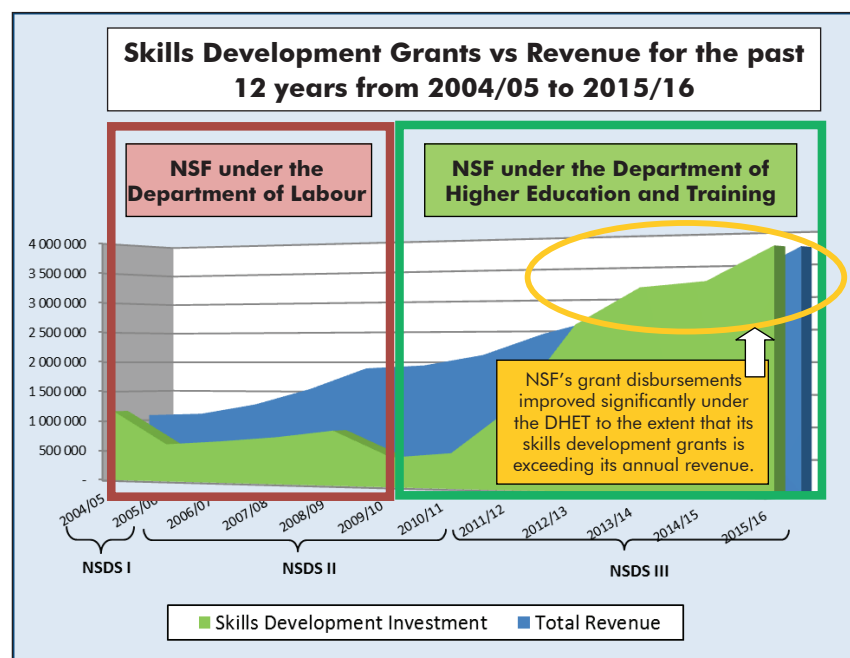
31 July 2016

2. REPORT OF THE EXECUTIVE OFFICER

General financial overview of the public entity

This report marks the fifth year of implementation under the third National Skills Development Strategy (NSDS III). As with the previous four years under NSDS III, the NSF continues to maintain a high level of investment in skills development, since the NSF was transferred from the Department of Labour to the Department of Higher Education and Training (DHET).

The Department of Higher Education has done much to reposition the National Skills Fund as an integral part of the Post-School Education and Training (PSET) System, as well as address historic operational inefficiencies of the Fund. The impact of this work can be more clearly evidenced by the NSF's significant increase in grants disbursements since the NSF was transferred to the DHET. The graph below illustrates this improvement:



In the graph above, the blue graph at the back represents the NSF's revenue over the past 12 years and the green graph represents the NSF's skills development grant disbursements. The red block indicates the NSF's performance under the Department of Labour, whereas the green block indicates the NSF's performance under the Department of Higher Education and Training. The graph above clearly illustrates that the NSF has improved significantly in disbursing its funds towards skills development. This disbursement efficiency was also maintained in the past three financial years and is expected to continue into the future as the NSF continuously commits towards skills development initiatives.

Currently the NSF invests +- R4.697 billion towards skills development on an annual basis, benefitting +- 63 000 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.

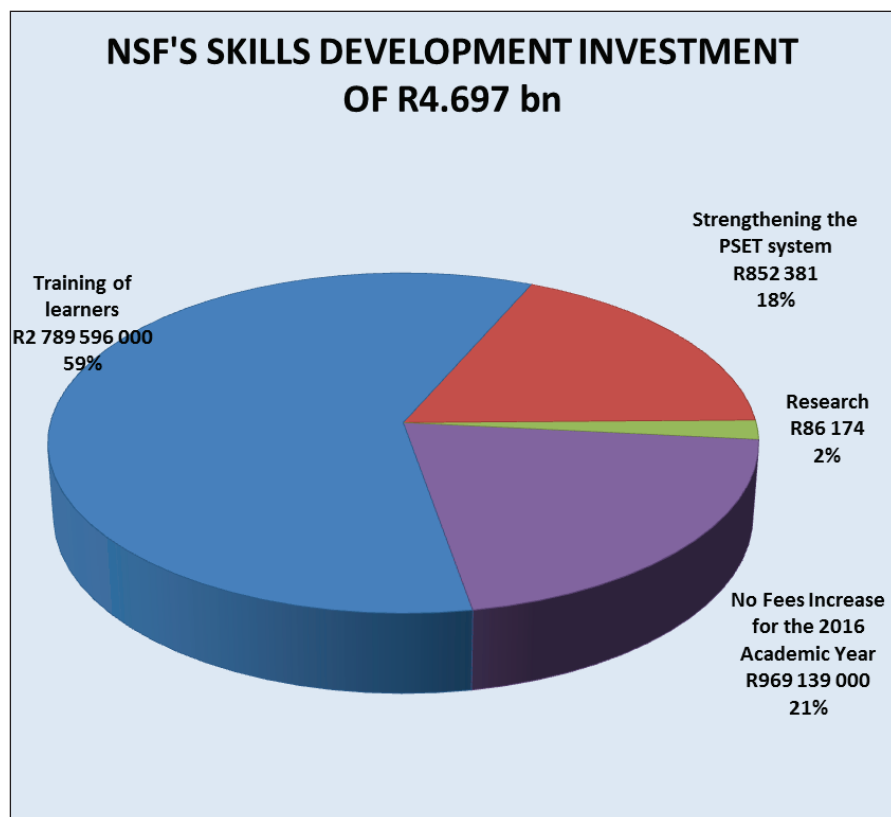
Skills development funding trends of the NSF

NSF invests R4.697 billion towards skills development during the 2015/16 financial year (2014/15: R3.2 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 63 903 learners at R2.790 billion for the year, followed by providing R969 million towards "No Fees Increase" for University students for the 2016 academic year, funding towards strengthening the PSET system at R852 million and funding key research at R86 million for the year.

The graph below illustrates the NSF's investment in each of the respective areas:



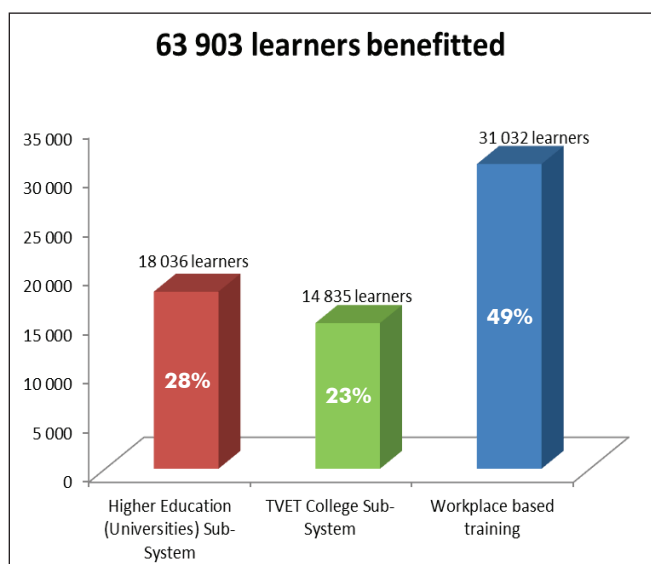
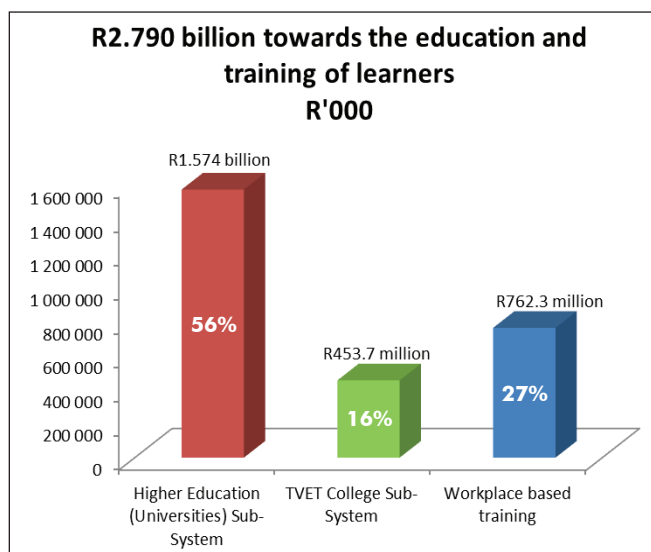
The NSF's investment in each of the respective areas is detailed below:

| | Skills development investment | Percentage of investment of skills development % |
|---|-------------------------------|--|
| Training of learners | 2 789 596 | 59% |
| Strengthening the PSET system | 852 381 | 18% |
| Research | 86 174 | 2% |
| No Fees Increase - 2016 Academic Year | 969 139 | 21% |
| TOTAL INVESTMENT IN SKILLS DEVELOPMENT | 4 697 290 | 100% |
| As per the Annual Financial Statements | | |
| - Skills development grant disbursements | 4 357 162 | |
| (As per note 20 to the Annual Financial Statements) | | |
| - Additions to TVET college infrastructure assets | 340 128 | |
| (As per note 4 to the Annual Financial Statements) | | |
| TOTAL INVESTMENT IN SKILLS DEVELOPMENT | 4 697 290 | |

63 903 learners funded by NSF during the 2015/16 financial year

The NSF's invested R2.790 billion in the education and training of learners benefitting 63 903 learners during the 2015/16 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:



The majority (56%) of the NSF's funding towards learners was towards learners in the higher education sub-system (universities), which amounted to R1.574 billion, followed by funding towards workplace-based learning at R762.3 million (27%) and TVET colleges (16%). Although it is acknowledged that the higher education sub-system (universities) is experiencing systemic funding shortfalls, it should 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 Technical and Vocational Education and Training (TVET colleges) and Community Education and Training (CET). The funding shortfalls in the TVET and CET sub-systems are even more than that of the Higher Education sub-system. It should also be noted that workplace based learning plays a critical part in an individual's learning pathway to progress from theoretical learning towards practical application 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 to practical learning within the workplace.

R852.381 million invested towards strengthening and building key PSET system priority areas

During the 2015/16 financial year the NSF invested R852.381 million towards strengthening the PSET system, which consisted in the main of the following key priorities in the PSET system:

TVET PRIORITIES:

1. R340.128 million towards construction of three TVET college campuses at Thabazimbi, Bhambanana and Nkandla.
2. R113.265 million towards systemic improvement of the public TVET colleges, consisting in the main of improving financial management and human resource management capabilities of the TVET colleges in partnership with the South African Institution for Chartered Accountants (SAICA). Other initiatives funded entails amongst others funding the development of a costing module for TVET college programmes, piloting the dual apprenticeship system in partnership with the Swiss South African Cooperation Initiative (SSACI).

HIGHER EDUCATION (UNIVERSITY) PRIORITIES:

1. 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 and funding towards establishing the South African International Maritime Institute at NMMU.
2. R261.36 million funded towards key infrastructure development in a number of universities as outlined below:

- **University of Pretoria:**

R124 million 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 will increase 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:**

R81.353 million 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**

R53.685 million 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**

R2.325 million towards establishing a dedicated state-of-the-art hair testing and research laboratory by the University of Cape Town's Division of Dermatology. It will be a 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 R969.139 towards the "No Fees Increase" in universities for the 2016 academic year.

SKILLS DEVELOPMENT SYSTEM (WORKPLACE-BASED LEARNING) PRIORITIES:

1. R32.771 million funding towards strengthening the artisan development system.

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) Operationalising the National Artisan Development support centre, housed at Ekurhuleni East TVET College.

The support centre serves as the central data centre where all data related to national artisan development is collected, analysed and used to inform all national artisan development processes. The centre also houses the National Artisan Development call centre, which is responsible for providing information on artisan development and also assisting in linking artisan learners with prospective employers.

- iii) The development, testing and implementation of Recognition for Prior Learning (RPL) model for artisans through INDLELA.

2. R6.382 million funded towards skills competitions through World Skills South Africa.

OVER-ARCHING PRIORITIES:

1. 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. R1.195 million towards developing a national plan for Post School Education and Training.
3. Other priorities include providing 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 has finalised the design of its organisational structure and is in the process of implementation thereof.

Requests for roll over of funds

The NSF applied for the retention of its surpluses for the 2015/16 financial year (R10.878 billion) in terms of section 53 (3) of the PFMA from National Treasury during the first quarter of the 2016/17 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 resolved**

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 it would be addressed

Inaccurate and untimely financial and performance reporting resulting in non-compliance with applicable laws and regulations has been identified as an audit report matter to be addressed by the NSF.

The root causes resulting in inaccurate and untimely financial reporting can be attributed to insufficient financial capacity within the Fund. This root cause is being addressed through the appointment of additional 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. The NSF is currently implementing its new organisational structure, which will address performance information reporting.

Outlook for the future to address financial challenges

The NSF has committed and earmarked R15.674 billion towards skills development projects of national priority as at the end of the 2015/16 financial year.

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

The NSF's levy increased by 10.3% from the 2014/15 (R2.751 billion) to the 2015/16 (R3.033 billion) financial year. It is expected that the skills development levies will continue to increase by a minimum of inflation rate.

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 2.21% (R91.332 million) of its annual revenue (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 2015/16 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 2015/16 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 Department of Higher Education and Training in the prescribed format and timeframes.

- **Annual financial statements** – These statements are compiled by the National Skills Fund and have been submitted timeously for audit purposes.
- **Annual report** – Information with regard to the NSF are covered within the Annual Report of the National Skills Fund.
- **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 Department of Higher Education and Training (DHET) either makes an allocation or payment, whichever comes first, to the SETA's and NSF, as required by Section 6 (5) of the Skills Development Levies Act, 1999 (Act No.9 of 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 2015/16 financial year. Please refer to note 34 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 the DHET 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 FINANCIAL STATEMENTS

Introduction

1. I have audited financial statements of the National Skills Fund (NSF) set out on pages 84 to 185 which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the 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), the Skills Development Act of South Africa, 1998 (Act No. 97 of 1998) (SDA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the NSF as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA and the SDA.

Emphasis of matter

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

Restatement of the financial statements

8. As disclosed in note 23 to the financial statements, the corresponding figures have been restated as a result of an error discovered during 2016 in the financial statements of the NSF at, and for the year ended, 31 March 2015.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. 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 findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objective presented in the annual performance report of the public entity for the year ended 31 March 2016:
- Goal 1: To fund National Skills Development Priorities, on pages 31 to 35.
11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPi).
12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

13. I did not raise any material findings on the usefulness and reliability of the reported performance information for Goal 1: To fund National Skills Development Priorities.

Additional matter

14. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected objective I draw attention to the following matter:

Achievement of planned targets

15. Refer to the annual performance report on pages 25 to 50 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

16. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Goal 1: To fund National Skills Development Priorities. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

17. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows.

Annual Financial Statements

18. The accounting authority submitted financial statements for auditing that were not prepared in all material aspects in accordance with the prescribed accounting framework as required by section 55(1)(b) of the PFMA. Material misstatements in deferred expenditure, trade receivable from non-exchange, accruals, and commitments disclosure note identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Internal control

19. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. 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

20. The NSF did not have a unit responsible for managing performance information. There was still reliance on the chief financial officer to perform this function. This resulted in material adjustments in the annual performance report.
21. There was no approved HR plan.
22. The NSF's standard operating procedures for performance information have not been updated to include the current procedures and processes followed for recording of data, validation of data, data approval, data storage and security, protection of confidential data.

Financial and performance management

23. There were shortcomings in the NSF information management system over financial and performance reporting.
24. Management did not implement adequate daily, weekly and monthly processing and reconciliation controls including proper preparation and reporting on deferred expenditure, accruals, payables and commitments which resulted in material adjustments identified in the financial statements submitted for audit.
25. Management did not review and monitor compliance with applicable legislations.

Auditor - general

Pretoria

31 July 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Success Story

RURAL YOUTH LEARN VALUABLE LESSONS FROM CHINA ON POVERTY

An ambitious plan for youth development, aimed at leading to the employment of more than 10 000 people, has enabled some participants to go to China to learn about poverty alleviation strategies.

The National Rural Youth Services Corps (NARYSEC) programme, made possible through NSF funding of R161 million, is aimed at addressing the challenges of skills development and unemployment for rural youth and job creation for rural communities. As part of strengthening the programme the National Department of Rural Development and Land Reform (DRDLR) has entered into a service level agreement with the China's Poverty Alleviation Centre to train officials and youth on strategies that have been used to fight poverty. Some NARYSEC participants were lucky enough to attend a two-week programme with lectures on China Policy on poverty alleviation and a visit to alleviation projects (especially agricultural projects) in different provinces relevant to South African situations.

NARYSEC, forming part of the National Department of Rural Development and Land Reform (DRDLR) programme, was aimed at recruiting and developing youth. It focused on youth aged between 18 and 35, with a grade 10 or higher and who live in rural areas, to be trained as paraprofessionals in rural areas. The initial objective was to train six people, or a seventh person if they were disabled, in each of the 2872 rural wards, leading to the employment of more than 10 000 people.

Areas of skills development include building and construction, business administration, engineering, renewable energy, automotive repair, community housing, early childhood development, clothing manufacturing, farming, nature conservation, public administration and tourism and hospitality.

The objective was to:

- Organise youth through the construction of youth life skills hubs serving as youth empowerment centres;
- enable rural youth to play a role in the transformation of rural communities by participating in the roll out and implementation of the Comprehensive Rural Development Programme (CRDP);
- create a major countrywide revolution for socio-economic freedom through nation building and community service; and
- promote a result-oriented national rural youth service and thereby build patriotism and social cohesion.

Specific objectives were to develop skills, learnerships, apprenticeships and practical work experience and ensure NQF accreditation. While the programme was expected to evolve over time, one of the key objectives was community service by all the participants in their own communities. All NARYSEC participants were also expected to carry out household profiling to collect data which would be used by the Department of Social Development for planning and prioritising service delivery.

The programme outlined various phases of the programme of action, from foundation skills to actual artisan skills and finishing skills, like administration, budgeting and business skills. The NARYSEC participants would also be trained in becoming entrepreneurs and setting up their own businesses.

NARYSEC encourages participants to form co-operatives and businesses before their contracts end, and among the most exciting elements of the programme, for those involved in business and co-operatives, is a two-week study tour of China, where the DRDLR has a service level agreement with the China's Poverty Alleviation Centre to train officials and youth on strategies that have been used to fight poverty.



Success Story

KZN RURAL YOUTH GET ACCESS TO KEY SKILLS

The NSF in partnership with Furniture World Private TVET College held a graduation ceremony at Suncoast Casino in Durban on the 3rd of December 2015 where a total of 246 learners from rural areas of Mtubatuba and Ezingolweni graduated in different fields such as construction, cabinet making, upholstery, agriculture, clothing and early childhood Development.

The project was conceptualised around three provinces, North West, Limpopo and KwaZulu-Natal. The aim was to provide skills development and training interventions including learnerships.

The project targeted 2 000 beneficiaries in three provinces - North West (600), Limpopo (700) and KwaZulu-Natal (700), and aimed to produce self-employed and employable individuals or groups who will form co-operatives. Learners would also be assisted to apply their skills to community development projects in order to promote skills transfer. The project started in October 2012 and ended in December 2015.

Prior to the graduation ceremony, the National Skills Fund, together with Furniture World, local municipalities and traditional leaders handed over two houses to destitute families in Mtubatuba and Ezingolweni. These houses were built by learners to give back to the community. In Mtubatuba, two houses were built for learners to use as storerooms and offices during the aftercare period. School uniforms and early childhood development equipment was also donated to different schools in the area. All this was done by the learners during training.

As part of the exit strategy package, all machinery and equipment that was used by the learners during training was left on the training sites so that learners could use those sites as skills centres and offices. As part of the exit strategy for the graduates, NSF supported these learners for six months to ensure they start and register their businesses and co-ops. This support included mentoring by Furniture World, the provision of start-up kits and help with proper registration of businesses.



NATIONAL SKILLS FUND
Financial Statements
for the year ended 31 March 2016

The Annual Financial Statements for the year ended 31 March 2016 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 2016

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Financial Position

| | | 2015/16 | 2014/15 Restated |
|--|-------|-------------------|---------------------|
| | Notes | R'000 | R'000 |
| ASSETS | | | |
| Non-current Assets | | 601 989 | 261 396 |
| Property, plant and equipment | 2 | 10 996 | 10 062 |
| Intangible assets | 3 | 1 227 | 1 697 |
| TVET college infrastructure assets | 4 | 589 766 | 249 637 |
| Trade and other receivables from non-exchange transactions | 7 | - | - |
| Current Assets | | 11 324 605 | 11 984 031 |
| Investments | 5 | 10 423 328 | 7 931 051 |
| Trade and other receivables from exchange transactions | 6 | 255 | 15 |
| Trade and other receivables from non-exchange transactions | 7 | 150 716 | 516 515 |
| Deferred expenditure on skills development grant disbursements | 8 | 564 233 | 1 265 909 |
| Cash and cash equivalents | 9 | 186 073 | 2 270 541 |
| TOTAL ASSETS | | 11 926 594 | 12 245 427 |
| LIABILITIES | | | |
| Current Liabilities | | 1 048 331 | 1 005 896 |
| Trade and other payables from non-exchange transactions | 10 | 5 102 | - |
| Trade and other payables from exchange transactions | 11 | 36 601 | 50 641 |
| Accruals from non-exchange transactions | 12 | 1 001 407 | 948 105 |
| Accruals from exchange transactions | 13 | 2 230 | 1 914 |
| Provisions | 14 | 2 991 | 5 236 |
| TOTAL LIABILITIES | | 1 048 331 | 1 005 896 |
| TOTAL NET ASSETS | | 10 878 263 | 11 239 531 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Financial Position (continued)

| | Notes | 2015/16 R'000 | 2014/15 Restated R'000 |
|---|-------|-------------------|------------------------------|
| FUNDS CONTRIBUTED BY: | | | |
| Capital and Reserves | | 10 878 263 | 11 239 531 |
| TVET college infrastructure development reserve | | 2 618 628 | 2 612 729 |
| SETA uncommitted surplus reserve | | 1 980 827 | 2 586 023 |
| Accumulated surplus | | 6 278 808 | 6 040 779 |
| TOTAL CAPITAL AND RESERVES* | | 10 878 263 | 11 239 531 |

* 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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Financial Performance

| | | 2015/16 | 2014/15 Restated |
|--|-------|------------------|---------------------|
| | Notes | R'000 | R'000 |
| REVENUE | | | |
| REVENUE FROM NON-EXCHANGE TRANSACTIONS | | 3 414 964 | 5 397 033 |
| Skills development levies | 15 | 3 033 122 | 2 750 601 |
| Income from SETAs | 16 | 381 842 | 2 646 428 |
| Bad debts recovered | 17 | - | 4 |
| REVENUE FROM EXCHANGE TRANSACTIONS | | 720 938 | 481 699 |
| Finance income | 18 | 678 594 | 422 992 |
| Finance income from advance payments to skills development programmes and projects | 19 | 42 344 | 58 707 |
| TOTAL REVENUE | | 4 135 902 | 5 878 732 |
| EXPENSES | | | |
| SKILLS DEVELOPMENT EXPENSES | | 4 357 162 | 3 107 320 |
| Skills development grant disbursements | 20 | 4 357 162 | 3 090 543 |
| Provision for impairment | 7 | - | 16 777 |
| ADMINISTRATIVE EXPENSES | | 91 332 | 85 781 |
| Employee costs | 21 | 40 428 | 29 229 |
| Operating expenses | 22 | 42 640 | 51 485 |
| Management fees and bank charges | 23 | 3 165 | 2 343 |
| Depreciation and amortisation | 2 & 3 | 5 099 | 2 724 |
| LEVY COLLECTION COSTS TO SARS | | 48 629 | 48 561 |
| TOTAL EXPENSES | | 4 497 123 | 3 241 662 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Financial Performance (continued)

| | | 2015/16 | 2014/15 |
|--|-------|------------------|-------------------|
| | Notes | R'000 | Restated R'000 |
| OTHER INCOME / (EXPENDITURE) | | | |
| Loss on disposal of assets | 2 | (47) | (163) |
| Fair value adjustments - financial instruments at fair value | 5 | - | 6 896 |
| TOTAL OTHER INCOME / (EXPENDITURE) | | (47) | 6 733 |
| NET (DEFICIT) / SURPLUS FOR THE YEAR | ** | (361 268) | 2 643 803 |

** 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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Changes in Net Assets

| | TVET college infrastructure development reserve | SETA uncommitted surplus reserve | Accumulated surplus | Total |
|--|--|--|------------------------|-------------------|
| | R'000 | R'000 | R'000 | R'000 |
| Balance at 1 April 2014 | 2 577 855 | - | 6 017 873 | 8 595 728 |
| As originally stated | 2 577 855 | - | 6 017 101 | 8 594 956 |
| Prior period correction | - | - | 772 | 772 |
| Net surplus per Statement of Financial Performance | 34 874 | 2 586 023 | 22 906 | 2 643 803 |
| Total revenue and other income | 60 405 | 2 586 023 | 3 239 200 | 5 885 628 |
| Total expenses | (25 531) | - | (3 216 294) | (3 241 825) |
| Balance at 31 March 2015 | 2 612 729 | 2 586 023 | 6 040 779 | 11 239 531 |
| Balance at 1 April 2015 | 2 612 729 | 2 586 023 | 6 040 779 | 11 239 531 |
| Net deficit per Statement of Financial Performance | 5 899 | (605 196) | 238 029 | (361 268) |
| Total revenue and other income | 5 899 | 363 943 | 3 766 060 | 4 135 902 |
| Total expenses | - | (969 139) | (3 528 031) | (4 497 170) |
| Balance at 31 March 2016 ** | 2 618 628 | 1 980 827 | 6 278 808 | 10 878 263 |

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

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

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Cash Flow

| | Notes | 2015/16 R'000 | 2014/15 R'000 |
|---|-----------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Cash receipts from stakeholders | | 3 890 380 | 5 652 537 |
| Levies, interest and penalties received | | 3 030 539 | 2 768 542 |
| Other cash receipts from stakeholders | | 859 841 | 2 883 995 |
| Cash paid to stakeholders, suppliers and employees | | (3 821 326) | (2 756 611) |
| Skills development grant payments | | (3 672 838) | (2 651 824) |
| Employee costs | | (39 774) | (29 001) |
| Payments to suppliers and other | | (108 714) | (75 786) |
| Cash generated from operations | 24 | 69 054 | 2 895 926 |
| Finance income | | 684 493 | 444 047 |
| Net cash from operating activities | | 753 547 | 3 339 973 |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | 2 | (5 305) | (11 676) |
| Additions to intangible assets | 3 | (305) | (1 943) |
| Additions to TVET college infrastructure assets | 4 | (340 128) | (91 412) |
| Additions to investments | | (2 492 277) | (2 126 313) |
| Net cash flows from investing activities | | (2 838 015) | (2 231 344) |
| Increase in cash and cash equivalents | | (2 084 468) | 1 108 629 |
| Cash and cash equivalents at beginning of the year | | 2 270 541 | 1 161 912 |
| Cash and cash equivalents at end of the year | 9 | 186 073 | 2 270 541 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Comparison of Budget and Actual Amounts

| | Approved and final budget * Annual | Actual amounts on accrual basis | Adjustments to cash basis | Actual amounts on cash basis | (Under) / Over budget | (Under) / Over budget |
|---|--|--|------------------------------|------------------------------------|-----------------------------|-----------------------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | % |
| REVENUE | | | | | | |
| REVENUE FROM NON-EXCHANGE TRANSACTIONS | 2 937 293 | 3 414 964 | 475 416 | 3 890 380 | 953 087 | 32.4% |
| Skills development levies | 2 937 293 | 3 033 122 | (2 583) | 3 030 539 | 93 246 | 3.2% |
| Income from SETAs | - | 381 842 | 477 999 | 859 841 | 859 841 | 100.0% |
| REVENUE FROM EXCHANGE TRANSACTIONS | 302 258 | 720 938 | - | 720 938 | 418 680 | 138.5% |
| Finance income | 302 258 | 678 594 | - | 678 594 | 376 336 | 124.5% |
| Other income | - | 42 344 | - | 42 344 | 42 344 | 100.0% |
| TOTAL REVENUE | 3 239 551 | 4 135 902 | 475 416 | 4 611 318 | 1 371 767 | 42.3% |
| EXPENSES | | | | | | |
| SKILLS DEVELOPMENT GRANT DISBURSEMENTS | 4 866 431 | 4 357 162 | (319 338) | 4 037 824 | (828 607) | (17.0%) |
| HRDSA | 70 359 | 10 799 | (2 376) | 8 423 | (61 936) | (88.0%) |
| NSA Ministerial | 70 850 | (15 399) | 19 866 | 4 467 | (66 383) | (93.7%) |
| Government Priorities | 1 633 318 | 1 218 238 | (44 057) | 1 174 181 | (459 137) | (28.1%) |
| Director-General Priorities | 1 408 874 | 2 865 391 | (600 504) | 2 264 887 | 856 013 | 60.8% |
| Skills Infrastructure | 1 683 030 | 278 133 | 307 733 | 585 866 | (1 097 164) | (65.2%) |
| TOTAL SKILLS DEVELOPMENT EXPENSES | 4 866 431 | 4 357 162 | (319 338) | 4 037 824 | (828 607) | (17.0%) |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Statement of Comparison of Budget and Actual Amounts (continued)

| | Approved and final budget * Annual | Actual amounts on accrual basis | Adjustments to cash basis | Actual amounts on cash basis | (Under) / Over budget | (Under) / Over budget |
|---|--|--|------------------------------|------------------------------------|-----------------------------|-----------------------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | % |
| ADMINISTRATIVE EXPENSES | | | | | | |
| Employee costs | 57 141 | 40 428 | (654) | 39 774 | (17 367) | (30.4%) |
| Operating expenses | 57 558 | 42 640 | - | 42 640 | (14 918) | (25.9%) |
| Management fees and bank charges | 2 518 | 3 165 | - | 3 165 | 647 | 25.7% |
| Depreciation | - | 5 099 | 5 099 | - | - | 100.0% |
| Capital expenditure | 26 048 | - | 5 610 | 5 610 | (20 438) | (78.5%) |
| TOTAL ADMINISTRATIVE EXPENSES | 143 265 | 91 332 | 10 055 | 91 189 | (52 076) | (36.3%) |
| COLLECTION COSTS TO SARS | 113 025 | 48 629 | - | 48 629 | (64 396) | (57.0%) |
| TOTAL EXPENSES | 5 122 721 | 4 497 123 | (309 283) | 4 177 642 | (945 079) | (18.4%) |
| NET (DEFICIT) / SURPLUS FOR THE YEAR | (1 883 170) | (361 221) | 784 699 | 433 676 | 2 316 846 | (123.0%) |

* The budget was prepared on the cash 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 Rands which is the functional reporting currency for the National Skills Fund and all values are rounded off to the nearest thousand (R'000). The financial statements have been prepared on accrual basis except for assets which are re-valued. 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 5: Borrowing costs
- GRAP 9: Revenue from exchange transactions
- GRAP 12: Inventories
- 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 100: Non-current assets held for sale and discontinued operations
- GRAP 103: Heritage Assets
- 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

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

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

- 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

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.

Notes to the Annual Financial Statements

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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

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

Accounting policy 1.8.1 on revenue from non-exchange transactions and accounting policy 1.8.2 on revenue from exchange transactions 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.

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Notes to the Annual Financial Statements

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:

| | 2015/16 | 2014/15 |
|---|---------|---------|
| 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 represent 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 SETA's 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 of 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

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

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.

Notes to the Annual Financial Statements

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 include 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 spent by the training providers at year end are accounted for as pre-paid expenditure in the financial statements of the NSF until the related eligible project expenses are incurred by the training providers and the relating expenditure recognised. If eligible expenses are not incurred, the amount allocated to the training providers should be refunded to the NSF including any accrued interest.

1.9.5 Fruitless and wasteful expenditure

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

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

1.9.6 Irregular expenditure

Irregular expenditure comprises expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with, a requirement of any applicable legislation, including: the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999); the State Tender Board Act, 1968 (Act No. 86 of 1968, or any regulation made in terms of that Act); or any provincial legislation providing for the procurement procedures in that provincial government.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

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 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 asset's 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 capitalised in the financial statements of the respective agencies, as the agencies control such assets for the duration of the project.

1.10.3 Intangible assets

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within surplus/deficit – net in the Statement of Financial Performance.

Notes to the Annual Financial Statements

1.10.4 TVET College Infrastructure Assets

TVET College Infrastructure Assets comprise 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.

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.

1.10.5 Deferred expenditure on skills development grant disbursements

Deferred expenditure represents grant disbursements 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 risk characteristics.

1.10.7 Cash and cash equivalents

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

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Notes to the Annual Financial Statements

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 on 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 include 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 requires 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

Notes to the Annual Financial Statements

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.

1.11.4.1 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 the threshold claimed back. The historic levies less than the threshold claimed back in comparison with total skills development levies received is used as a basis for estimating the provision.

1.11.4.2 Provision for performance bonuses

Performance bonuses are provided for based on the NSF's past practice to pay annual performance bonuses. Uncertainty exists over the amount and the timing of the performance bonuses as 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 entity's principal financial assets as reflected on the face of the Statement of Financial Position are classified as follows:

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

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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 on 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 entity's 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 (ie 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".

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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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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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.

Notes to the Annual Financial Statements

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

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

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 include 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.

Notes to the Annual Financial Statements

2. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of cost to net book value

| Owned assets | 2015/16 | | | 2014/15 | | |
|--------------------|---------------|--------------------------|----------------|---------------|--------------------------|----------------|
| | R'000 | | | R'000 | | |
| | Cost | Accumulated depreciation | Carrying Value | Cost | Accumulated depreciation | Carrying Value |
| Computer Equipment | 13 139 | (5 619) | 7 520 | 9 077 | (2 134) | 6 943 |
| Office Furniture | 3 386 | (957) | 2 429 | 3 176 | (291) | 2 885 |
| Office Appliance | 198 | (30) | 168 | 98 | (7) | 91 |
| Office Equipment | 994 | (115) | 879 | 160 | (17) | 143 |
| TOTAL | 17 717 | (6 721) | 10 996 | 12 511 | (2 449) | 10 062 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

2. PROPERTY, PLANT AND EQUIPMENT (continue)

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 | - | (98) | 879 |
| TOTAL | 10 062 | 5 305 | (47) | (4 324) | 10 996 |

Reconciliation of opening to closing net book value

| 2014/15 | | | | | |
|--------------------|-------------------------------------|---------------|--------------|----------------|-------------------------------|
| R'000 | | | | | |
| Owned assets | Carrying value at beginning of year | Additions | Disposals | Depreciation | Carrying value at end of year |
| Computer Equipment | 579 | 8 296 | (33) | (1 899) | 6 943 |
| Office Furniture | 175 | 3 188 | (145) | (333) | 2 885 |
| Office Appliance | 11 | 85 | - | (5) | 91 |
| Office Equipment | - | 159 | - | (16) | 143 |
| TOTAL | 765 | 11 728 | (178) | (2 253) | 10 062 |

Notes to the Annual Financial Statements

3. INTANGIBLE ASSETS

Reconciliation of cost to net book value

| | 2015/16 | | | 2014/15 | | |
|-------------------|--------------|--------------------------|----------------|--------------|--------------------------|----------------|
| | R'000 | | | R'000 | | |
| Owned assets | Cost | Accumulated amortisation | Carrying Value | Cost | Accumulated amortisation | Carrying Value |
| Computer Software | 2 527 | (1 300) | 1 227 | 2 223 | (526) | 1 697 |
| TOTAL | 2 527 | (1 300) | 1 227 | 2 223 | (526) | 1 697 |

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 |
| TOTAL | 1 697 | 305 | - | (775) | 1 227 |

Reconciliation of opening to closing net book value

| | 2014/15 | | | | |
|-------------------|-------------------------------------|--------------|-----------|--------------|-------------------------------|
| | R'000 | | | | |
| Owned assets | Carrying value at beginning of year | Additions | Disposals | Amortisation | Carrying value at end of year |
| Computer Software | 225 | 1 943 | - | (471) | 1 697 |
| TOTAL | 225 | 1 943 | - | (471) | 1 697 |

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Notes to the Annual Financial Statements

4. TVET COLLEGE INFRASTRUCTURE ASSETS

Reconcillation of cost to net book value

| | | 2015/16 | | | 2014/15 | | |
|------------------------------------|-----------------------|----------------|--------------------------|----------------|----------------|--------------------------|----------------|
| TVET College Infrastructure Assets | | R'000 | | | 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 | 96 692 | - | 96 692 | 25 655 | - | 25 655 |
| Giyani | Letaba | 10 362 | - | 10 362 | 10 362 | - | 10 362 |
| Graaff-Reinet | Eastern Cape Midlands | 10 338 | - | 10 338 | 10 338 | - | 10 338 |
| Greytown | Umgungundlovu | 10 338 | - | 10 338 | 10 338 | - | 10 338 |
| Kwagqikazi | Mthashana | 10 369 | - | 10 369 | 10 369 | - | 10 369 |
| Msinga | Umgungundlovu | 10 338 | - | 10 338 | 10 338 | - | 10 338 |
| Ngqungqushu (Lusikisiki) | Ingwe | 10 338 | - | 10 338 | 10 338 | - | 10 338 |
| Nkandla A | Umfoloji | 158 565 | - | 158 565 | 23 517 | - | 23 517 |
| 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 | 199 805 | - | 199 805 | 65 761 | - | 65 761 |
| Umzimkhulu | Esayidi | 10 378 | - | 10 378 | 10 378 | - | 10 378 |
| Vryheid | Mthashana | 10 338 | - | 10 338 | 10 338 | - | 10 338 |
| TOTAL | | 589 766 | - | 589 766 | 249 637 | - | 249 637 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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4. TVET COLLEGE INFRASTRUCTURE ASSETS (continue)

Reconciliation of opening to closing net book value

2015/16

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

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

4. TVET COLLEGE INFRASTRUCTURE ASSETS (continue)

Reconciliation of opening to closing net book value

2014/15

| TVET College Infrastructure Assets | | R'000 | | | | |
|------------------------------------|-----------------------|-------------------------------------|---------------|-----------|--------------|-------------------------------|
| Site | TVET College | Carrying value at beginning of year | Additions | Disposals | Depreciation | Carrying value at end of year |
| Aliwal North | Ikhala | 9 870 | 468 | - | - | 10 338 |
| Balfour | Gert Sibande | 10 044 | 469 | - | - | 10 513 |
| Bhambanana | Umfoloji | 9 870 | 15 785 | - | - | 25 655 |
| Giyani | Letaba | 9 893 | 469 | - | - | 10 362 |
| Graaff-Reinet | Eastern Cape Midlands | 9 870 | 468 | - | - | 10 338 |
| Greytown | Umgungundlovu | 9 870 | 468 | - | - | 10 338 |
| Kwagqikazi | Mthashana | 9 901 | 468 | - | - | 10 369 |
| Msinga | Umgungundlovu | 9 870 | 468 | - | - | 10 338 |
| Ngqungqushe (Lusikisiki) | Ingwe | 9 870 | 468 | - | - | 10 338 |
| Nkandla A | Umfoloji | 9 870 | 13 647 | - | - | 23 517 |
| Nkandla B | Umfoloji | 9 870 | 468 | - | - | 10 338 |
| Nongoma | Mthashana | 9 882 | 469 | - | - | 10 351 |
| Sterkspruit | Ikhala | 9 896 | 469 | - | - | 10 365 |
| Thabazimbi | Waterberg | 9 870 | 55 891 | - | - | 65 761 |
| Umzimkhulu | Esayidi | 9 909 | 469 | - | - | 10 378 |
| Vryheid | Mthashana | 9 870 | 468 | - | - | 10 338 |
| TOTAL | | 158 225 | 91 412 | - | - | 249 637 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

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.

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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 re-valued once a year at the end of the reporting period by the Public Investment Corporation (PIC). The latest revaluation was performed on 31 March 2016.

| | Notes | 2015/16 R'000 | 2014/15 R'000 |
|--|-----------|-------------------|------------------|
| Composition at fair value | | | |
| Investments with the Public Investment Corporation (PIC) | | 10 423 328 | 7 931 051 |
| Balance at the beginning of the year | | 7 931 051 | 5 797 842 |
| Invested during the year | | 6 318 866 | 3 506 825 |
| Interest received and capitalised | 18 | 676 529 | 421 802 |
| Management fees and expenses | 23 | (3 118) | (2 314) |
| Withdrawal | | (4 500 000) | (1 800 000) |
| Fair value adjustment | | - | 6 896 |
| Closing balance end of year (None of the financial assets are impaired) | | 10 423 328 | 7 931 051 |

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 with the NSF's investment policy.

Notes to the Annual Financial Statements

6. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | Notes | 2015/16 R'000 | 2014/15 R'000 |
|--|-------|------------------|------------------|
| The carrying and fair value of trade and other receivables from exchange transactions are as follows: | | | |
| Receivables from administrative expenditure | | 255 | 15 |
| CLOSING BALANCE END OF YEAR | | 255 | 15 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

7. TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | 2015/16 R'000 | 2014/15 R'000 |
|--|------------------|------------------|
| Current | | |
| The carrying and fair value of current trade and other receivables from non-exchange transactions are as follows: | | |
| Receivables from skills development programmes and projects | 144 584 | 26 485 |
| Carrying amount | 144 584 | 54 700 |
| Less: Provision for impairment | - | (28 215) |
| SETA receivables for TVET college infrastructure development | 3 681 | 150 050 |
| Carrying amount | 3 681 | 150 050 |
| Less: Provision for impairment | - | - |
| SETA receivable from SETAs Uncommitted Surpluses | 2 451 | 339 980 |
| Carrying amount | 2 451 | 339 980 |
| Less: Provision for impairment | - | - |
| Current trade and other receivables - Closing balance end of year | 150 716 | 516 515 |

Notes to the Annual Financial Statements

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

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 2016, there were no 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 (2014/15: R23,3 million). The aging of trade and other receivables from non-exchange transactions that is not impaired is as follows:

| 2015/16 | | | | |
|---|----------------|-----------------|---------------|----------------|
| 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 |
| 34 664 | 116 052 | - | - | 150 716 |

| 2014/15 | | | | |
|---|--------------|-----------------|---------------|----------------|
| 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 | 2 949 | 3 802 | 13 630 | 26 485 |
| SETA receivables for TVET colleges infrastructure development | 150 050 | - | - | 150 050 |
| SETA receivable from SETAs uncommitted surpluses | 339 980 | - | - | 339 980 |
| 492 979 | 3 802 | 13 630 | 6 104 | 516 515 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

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

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

As at 31 March 2016, no trade and other receivables (2014/15: R28,215 million) were impaired or provided for. The amount of the provision is R0 (2014/15: R28,215 million). The aging of the gross impaired trade and other receivables (2014/15: R28,215 million) is stipulated as follows:

| 2015/16 | | | | |
|---|-------------|-----------------|---------------|-------|
| 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 | - | - | - | - |
| SETA receivables for TVET colleges infrastructure development | - | - | - | - |
| SETA receivable from SETAs uncommitted surpluses | - | - | - | - |
| - | - | - | - | - |

| 2014/15 | | | | |
|---|-------------|-----------------|---------------|--------|
| 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 | - | - | 28 215 | 28 215 |
| SETA receivables for TVET colleges infrastructure development | - | - | - | - |
| SETA receivable from SETAs uncommitted surpluses | - | - | - | - |
| - | - | - | 28 215 | 28 215 |

Notes to the Annual Financial Statements

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

7.2 Reconciliation of provision for impairment

| | Notes | 2015/16 R'000 | 2014/15 R'000 |
|---|-------|------------------|------------------|
| Opening balance | | 28 215 | 11 438 |
| (Utilised)/Provided during the year | 20 | - | 16 777 |
| Provision utilised during the year | | (28 215) | - |
| Closing balance end of year | | - | 28 215 |
| Current year attributable to: | | | |
| Receivables from skills development projects | | - | 28 215 |
| Opening balance | | 28 215 | 11 438 |
| Provided during the year | | - | 16 777 |
| Provision utilised during the year | | (28 215) | - |
| Closing balance end of year | | - | 28 215 |

Trade and other receivables are individually impaired when there is objective evidence that the asset is impaired. The creation and release of the provision for impaired receivables have been included in skills development expenses in the Statement of Financial Performance, as the impaired receivables are related to skills development grants provided for skills development programmes and projects. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as mentioned above.

Credit quality of trade and other receivables from exchange transactions

Management considers that all of the above financial assets are of good credit quality. The maximum exposure to credit risk at reporting date is the fair value of each class of receivables as mentioned above.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

8. DEFERRED EXPENDITURE ON SKILLS DEVELOPMENT GRANT DISBURSEMENTS

| | 2015/16 | 2014/15 |
|-------------------------------------|----------------|-------------------|
| | R'000 | Restated R'000 |
| NSA Ministerial | 32 376 | 8 655 |
| Constituency Capacity Building | 9 751 | 8 655 |
| Capacity Building | 22 625 | - |
| Government Priorities | 272 130 | 521 492 |
| New Growth Path | 66 700 | 46 602 |
| Industrial Policy Action Plan | 32 210 | 50 957 |
| Rural Development | 137 082 | 53 106 |
| Education and Health | 573 | 6 849 |
| Justice and Crime Prevention | - | 4 500 |
| Co-operatives and Small Enterprises | 25 280 | 56 588 |
| Public Sector Capacity | 10 285 | 302 890 |
| Director-General Priorities | 166 656 | 562 089 |
| Worker Education | 2 127 | 2 644 |
| Skills System Capacity Building | - | 10 934 |
| Bursaries | 105 047 | 548 214 |
| Academia, Research and Development | 59 482 | 297 |
| Skills Infrastructure | 93 069 | 171 295 |
| Public Delivery Infrastructure | 93 069 | 171 295 |
| HRDSA | 2 | 2 378 |
| Research | 2 | 2 378 |
| Closing balance end of year | 564 233 | 1 265 909 |

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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

9. CASH AND CASH EQUIVALENTS

| | 2015/16 R'000 | 2014/15 R'000 |
|------------------------------------|------------------|------------------|
| Favourable cash balances: | | |
| Cash in bank | 186 073 | 2 270 541 |
| Closing balance end of year | 186 073 | 2 270 541 |

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 6.7% for the reporting period (2014/15: 6.04%).

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 on call with banks, net of bank overdrafts.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

10. TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS

| | Notes | 2015/16 R'000 | 2014/15 R'000 |
|--|-------|------------------|------------------|
| Payables to skills development programmes and projects | 10.1 | 5 102 | - |
| Closing balance end of year | | 5 102 | - |

10.1 Payables to skills development programmes and projects

| | 2015/16 R'000 | 2014/15 R'000 |
|------------------------------------|------------------|------------------|
| NSA Ministerial | 288 | - |
| Constituency Capacity Building | 288 | - |
| Government Priorities | 4 814 | - |
| Public Sector Capacity | 4 814 | - |
| Closing balance end of year | 5 102 | - |

Notes to the Annual Financial Statements

11. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

| | 2015/16 R'000 | 2014/15 R'000 |
|---|------------------|------------------|
| Administrative payables due to the Department of Higher Education and Training (DHET) | 36 269 | 50 417 |
| Other administrative payables | 332 | 224 |
| Closing balance end of year | 36 601 | 50 641 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

12. ACCRUALS FROM NON-EXCHANGE TRANSACTIONS

| | Notes | 2015/16 R'000 | 2014/15 R'000 |
|--|-------|------------------|------------------|
| Accruals related to skills development programmes and projects | 12.1 | 799 291 | 745 989 |
| Other accruals | 12.2 | 202 116 | 202 116 |
| Closing balance end of year | | 1 001 407 | 948 105 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

12.1 Accruals related to skills development programmes and projects

| | 2015/16 | 2014/15 Restated |
|--|----------------|---------------------|
| | R'000 | R'000 |
| NSA Ministerial | 9 121 | 5 553 |
| Constituency Capacity Building | 9 121 | 5 029 |
| National Public Dialogue and Advocacy | - | 343 |
| Provincial Skills Development Forums | - | 42 |
| Capacity Building | - | 139 |
| Government Priorities | 429 859 | 468 784 |
| New Growth Path | 37 794 | 55 080 |
| Industrial Policy Action Plan | 27 157 | 15 007 |
| Rural Development | 32 824 | 18 851 |
| Education and Health | 1 311 | 2 255 |
| Justice and Crime prevention | 2 453 | 7 906 |
| Co-operatives and Small Enterprises | 4 415 | 10 324 |
| Public Sector Capacity | 323 905 | 359 361 |
| Director-General Priorities | 308 938 | 171 947 |
| Worker Education | 1 064 | 1 720 |
| Skills System Capacity Building | 1 788 | 8 617 |
| Training Lay-off Scheme | - | 551 |
| Academia, Research and Development | 17 101 | - |
| Bursaries | 1 091 | - |
| DHET Projects for Academia, Research and Development | 287 894 | 161 059 |
| Skills Infrastructure | 51 373 | 99 705 |
| Public Delivery Infrastructure | 51 373 | 97 203 |
| Community Education Centres | - | 2 502 |
| | 799 291 | 745 989 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

12.1 Accruals related to skills development programmes and projects (continue)

As at 31 March 2016, accruals related to skills development grant projects and programmes amounting to R799,291 million (2014/15: R745,989 million) was recognised. Accruals related to skills development grant projects and programmes include accruals that are estimated on an annual basis. For purposes of the estimation of accruals, management deems the skills development activities to be rendered equally over the original contract term, while taking into consideration historical trends on each relevant project and programme. These estimates are based on the remaining portion of the contract for a specific year 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.

12.2 Other accruals

Other accruals from non-exchange transactions include the following:

| | 2015/16 R'000 | 2014/15 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 | 16 738 |
| | 202 116 | 202 116 |

Notes to the Annual Financial Statements

13. ACCRUALS FROM EXCHANGE TRANSACTIONS

| | Notes | 2015/16 R'000 | 2014/15 R'000 |
|---|-------|------------------|------------------|
| Leave and bonus accruals | 13.1 | 2 230 | 1 914 |
| Closing balance end of year | | 2 230 | 1 914 |
| 13.1 Leave and bonus accrual | | | |
| | | 2015/16 R'000 | 2014/15 R'000 |
| Balance at the beginning of the year | | 1 914 | 1 400 |
| Amounts utilised during the year | | (1 914) | (1 400) |
| Amount recognised during the year | | 2 230 | 1 914 |
| Closing carrying amount | | 2 230 | 1 914 |
| Leave and bonus accrual composition: | | | |
| Current | | | |
| Leave accrual | | 1 299 | 1 134 |
| Bonus accrual (Thirteenth cheque) | | 931 | 780 |
| Closing balance end of year | | 2 230 | 1 914 |

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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

14. PROVISIONS

| | Notes | 2015/16 R'000 | 2014/15 R'000 |
|---|-------|------------------|------------------|
| Provision for levies less than threshold | 14.1 | 2 242 | 4 825 |
| Performance bonus provision | 14.2 | 749 | 411 |
| Closing balance end of year | | 2 991 | 5 236 |
| 14.1 Provision for levies less than threshold | | | |
| Balance at the beginning of the year | | 4 825 | 3 622 |
| Levies less than threshold provision raised/(utilised) for the year | | (2 583) | 1 203 |
| Closing balance end of year | | 2 242 | 4 825 |
| 14.2 Performance bonus provision | | | |
| Balance at the beginning of the year | | 411 | 697 |
| Performance bonus provision unutilised | | - | (380) |
| Performance bonus additional provision for prior year performance bonuses | | 133 | - |
| Performance bonus paid (utilisation of provision) | | (551) | (317) |
| Performance bonus provision for the current year performance bonuses | | 756 | 411 |
| Closing balance end of year | | 749 | 411 |

As at 31 March 2016 the performance bonus provision amounting to R756 000 (2014/15: R411 000) was recognised. Performance bonuses accrue to staff on an annual basis subject to the achievement of predetermined performance standards. The provision is an estimate of the amount due to staff in the service of the NSF at the reporting date.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

15. SKILLS DEVELOPMENT LEVIES (NON-EXCHANGE REVENUE)

| Notes | 2015/16 R'000 | 2014/15 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 % |
| Skills Development Levies received from SARS (20%): | | |
| Skills Development Levies received | 3 030 539 | 2 768 542 |
| Skills Development Levies collected by SARS | 15 152 696 | 13 755 181 |
| Less: Amount withheld by the Department of Higher Education and Training and paid to the SETAs (80%) | (12 122 157) | (11 004 145) |
| Add: Levy overpayment by the Department of Higher Education and Training | - | 16 738 |
| Add: SARS levy refund | - | 768 |
| Less: Accrual for levy overpayment by the Department of Higher Education and Training | - | (16 738) |
| | 3 030 539 | 2 751 804 |
| Movement in provision for levies less than threshold | 2 583 | (1 203) |
| TOTAL | 3 033 122 | 2 750 601 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

16. INCOME FROM SETAS (NON-EXCHANGE REVENUE)

| | Notes | 2015/16 R'000 | 2014/15 R'000 |
|--|-------|------------------|------------------|
| Income from SETAs uncommitted surpluses | 16.1 | 363 943 | 2 586 023 |
| Income from SETAs towards TVET college infrastructure development | | - | 39 350 |
| 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 | 21 055 |
| Total | | 381 842 | 2 646 428 |

- 16.1 Income from SETAs uncommitted surpluses relates to the transfer of SETA uncommitted accumulated discretionary surpluses as at 31 March 2014 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).

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

17. BAD DEBTS RECOVERED

| | 2015/16 R'000 | 2014/15 R'000 |
|---------------------|------------------|------------------|
| Bad debts recovered | - | 4 |
| TOTAL | - | 4 |

18. FINANCE INCOME (EXCHANGE REVENUE)

| | 2015/16 R'000 | 2014/15 R'000 |
|--|------------------|------------------|
| Finance income from investments at the Public Investment Corporation (PIC) | 676 529 | 421 802 |
| Finance income from other commercial banks | 2 065 | 1 190 |
| TOTAL | 678 594 | 422 992 |

Finance income from investments at the Public Investment Corporation (PIC) is disclosed net of realised losses of R19 000 (2014/15: R6 896 million) relating to financial assets that matured during the current financial year.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

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

| | 2015/16 R'000 | 2014/15 R'000 |
|--|------------------|------------------|
| Finance income from advance payments to skills development programmes and projects | 42 344 | 58 707 |
| Total | 42 344 | 58 707 |

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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

20. SKILLS DEVELOPMENT GRANT DISBURSEMENTS

| | 2015/16 R'000 | 2014/15 Restated R'000 |
|---|------------------|------------------------------|
| NSA Ministerial | (15 399) | 58 524 |
| National Public Dialogue and Advocacy | 11 | 491 |
| Constituency Capacity Building | 5 578 | 26 729 |
| Skills Marketing and Communication | 87 | 255 |
| Provincial Skills Development Forums | 3 | 192 |
| Capacity Building | (21 078) | 30 846 |
| Skills Legislation Research and Review | - | 11 |
| Government Priorities | 1 218 238 | 1 186 769 |
| New Growth Path | 213 430 | 225 262 |
| Industrial Policy Action Plan | 181 136 | 58 653 |
| Rural Development | 233 779 | 221 235 |
| Education and Health | 47 236 | 12 395 |
| Justice and Crime Prevention | 2 443 | 18 316 |
| Co-operatives and Small Enterprises | 86 509 | 143 888 |
| Public Sector Capacity | 453 705 | 507 020 |
| Director-General Priorities | 2 865 391 | 1 411 903 |
| Worker Education | 5 408 | 9 932 |
| Skills System Capacity Building | 24 057 | 29 566 |
| Training Lay-off | (9 469) | - |
| Academia Research and Development | 50 705 | 6 366 |
| Bursaries | 1 551 362 | 1 074 769 |
| DHET Projects for Academia Research and Development | 1 243 328 | 291 270 |
| Skills Infrastructure | 278 133 | 425 439 |
| Public Delivery Infrastructure | 278 152 | 407 425 |
| Community Education Centres | (19) | 18 014 |
| HRDSA | 10 799 | 7 908 |
| Research | 10 799 | 7 908 |
| TOTAL | 4 357 162 | 3 090 543 |

* These negative amounts refer to over provisions relating to projects during the previous financial years.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

21. EMPLOYEE COSTS

Salaries and wages

| |
|-------------------------------------|
| Basic salaries |
| Performance awards |
| Service bonuses |
| Other non-pensionable allowances |
| Overtime |
| Service Benefits |
| Net movement: Leave accrual |
| Net movement: Service bonus accrual |

Social contributions

| |
|--|
| Provident fund contributions: defined contribution plans |
| Medical aid contributions |
| Bargaining council |

Bursaries to employees**TOTAL**

Average number of employees

| 2015/16 R'000 | 2014/15 R'000 |
|------------------|------------------|
| 35 424 | 25 527 |
| 28 913 | 20 505 |
| 881 | 31 |
| 1 901 | 1 445 |
| 3 518 | 2 914 |
| 46 | 9 |
| - | 109 |
| 14 | 337 |
| 151 | 177 |
| 4 779 | 3 509 |
| 3 551 | 2 648 |
| 1 221 | 857 |
| 7 | 4 |
| 225 | 193 |
| 40 428 | 29 229 |
| 91 | 63 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

22. OPERATING EXPENSES

| | Notes | 2015/16 R'000 | 2014/15 R'000 |
|--|-------|------------------|------------------|
| Advertising and Marketing | | 865 | 1 641 |
| Catering | | 27 | 428 |
| Cleaning services | | 107 | 64 |
| Computer services and consumables | | 1 075 | 43 |
| Consultancy and service provider fees* | 22.1 | 12 117 | 26 657 |
| Consumables | | 67 | 370 |
| Courier and delivery | | - | 1 |
| DHET Shared Services Charge | 22.2 | 10 649 | 6 866 |
| Entertainment | | 1 | 34 |
| External Auditor's remuneration | | 3 924 | 3 127 |
| Internal Auditor's remuneration | | - | 309 |
| Audit Committee - Meeting Fees | | 87 | - |
| Forensic Investigation | | 300 | - |
| Operating Leases | | 286 | 186 |
| Other | | 107 | (16) |
| Printing and Publications | | 397 | 400 |
| Repairs and maintenance | | - | 6 |
| Resettlement cost | | (1) | 692 |
| Security | | 1 417 | 472 |
| Software expenses | | 101 | 433 |
| Stationery | | 1 389 | 497 |
| Telephone and Fax | | 1 096 | 592 |
| Training and development | | 931 | 329 |
| Travel and subsistence | | 7 271 | 6 907 |
| Venues and Facilities | | 396 | 1 447 |
| Warranty costs | | 31 | - |
| TOTAL | | 42 640 | 51 485 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

22. OPERATING EXPENSES (continue)**22.1 Consultancy and service provider fees****2015/16**

- * 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 organisational structure so that it 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.

2014/15

- * 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 organisational structure so that it 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.

22.2 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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

23. MANAGEMENT FEES AND BANK CHARGES

| | | 2015/16 | 2014/15 |
|--|-------|--------------|--------------|
| | Notes | R'000 | R'000 |
| Bank charges paid to banks | | 47 | 29 |
| Management fees and expenses paid to Public Investment Corporation (PIC) | 5 | 3 118 | 2 314 |
| TOTAL | | 3 165 | 2 343 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

24. CASH GENERATED FROM OPERATIONS

| | | 2015/16 | 2014/15 |
|--|-------|---------------|-------------------|
| | Notes | R'000 | Restated R'000 |
| Net surplus / (deficit) as per Statement of Financial Performance | | (361 268) | 2 643 803 |
| Adjustment for non-cash items: | | | |
| Amortisation | 3 | 775 | 471 |
| Depreciation | 2 | 4 324 | 2 253 |
| Fair value adjustments to investments | 5 | - | (6 896) |
| Loss on disposal of asset | 2 | 47 | 163 |
| Increase / (decrease) in provisions: | | | |
| Relating to employment | 14.2 | 338 | (286) |
| Relating to impairment | 7.2 | (28 216) | 16 777 |
| Relating to levy provisions | 14.1 | (2 583) | 1 203 |
| Adjustment for items disclosed separately: | | | |
| Finance income | | (684 493) | (444 047) |
| | | (1 071 076) | 2 213 441 |
| Movements in working capital: | | 1 140 130 | 682 485 |
| Increase in trade and other receivables | | 393 774 | 82 816 |
| Decrease in deferred expenditure | | 701 676 | 372 918 |
| Increase / (decrease) in trade and other payables and accruals | | 44 680 | 226 751 |
| Cash generated from operations | | 69 054 | 2 895 926 |

Notes to the Annual Financial Statements

25. PRIOR PERIOD ERRORS CORRECTED

The following prior period errors occurred:

1. Reductions in skills development project budgets in the prior years were not taken into consideration in determining the commitment balance at year-end;
2. Deferred expenses and accruals were inaccurately calculated;
3. Additional commitments in the prior year with regards to DHET projects not being taken into consideration in determining the commitment balance at year-end;
4. Movements in reserves and accumulated surplus were inaccurately calculated; and
5. Operating expenses were not recognised in the correct period.

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

1. Commitment balance being understated by R54,697 million. The prior period commitment balance was restated to reflect the correct commitment balance as at the prior period year-end;
2. Trade and other receivable being overstated by R3,576 million. The prior period trade and other receivables balance was restated to reflect the correct balance as at the prior period year-end;
3. Deferred expenditure being understated by R23,823 million. The prior period deferred expenditure balance was restated to reflect the correct balance as at the prior period year-end;

4. Accruals from non-exchange transactions being understated by R1,285 million. The prior period trade and other payables balance was restated to reflect the correct balance as at the prior period year-end;
5. Trade and other payables and accruals from exchange transactions being understated by R1,729 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;
6. Skills development grant disbursements being overstated by R18,190 million. The prior period skills development grants disbursements total was restated to reflect the correct total as at the prior period year-end;
7. Operating expenses being understated by R1,728 million. The prior period operating expenses total was restated to reflect the correct total as at the prior period year-end;
8. SETA uncommitted surplus reserve being overstated by R60,405 million. The prior period reserve balance was restated to reflect the correct balance as at the prior period year-end; and
9. Accumulated surplus being understated by R77,638 million. The prior period accumulated surplus balance was restated to reflect the correct balance as at the prior period year-end.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

25. PRIOR PERIOD ERRORS CORRECTED (continue)

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:

| | 2014/15 R'000 |
|---|-------------------|
| STATEMENT OF FINANCIAL POSITION | |
| CURRENT ASSETS | 11 984 031 |
| As originally stated | 11 963 784 |
| Prior period correction | 20 247 |
| Trade and other receivables from non-exchange transactions | 516 515 |
| As originally stated | 520 091 |
| Prior period correction | (3 576) |
| Deferred expenditure on skills development grant disbursements | 1 265 909 |
| As originally stated | 1 242 086 |
| Prior period correction | 23 823 |
| TOTAL ASSETS | 12 245 427 |
| As originally stated | 12 225 180 |
| Prior period correction | 20 247 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

25. PRIOR PERIOD ERRORS CORRECTED (continue)

| | 2014/15 R'000 |
|--|-------------------|
| CURRENT LIABILITIES | 1 005 896 |
| As originally stated | 1 002 882 |
| Prior period correction | 3 014 |
| Trade and other payables from exchange transactions | 50 641 |
| As originally stated | 48 912 |
| Prior period correction | 1 729 |
| Accruals from non-exchange transactions | 948 105 |
| As originally stated | 946 820 |
| Prior period correction | 1 285 |
| TOTAL LIABILITIES | 1 005 896 |
| As originally stated | 1 002 882 |
| Prior period correction | 3 014 |
| CAPITAL AND RESERVES | 11 239 531 |
| As originally stated | 11 222 298 |
| Prior period correction | 17 233 |
| SETA uncommitted surplus reserve | 2 586 023 |
| As originally stated | 2 646 428 |
| Prior period correction | (60 405) |
| Accumulated surplus | 6 040 779 |
| As originally stated | 5 963 141 |
| Prior period correction | 77 638 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

25. PRIOR PERIOD ERRORS CORRECTED (continue)

Impact of prior period correction on the financial statements (continue)

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

| | 2015/16 R'000 |
|---|------------------|
| STATEMENT OF FINANCIAL PERFORMANCE | |
| EXPENSES | 3 241 662 |
| As originally stated | 3 258 125 |
| Prior period correction | (16 463) |
| SKILLS DEVELOPMENT EXPENSES | 3 107 320 |
| As originally stated | 3 125 511 |
| Prior period correction | (18 191) |
| Skills development grant disbursements | 3 090 543 |
| As originally stated | 3 108 734 |
| Prior period correction | (18 191) |
| ADMINISTRATIVE EXPENSES | 85 781 |
| As originally stated | 84 053 |
| Prior period correction | 1 728 |
| Operating expenses | 51 485 |
| As originally stated | 49 757 |
| Prior period correction | 1 728 |
| NET SURPLUS FOR THE YEAR | 2 643 803 |
| As originally stated | 2 627 340 |
| Prior period correction | 16 463 |

Notes to the Annual Financial Statements

26. COMMITMENTS AND EARMARKED FUNDS

As at the 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.

| | | 2015/16 | 2014/15 |
|--|------------------------|--------------------|-------------------|
| | Notes | R'000 | Restated R'000 |
| Total capital and reserves as at year-end | | 10 878 263 | 11 239 531 |
| Commitments and earmarked funds | | 15 674 116 | 8 381 161 |
| 1. Funds committed contractually at year-end | 26.1 & 26.5 | 6 240 378 | 6 622 884 |
| 2. Funds earmarked towards skills development programmes and projects that have been approved at year-end but not yet contracted | 26.2 | 304 241 | 64 061 |
| 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 | 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 | 8 505 923 | 1 694 216 |
| (OVER) / UNDER COMMITTED AND EARMARKED TOWARDS SKILLS DEVELOPMENT | | (4 795 853) | 2 858 370 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

26. COMMITMENTS AND EARMARKED FUNDS (continue)**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.

26.2 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:

Notes to the Annual Financial Statements

26. COMMITMENTS AND EARMARKED FUNDS (continue)

| | 2015/16 | 2014/15 Restated |
|---|------------------|---------------------|
| | R'000 | R'000 |
| 1. Funds earmarked towards bursaries (funded via NSFAS NRF and others)* | 5 203 510 | 995 633 |
| 2. Funds earmarked towards training of workers under the Expanded Public Works Programme* | 247 193 | 123 724 |
| 3. Funds earmarked towards training of workers under the DTI Monyetla Programme* | 164 323 | 80 133 |
| 4. Funds earmarked towards National Artisan Development* | 2 462 219 | 353 517 |
| 5. Funds earmarked towards supporting the Human Resource Development Council of South Africa* | 232 164 | 70 359 |
| 6. Funds earmarked towards supporting the National Skills Authority* | 196 514 | 70 850 |
| TOTAL | 8 505 923 | 1 694 216 |

* 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%.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

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:

| | 2015/16 | 2014/15 Restated |
|--|------------------|---------------------|
| | R'000 | R'000 |
| NSDS III | | |
| NSA Ministerial | 65 104 | 56 835 |
| Constituency Capacity Building | 1 507 | 7 411 |
| National Public Dialogue and Advocacy | - | 9 502 |
| Skills Marketing and Communication | - | 8 167 |
| Provincial Skills Development Forums | - | 5 957 |
| Capacity Building | 63 597 | 7 624 |
| Skills Legislation Research and Review | - | 18 174 |
| Government Priorities | 1 135 756 | 2 578 882 |
| New Growth Path | 444 309 | 491 765 |
| Industrial Policy Action Plan | 44 543 | 235 830 |
| Rural Development | 347 520 | 491 139 |
| Education and Health | 68 150 | 93 440 |
| Justice and Crime Prevention | - | 2 981 |
| Co-operatives Small Enterprises and NGOs | 93 591 | 153 092 |
| Public Sector Capacity | 137 643 | 1 110 635 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

26.5 Funds committed contractually at reporting date (continue)

| | 2015/16 R'000 | 2014/15 Restated R'000 |
|---|------------------|------------------------------|
| Director-General Priorities | 2 824 187 | 1 171 629 |
| Worker Education | 5 673 | 12 377 |
| Skills System Capacity Building | - | 30 713 |
| Training Lay-off Scheme | - | 14 760 |
| Academia Research and Development | 434 244 | 32 725 |
| Bursaries | 1 231 607 | 559 311 |
| DHET projects for academia research and development | 1 152 663 | 521 743 |
| Skills Infrastructure | 2 153 722 | 2 771 311 |
| Public Delivery Infrastructure | 2 153 722 | 2 770 998 |
| Community Education Centres | - | 313 |
| Human Resource Development Strategy of South Africa (HRDSSA) | 60 595 | 21 394 |
| Research | 60 595 | 21 394 |
| TOTAL SKILLS DEVELOPMENT COMMITMENTS | 6 239 364 | 6 600 051 |
| Administrative Commitments | 1 014 | 22 833 |
| Organisational Transformation Project (Project Siyaphambili) | 1 014 | 22 833 |
| TOTAL COMMITMENTS | 6 240 378 | 6 622 884 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

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.

| | Carrying amount R'000 | Fair value R'000 |
|--|--------------------------|---------------------|
| Financial assets - 2015/16 | 10 760 372 | 10 760 372 |
| Cash and cash equivalents | 186 073 | 186 073 |
| Financial assets at fair value through surplus / (deficit) | 10 423 328 | 10 423 328 |
| Trade and other receivables | 150 971 | 150 971 |
| Financial assets - 2014/15 | 10 718 122 | 10 718 122 |
| Cash and cash equivalents | 2 270 541 | 2 270 541 |
| Financial assets at fair value through surplus / (deficit) | 7 931 051 | 7 931 051 |
| Trade and other receivables | 516 530 | 516 530 |
| Financial liabilities - 2015/16 | 41 703 | 41 703 |
| Trade and other payables | 41 703 | 41 703 |
| Financial liabilities - 2014/15 | 50 641 | 50 641 |
| Trade and other payables | 50 641 | 50 641 |

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

Notes to the Annual Financial Statements

27. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (continue)

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

Cash and cash equivalents

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

Financial assets at fair value through surplus / (deficit)

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

Trade and other receivables

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

Trade and other payables

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

Fair value hierarchy

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

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

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

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

27. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (continue)

As at the reporting date 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 | - | - |
| | 10 423 328 | 10 423 328 | - | - |

During the reporting period ending 31 March 2016 there were no transfers between level 1 and level 2 fair value measurements.

As at 31 March 2015 NSF held the following financial instruments measured at fair value:

| | 2014/15 | | | |
|--|------------------|------------------|----------|----------|
| | R'000 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| Investments with the Public Investment Corporation (PIC) | 7 931 051 | 7 931 051 | - | - |
| | 7 931 051 | 7 931 051 | - | - |

During the reporting period ending 31 March 2015 there were no transfers between level 1 and level 2 fair value measurements.

Notes to the Annual Financial Statements

27. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (continue)

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.

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

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

| 2014/15 | | | |
|-----------------------------|------------------|------------------|-------------------|
| R'000 | | | |
| | Rated | Non-rated | Total |
| Cash and cash equivalents | - | 2 270 541 | 2 270 541 |
| Investments | 7 931 051 | - | 7 931 051 |
| Trade and other receivables | 516 530 | - | 516 530 |
| TOTAL | 8 447 581 | 2 270 541 | 10 718 122 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

27. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (continue)

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 2016 is as follows:

| | 2016/17 | 2017/18 | 2018/19 |
|---------------------------------------|------------------|------------------|------------------|
| | R'000 | R'000 | R'000 |
| Opening balance for the period | 10 609 401 | 7 638 756 | 5 365 112 |
| Operating proceeds | 3 179 447 | 3 370 213 | 3 589 277 |
| Operating outflow | (6 558 850) | (5 949 937) | (5 367 572) |
| Cash flow from investments | 408 758 | 306 080 | 231 326 |
| Closing balance for the period | 7 638 756 | 5 365 112 | 3 818 143 |

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:

| | 2015/16 | | 2014/15 | |
|--------------------------|-------------------------|---------------|-------------------------|---------------|
| | R'000 | | R'000 | |
| As at 31 March | Less than 1 year | Total | Less than 1 year | Total |
| Trade and other payables | 41 703 | 41 703 | 50 641 | 50 641 |
| | 41 703 | 41 703 | 50 641 | 50 641 |

Notes to the Annual Financial Statements

27. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (continue)

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 points higher or lower the interest income would have been affected as follows:

| 2015/16 | | |
|----------------------------|---------------------------------------|-----------------------------------|
| R'000 | | |
| Financial assets - 2015/16 | Increase / Decrease in basis point | Effect on the surplus/ deficit |
| Investments - PIC | +100 | 101 562 |
| | -100 | (101 562) |
| 2014/15 | | |
| R'000 | | |
| Financial assets - 2014/15 | Increase / Decrease in basis point | Effect on the surplus/ deficit |
| Investments - PIC | +100 | 69 962 |
| | -100 | (69 962) |

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 Rands 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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

27. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (continue)

Cash flow and fair value interest rate risk

As NSF has significant interest bearing assets the revenue and operating cash flows are substantially dependent 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.

2015/16

| As at reporting date | Effective interest rate | Subject to interest rate movement: Floating | Non-interest bearing | Total |
|---------------------------------|-------------------------|---|----------------------|-------------------|
| | % | R'000 | R'000 | R'000 |
| Current financial assets | 6.70% | 10 423 328 | 337 044 | 10 760 372 |
| 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 |
| Current Liabilities | n/a | - | 41 703 | 41 703 |
| Trade and other payables | n/a | - | 41 703 | 41 703 |

2014/15

| Year ended 31 March 2015 | Effective interest rate | Subject to interest rate movement: Floating | Non-interest bearing | Total |
|--------------------------------------|-------------------------|---|----------------------|-------------------|
| | % | R'000 | R'000 | R'000 |
| Current financial assets | 6.04% | 7 931 051 | 2 787 071 | 10 718 122 |
| Cash and cash equivalents | n/a | - | 2 270 541 | 2 270 541 |
| Investments | 6.04% | 7 931 051 | - | 7 931 051 |
| Trade and other receivables | n/a | - | 516 530 | 516 530 |
| Current financial liabilities | n/a | - | 50 641 | 50 641 |
| Trade and other payables | n/a | - | 50 641 | 50 641 |

Notes to the Annual Financial Statements

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 | 2015/16 | 2014/15 |
|-------------|---------|---------|
| | R'000 | R'000 |
| 27.1 | 1 739 | 1 739 |
| 27.2 | 10 878 | 11 222 |
| 27.3 | 1 236 | 1 236 |

28.1 Legal claims instituted against the NSF

The legal claims instituted against the NSF relate to five cases against services providers who rendered skills development training on behalf of the Fund. These claims relate to alleged breach of contract by the NSF. The legal process 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 2016 in terms of section 53(3) of the PFMA from National Treasury during the first quarter of the 2016/17 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-funded a critical skills project with the Energy and Water SETA (EWSETA) for the unemployed to the value of R17 million and there are unclaimed funds by the EWSETA of R1 236 000 (2014/2015: R1 236 000). This amount can only be confirmed when all the necessary documentation is provided to the NSF by the EWSETA for verification to validate the expenditure incurred.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

29. CONTINGENT ASSETS

| | | 2015/16 | 2014/15 |
|---|-------|------------|------------|
| | Notes | R'000 | R'000 |
| Legal claims instituted by NSF | 28.1 | 397 | 397 |
| Uncommitted surplus funds of SETAs to be transferred to the NSF | 28.2 | - | - |
| TOTAL | | 397 | 397 |

29.1 Legal claims instituted by NSF

The legal claims instituted by the NSF relate to four cases against service providers who rendered skills development training on behalf of the Fund. These claims relate 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 process 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 of 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 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 readily 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 reasonably estimated once the audit process has 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 2016 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.

Notes to the Annual Financial Statements

30. RELATED PARTY TRANSACTIONS

The NSF reports to the Minister of Higher Education and Training. Accordingly the NSF transacts with a number of related parties within the 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)
 - Qualification Council for Trades and Occupations (QCTO)
 - South African Qualifications Authority (SAQA)
 - National Student Financial Aid Scheme (NSFAS)
- Entities under the Department
 - 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)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30. RELATED PARTY TRANSACTIONS (continue)

30.1 Relationships (continue)

| | | |
|--------------------------------------|---|----------------------------------|
| | 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) | |
| • TVET Colleges under the Department | Motheo TVET College | Mnambithi TVET College |
| | Vuselela TVET College | Thekwini TVET College |
| | Taletso TVET College | Mithashana TVET College |
| | Orbit TVET College | Nkangala TVET College |
| | South West Gauteng TVET College | Gert Sibande TVET College |
| | Ekurhuleni East TVET College | Umfolosi TVET College |
| | Ekurhuleni West TVET College | Buffalo City TVET College |
| | Sekhukhune TVET College | Flavius Mareka TVET College |
| | Vhembe TVET College | Letaba TVET College |
| | Mopani South East TVET College | King Hintsa TVET College |
| | Waterberg TVET College | Tshwane North TVET College |
| | Sedibeng TVET College | Northern Cape Rural TVET College |
| | Capricorn TVET College | Western Gauteng TVET College |
| | Maluti TVET College | Tshwane South TVET College |
| | Goldfields TVET College | Ikhala TVET College |
| | Boland TVET College | Ingwe TVET College |

Notes to the Annual Financial Statements

30. RELATED PARTY TRANSACTIONS (continue)

30.1 Relationships (continue)

| | | |
|--------------------------------|-----------------------------------|-----------------------------------|
| | 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 |
| | Elanzeni 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 | |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30. RELATED PARTY TRANSACTIONS (continue)

30.2 Related party transactions and balances - Operating Expenses

DHET - Shared Services

2015/16

R'000

10 649

2014/15

R'000

6 867

Notes to the Annual Financial Statements

30. RELATED PARTY TRANSACTIONS (continue)

30.3 Key management personnel

| | | 2015/16 R'000 | 2014/15 R'000 |
|---|------------------------------|------------------|------------------|
| Short term employee benefits | Number of individuals | | |
| Post level 14: Executive Officer | 1 | | |
| Basic salary and social contributions | | 1 020 | 953 |
| Bonuses and performance related payments | | 91 | 70 |
| Other short term employee benefits | | 86 | 72 |
| Post level 13: Chief Financial Officer | 1 | | |
| Basic salary and social contributions | | 904 | 774 |
| Bonuses and performance related payments | | 35 | - |
| Other short term employee benefits | | 15 | 8 |
| Post level 13: Director Strategic Projects | 1 | | |
| Basic salary and social contributions | | 990 | 853 |
| Bonuses and performance related payments | | 49 | 46 |
| Other short term employee benefits | | 61 | 189 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30. RELATED PARTY TRANSACTIONS (continue)

30.3 Key management personnel (continue)

| | | 2015/16 R'000 | 2014/15 R'000 |
|---|------------------------------|------------------|------------------|
| Post level 13: Director Skills Support Program | Number of individuals | | |
| | 1 | | |
| Basic salary and social contributions | | 931 | 832 |
| Bonuses and performance related payments | | 58 | - |
| Other short term employee benefits | | 8 | 71 |
| Post level 13: Director Provincial Operations | 1 | | |
| Basic salary and social contributions | | 863 | 762 |
| Bonuses and performance related payments | | 53 | 48 |
| Other short term employee benefits | | 6 | 3 |
| Post level 13: Director Finance | 1 | | |
| Basic salary and social contributions | | 864 | 478 |
| Bonuses and performance related payments | | - | - |
| Other short term employee benefits | | 4 | 1 |
| TOTAL | | 6 036 | 5 158 |

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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances

| 2015/16 R'000 | | | | | | | | | | | | |
|---|---|---|--|--|---|---|--|---|---|--|---|--|
| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2016 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2016 | Other accruals balance at 31 March 2016 | Deferred expense balance at 31 March 2016 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2016 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2016 | Receivables from skills development programmes and projects balance at 31 March 2016 |
| 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 Institute for the Humanities and Social Sciences (NIHSS) | | | | 1 489 | | 67 841 | | | 40 032 | | | |
| National Student and Financial Aid Scheme (NSFAS) | | | | 27 956 | | 796 802 | | | 45 002 | | | |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2015/16

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2016 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2016 | Other accruals balance at 31 March 2016 | Deferred expense balance at 31 March 2016 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2016 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2016 | Receivables from skills development programmes and projects balance at 31 March 2016 |
|---|---|---|--|--|---|---|--|---|---|--|---|--|
| Quality Council for Trades and Occupations (QCTO) | | | | | | | | | | | | |
| South African Qualifications Authority (SAQA) | | | | | | 356 | | | | | | |
| AGRISSETA | 54 796 | | 167 | | | 481 | | 19 109 | | | | |
| BANK SETA | 2 394 | | 894 | | | | | | | | | |
| CATHSSETA | | | 373 | | | | | | | | | |
| CETA | | | | | | | | | | | | |
| CHIETA | | | 537 | | | | | | | | | |
| ETDP SETA | 65 247 | | 412 | | | | | | | 3 681 | 1851 | |
| EWSETA | | | 289 | | | | | | | | | |
| FASSET | | | | | | | | | | | | |
| FOODBEV | 70 059 | | 382 | | | | | | | | | |
| FP&M SETA | 32 879 | | 454 | | | | | | | | 151 | |
| HWSETA | | | 483 | | | | | | | | | |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2015/16

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2016 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2016 | Other accruals balance at 31 March 2016 | Deferred expense balance at 31 March 2016 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2016 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2016 | Receivables from skills development programmes and projects balance at 31 March 2016 |
|-----------------------------------|---|---|--|--|---|---|--|---|---|--|---|--|
| INSETA | | | | | | | | | | | | |
| LGSETA | | | | | | | | | | | | |
| MERSETA | | | | | | (10 020) | | | | | | |
| MICT SETA | | | 805 | | | | | | | | | |
| MQA | | | 1 103 | 2 | | 13 011 | | | 12 325 | | | |
| PSETA | | | | 204 | | 9 901 | | | | | | 5 858 |
| SASSETA | | | | | | | | | | | | |
| 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 | | | | |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2015/16

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2016 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2016 | Other accruals balance at 31 March 2016 | Deferred expense balance at 31 March 2016 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2016 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2016 | Receivables from skills development programmes and projects balance at 31 March 2016 |
|-----------------------------------|---|---|--|--|---|---|--|---|---|--|---|--|
| 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 | | | |
| 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 | | | |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2015/16

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2016 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2016 | Other accruals balance at 31 March 2016 | Deferred expense balance at 31 March 2016 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2016 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2016 | Receivables from skills development programmes and projects balance at 31 March 2016 |
|-----------------------------|---|---|--|--|---|---|--|---|---|--|---|--|
| 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 |
| 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 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2015/16

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2016 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2016 | Other accruals balance at 31 March 2016 | Deferred expense balance at 31 March 2016 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2016 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2016 | Receivables from skills development programmes and projects balance at 31 March 2016 |
|----------------------------------|---|---|--|--|---|---|--|---|---|--|---|--|
| Maluti TVET College | | | | 1 | | 13 052 | | 1 | | | | 1 |
| Mnambithi TVET College | | | | 45 | | | | | | | | 16 588 |
| Mopani South East TVET College | | | | 24 | | 1 105 | 902 | | | | | |
| Motho TVET College | | | | | | (13 198) | 3 911 | | | | | |
| Mithashana 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 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2015/16

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2016 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2016 | Other accruals balance at 31 March 2016 | Deferred expense balance at 31 March 2016 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2016 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2016 | Receivables from skills development programmes and projects balance at 31 March 2016 |
|---------------------------------|---|---|--|--|---|---|--|---|---|--|---|--|
| Port Elizabeth TVET College | | | | | | 11 961 | | | | | | |
| 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 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2015/16

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2016 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2016 | Other accruals balance at 31 March 2016 | Deferred expense balance at 31 March 2016 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2016 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2016 | Receivables from skills development programmes and projects balance at 31 March 2016 |
|------------------------------|---|---|--|--|---|---|--|---|---|--|---|--|
| Umgungundlovu TVET College | | | | 74 | 20 676 | 20 780 | | | | | | 1 019 |
| 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 |
| TOTAL | 363 943 | - | 5 899 | 33 311 | 589 766 | 2 763 727 | 4 813 | 358 216 | 140 950 | 3 681 | 2 502 | 107 826 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

| 2014/15 R'000 | | | | | | | | | | | | |
|--|---|---|--|--|---|---|--|---|---|--|---|--|
| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2015 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2015 | Other accruals balance at 31 March 2015 | Deferred expense balance at 31 March 2015 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2015 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2015 | Receivables from skills development programmes and projects balance at 31 March 2015 |
| Department of Higher Education and Training | | | | | | 316 811 | 187 626 | | | | | - |
| Human Resource Development Council of South Africa | | | | | | 7 908 | | | 2 378 | | | 3 325 |
| National Skills Authority (NSA) | | | | | | 1 672 | 525 | | | | | |
| National Student and Financial Aid Scheme (NSFAS) | | | | 44 810 | | 911 794 | 167 319 | | 524 632 | | | |
| South African Qualifications Authority (SAQA) | | | | | | | | | | | | |
| Quality Council for Trades and Occupations (QCTO) | | | | | | 302 | 302 | | | | | |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2014/15

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2015 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2015 | Other accruals balance at 31 March 2015 | Deferred expense balance at 31 March 2015 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2015 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2015 | Receivables from skills development programmes and projects balance at 31 March 2015 |
|---------------|---|---|--|--|---|---|--|---|---|--|---|--|
| AGRISETA | 25 787 | | 142 | | | 18 628 | 18 628 | | 3 421 | | 25 787 | |
| BANK SETA | | | 3 104 | | | | | | | 30 693 | | |
| CATHSSETA | | | 1 481 | | | | | | | | | |
| CETA | | | | | | | | | | | | |
| CHIETA | | | 1 865 | | | | | | | 18 447 | | |
| ETDP SETA | 110 079 | | 1 432 | | | | | | | 14 156 | | |
| EWSETA | | | 1 003 | | | | | | | 9 923 | | |
| FASSET | 78 550 | | | | | | | | | | | |
| FOODBEV | 76 335 | | 1 514 | | | | | | | | | 245 |
| FP&M SETA | 30 619 | | 1 802 | | | | | | | | | |
| HWSETA | 323 742 | | 1 916 | | | | | | | | 192 248 | |
| INSETA | 92 863 | | | | | | | | | | | |
| LGSETA | 267 546 | 39 350 | | | | | | | | | | |
| MERSETA | | | | 27 | | (386) | 551 | | | | | 551 |
| MICT SETA | 8 570 | | 2 964 | | | | | | | 38 948 | 8 570 | |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

| 2014/15 R'000 | | | | | | | | | | | | |
|-----------------------------------|---|---|--|--|---|---|--|---|---|--|---|--|
| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2015 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2015 | Other accruals balance at 31 March 2015 | Deferred expense balance at 31 March 2015 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2015 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2015 | Receivables from skills development programmes and projects balance at 31 March 2015 |
| MQA | | | 3 831 | | | | | | | 37 883 | | |
| PSETA | | | | 146 | | 14 016 | 507 | | | | | |
| SASSETA | | | | | | | | | | | | |
| SERVICES SETA | 1 391 650 | | | | | | | | | | | |
| TETA | 148 121 | | | | | | | | | | 113 375 | |
| W&R SETA | 32 161 | | | | | | | | | | | |
| Boland TVET College | | | | 131 | | 29 177 | 5 751 | | 5 751 | | | |
| Buffalo City TVET College | | | | 88 | | 7 373 | 1 491 | | 3 430 | | | |
| Capricorn TVET College | | | | 196 | | 3 854 | 1 688 | | 1 688 | | | |
| Central Johannesburg TVET College | | | | 2 | | 323 | 1 021 | | 13 236 | | | |
| Coastal TVET College | | | | 43 | | 19 641 | 7 | | 7 | | | |
| College of Cape Town TVET College | | | | 412 | | (203) | 2 337 | | 8 843 | | | |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2014/15

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2015 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2015 | Other accruals balance at 31 March 2015 | Deferred expense balance at 31 March 2015 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2015 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2015 | Receivables from skills development programmes and projects balance at 31 March 2015 |
|---------------------------------|---|---|--|--|---|---|--|---|---|--|---|--|
| East Cape Midlands TVET College | | | | | 10 338 | 26 466 | 3 937 | | 9 346 | | | |
| Ekurhuleni East TVET College | | | | | | 27 018 | | | | | | |
| Ekurhuleni West TVET College | | | | 691 | | 46 731 | 4 398 | | 4 398 | | | |
| Elangeni TVET College | | | | 226 | | 4 707 | 2 083 | | 6 890 | | | |
| Elanzeni TVET College | | | | | | | 3 669 | | 3 669 | | | |
| Esayidi TVET College | | | | | 10 378 | 43 437 | 3 241 | | 3 241 | | | |
| False Bay TVET College | | | | 84 | | 13 347 | 4 333 | | 7 319 | | | |
| Flavius Mareka TVET College | | | | | | | | | | | | |
| Gert Sibande TVET College | | | | 38 | 10 513 | 11 890 | 4 947 | | 11 098 | | | |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2014/15

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2015 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2015 | Other accruals balance at 31 March 2015 | Deferred expense balance at 31 March 2015 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2015 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2015 | Receivables from skills development programmes and projects balance at 31 March 2015 |
|--------------------------|---|---|--|--|---|---|--|---|---|--|---|--|
| Goldfields TVET College | | | | | | | 1 222 | | 1 222 | | | |
| Ikhala TVET College | | | | 66 | 20 703 | 2 432 | 743 | | 4 663 | | | |
| Ingwe TVET College | | | | 16 | 10 338 | 1 617 | 1 649 | | 1 649 | | | |
| King Hintsa TVET College | | | | 22 | | 243 | 516 | | 15 255 | | | |
| King Sabata TVET College | | | | 5 | | 614 | 660 | | 660 | | | |
| Lephalale TVET College | | | | 157 | | 18 752 | 2 346 | | | | | |
| Letaba TVET College | | | | 63 | 10 362 | 754 | 1 666 | | 12 385 | | | |
| Lovedale TVET College | | | | | | 804 | 361 | | 361 | | | |
| Majuba TVET College | | | | | | 7 436 | 7 906 | | 7 906 | | | |
| Maluti TVET College | | | | | | | | | 17 309 | | | |
| Mnambithi TVET College | | | | 302 | | 1 991 | 2 684 | | 16 542 | | | |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2014/15

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2015 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2015 | Other accruals balance at 31 March 2015 | Deferred expense balance at 31 March 2015 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2015 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2015 | Receivables from skills development programmes and projects balance at 31 March 2015 |
|----------------------------------|---|---|--|--|---|---|--|---|---|--|---|--|
| Mopani South East TVET College | | | | 45 | | 17 609 | 815 | | 815 | | | |
| Motheo TVET College | | | | | | | 29 574 | | 29 574 | | | |
| Mthashana TVET College | | | | 3 | 31 058 | 10 532 | 3 933 | | 3 933 | | | |
| Nkangala TVET College | | | | 53 | | (2 014) | 1 556 | | | | | |
| North Link TVET College | | | | 35 | | 8 108 | | | 59 | | | |
| Northern Cape Rural TVET College | | | | 159 | | 22 491 | 2 784 | | 2 784 | | | |
| Northern Cape Urban TVET College | | | | 8 | | 2 419 | 599 | | 599 | | | |
| Orbit TVET College | | | | | | 17 778 | 5 575 | | 7 931 | | | |
| Port Elizabeth TVET College | | | | 1 | | (333) | | | 333 | | | |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2014/15

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2015 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2015 | Other accruals balance at 31 March 2015 | Deferred expense balance at 31 March 2015 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2015 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2015 | Receivables from skills development programmes and projects balance at 31 March 2015 |
|---------------------------------|---|---|--|--|---|---|--|---|---|--|---|--|
| Sedibeng TVET College | | | | 10 | | 10 668 | 6 664 | | 10 | | | |
| Sekhukhune TVET College | | | | 55 | | 19 992 | 671 | | | | | |
| South Cape TVET College | | | | 127 | | 42 879 | 5 275 | | 8 487 | | | |
| South West Gauteng TVET College | | | | 322 | | 8 181 | 846 | | 7 267 | | | |
| Taletso TVET College | | | | | | 703 | 2 201 | | 3 063 | | | |
| Thekwini TVET College | | | | 36 | | 324 | 831 | | 831 | | | |
| Tshwane North TVET College | | | | 14 | | 232 | 581 | | 20 860 | | | |
| Tshwane South TVET College | | | | 18 | | 8 350 | 1 231 | | 1 773 | | | |
| Umfolozi TVET College | | | | 34 | 59 510 | 38 995 | 18 251 | | 18 251 | | | |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

30.4 Related party transactions and balances (continue)

2014/15

R'000

| Related party | Income from SETAs uncommitted surpluses | Income from SETAs towards TVET college infrastructure development | Finance income on discounted SETA receivables for TVET colleges infrastructure development | Finance income from advance payments to skills development programmes and projects | TVET college infrastructure assets at 31 March 2015 | Skills development grant disbursement expense | Payables to skills development programme and projects balance at 31 March 2015 | Other accruals balance at 31 March 2015 | Deferred expense balance at 31 March 2015 | SETA receivables for TVET colleges infrastructure development balance at 31 March 2015 | SETA receivable from SETAs uncommitted surpluses balance at 31 March 2015 | Receivables from skills development programmes and projects balance at 31 March 2015 |
|------------------------------|---|---|--|--|---|---|--|---|---|--|---|--|
| Umgungundlovu TVET College | | | | 37 | 20 676 | 2 578 | 2 560 | | 3 509 | | | |
| Vhembe TVET College | | | | 28 | | 4 132 | 2 246 | | 2 246 | | | |
| Vuselela TVET College | | | | | | 5 559 | 969 | | | | | |
| Waterberg TVET College | | | | 123 | 65 761 | 2 767 | 1 929 | | 1 929 | | | |
| West Coast TVET College | | | | 357 | | 24 054 | 3 379 | | 10 113 | | | |
| Western Gauteng TVET College | | | | 1 | | 11 466 | 16 | | 14 967 | | | |
| TOTAL | 2 586 023 | 39 350 | 21 054 | 48 991 | 249 637 | 1 796 619 | 526 600 | - | 826 633 | 150 050 | 339 980 | 4 121 |

Notes to the Annual Financial Statements

31. OPERATING LEASE RENTAL

| | 2015/16 R'000 | 2014/15 R'000 |
|---|------------------|------------------|
| NSF as lessee | | |
| Future lease payments under non-cancellable operating leases: | | |
| Photocopy machines | 320 | 355 |
| Due within one year | 240 | 138 |
| Due within two to five years | 80 | 217 |
| Later than five years | - | - |
| Parking | 288 | 45 |
| Due within one year | 216 | 45 |
| Due within two to five years | 72 | - |
| | 608 | 400 |

Minimum lease payments for photo copy machines recognised as an expense during the period amount to R192 344.13 (2014/15: R138 431). 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 R104 550 (2014/15: R45 000).

32. EVENTS AFTER REPORTING PERIOD

There are no material adjusting events after the reporting date.

33. NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

33.1 Revenue from non-exchange transactions

The actual revenue received from non-exchange transactions exceeded the budgeted revenue by 32.4%. This can be attributed to the income received from the SETAs due to uncommitted surplus funds that was paid over to the NSF during the 2015/16 financial year.

33.2 Revenue from exchange transactions

The actual revenue received from exchange transactions is 138.5% above the budget. This is due to an increase in the NSF's investments as a result of additional income received from the SETAs.

33.3 Skills development grant disbursements

The actual skills development grant disbursements was 17% 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 funds not being disbursed in the current financial year which will be rolled over to the next financial year; and

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

33. NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (continue)

2. 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.

The NSF has made a contribution towards the “No Fees Increase” for the 2016 academic year in the higher education sector resulting in the skills development grants disbursements being significantly higher than in the previous year but still overall within budget.

33.4 Employee cost

The actual employee costs are 30.4% below the budgeted employee costs. This is 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 and to allow for the development of a sustainable operating model for the NSF on which the organisational structure will be based. 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).

33.5 Operating Expenses

The actual operating expenses are 25.9% 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).

33.6 Management fees and bank charges

Management fees and bank charges are 25.7% above budget. These increased charges are due to the increased investment of the NSF held with the Public Investment Corporation (PIC) as a result of the additional SETA surplus funds received and invested with the PIC.

33.7 Collection cost to SARS

There was a saving of 57% 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%.

33.8 Capital Expenditure

The actual capital expenditure is below budget as the capital expenditure projects (Accounting system Payroll system HR system Supply Chain system Performance Information and Management System Project Monitoring System etc) are still in the procurement phase and is due for roll out and implementation within the next two financial years.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

34. IRREGULAR EXPENDITURE

| | | 2015/16 | 2014/15 |
|--|---------------------------------|----------------|---------------------------|
| | | R'000 | Restated R'000 |
| Reconciliation of irregular expenditure: | | | |
| Opening balance - prior year | | 28 685 | - |
| Add: Irregular expenditure - current year | | 196 474 | 28 685 |
| Less: Amounts condoned | | - | - |
| Irregular expenditure awaiting condonation | | 225 159 | 28 685 |
| Analysis of irregular expenditure per age classification: | | | |
| Current year | | 196 474 | 28 685 |
| Prior years | | 28 685 | - |
| TOTAL | | 225 159 | 28 685 |
| Details of irregular expenditure: | Disciplinary steps taken | 2015/16 | 2014/15 |
| | Number of cases | R'000 | Restated R'000 |
| Non-compliance to requirements of supply chain management | N/A | 3 | |
| Opening balance - prior year | | 28 685 | - |
| Add: Irregular expenditure 2014/15 | | - | 28 685 |
| Add: Irregular expenditure condoned 2014/15 | | - | - |
| Add: Irregular expenditure 2015/16 | | 196 474 | - |
| Add: Irregular expenditure condoned 2015/16 | | - | - |
| TOTAL | | 225 159 | 28 685 |

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Annual Financial Statements

34. IRREGULAR EXPENDITURE (continue)**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 awarding of tenders to the principal agent and construction contractors; and
2. Implementation oversight of TVET college infrastructure development.

The current year irregular expenditure of R193 569 million (2014/15: R28 496 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 awarding of tenders outside the tender value range; however certain provisions are stipulated amongst others:

- The margin of the tender exceeding the tender value range should be reasonable (according to regulation 25 (3) the limit is 20%);
- The award does not pose undue risk (in terms of experience/work capacity and financial capability were evaluated); and

- In terms of CIDB regulation 21(3) the 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 risk 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 significantly 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.

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

Irregular expenditure amounting to R2.9 million (2014/15: R189 thousand) 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) Condonement of irregular expenditure:

Condonement of the irregular appointment of the construction contractors and related irregular expenditure will be sought from the Director-General of the Department of Higher Education and Training as the Accounting Authority of the NSF.

Notes to the Annual Financial Statements

35. 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.

| Notes | 2015/16 | 2014/15 |
|--|--------------|--------------|
| | R'000 | R'000 |
| Contributions for the year included in employee cost | 3 551 | 2 648 |
| | 3 551 | 2 648 |

Success Story

R175 MILLION ARTISAN PROGRAMME PRODUCING RESULTS, ON TRACK

The NSF has continued its multi-million investment in the artisan partnership programme with Transnet, Denel, SAAT and Eskom which aims to produce 30 000 artisans by 2030.

The NSF says that the R175.2 million programme is on the track and is already producing 13 000 each year, an increase of 50% on the current artisan graduates.

The NSF explains that the Transnet partnership has begun to yield results with more than 100 qualified artisans exiting the programme.

Based on the Transnet SOC's 45 years of experience in training with a 95% pass rate, the SoC estimated the project would add 950 qualified artisans a year to the country's skills base.

Although not all find jobs with Transnet, qualified artisans with industrial skills are highly employable elsewhere, or can start their own businesses.

The courses offered by the SoC cover 14 high-demand industrial trades like electrical fitters, diesel electrical fitters, armature winders, turners and machinists, toolmakers, millwrights, electro mechanics, sheet metal workers, platers, blacksmiths, welders, vehicle builders and wagon fitters.

The SoC, which is part of the Transnet Academy, is ideally placed to train and develop artisans.

Its 18 campuses and trade test centres are all accredited by the Transport Education and Training Authority (TETA) and most are also accredited with the Manufacturing Engineering and Related Services Sector Education and Training Authority (MERSETA); the Media, Advertising Publishing, Printing and Packaging SETA (MAPP-SETA) and the South African Marine Training Authority (SAMTRA).

But ramping up numbers of trainee artisans is not simply a question of opening up admissions. To maintain the SoC's ratio of one trainer to no more than 15 trainees also means hiring more trainers and support staff.

There is also a need for extra space and equipment to teach the trainees. It was estimated that more than 80% of the costs would be for new infrastructure such as classrooms, equipment and ablution blocks.

For this reason, the SoC decided to focus the project on six of its 18 centres located strategically in Germiston and Koedoespoort (Pretoria) in Gauteng, Durban in KwaZulu-Natal, Salt River in the Western Cape, Uitenhage in the Eastern Cape and Bloemfontein in the Free State.

Although the total cost of the project was estimated at R224.7 million, Transnet had already invested R38 million and committed itself to pay R11.6 million in non-taxable monthly stipends to trainees.

All trainees are also issued with personal protective equipment and lent tools to work with which are returned once training is complete.

The NSF's funding of the remaining R175.1 million went to equipment, infrastructure, staff training and trainee stipends.

The idea was to supercharge training at Transnet's School of Engineering (SoC) by 1 000 trainees a year, 56% up from its capacity of 1 800.

The multi-million plan to boost valuable artisan skills by 50% has seen the National Skills Fund aligned with the New Growth Path, Skills Accord and Industrial Policy Action Plan strategies of government.



Success Story

R290 MILLION INVESTMENT INTO MARINE RESEARCH, SKILLS

The NSF has made a substantial R296 million investment to enhance maritime research, education and training.

The NSF worked with the South African International Maritime Institute (SAIMI), which was formed in 2014 to assist in realising the objectives of Operation Phakisa in the Oceans Economy by promoting and coordinating skills development and training, research and innovation.

SAIMI's primary role is to facilitate linkages and collaboration amongst role players in maritime research, education and training in South Africa and to work closely with similar institutes in Africa and the rest of the world.

The National Cadet Programme is managed by SAIMI, providing the practical component of the training required to qualify for a career as a deck or engineering officer at sea. Some 183 cadets were in training at 31 March 2016. They included the first new intake of 2016, 24 cadets who were welcomed at the Grindrod Shipping Training Centre in Durban in February, at an event to showcase the cadet programme to maritime industry and education stakeholders.

The NSF funding is being used for:

- The establishment and operationalisation of SAIMI;
- the appointment of key resources including the CEO and executive team;
- to facilitate and coordinate skills development initiatives in the maritime sector nationally;
- to train sea-farer cadets over a period of three years;
- for research and knowledge generation to support skills development and economic growth in the maritime sector; and
- for other operational costs.

The NSF plan is to try to make funds available to ensure that people are trained and increase their employability by encouraging workplaces to accommodate interns and learners for practical training.

Seemole Mamashela, who studied mechanical engineering at Ekurhuleni West TVET College, said the programme provided opportunities to earn a proper living.



ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| | | | | | 2015/16 | | | |
|---------------------------------------|--|----------------------------------|--------------------|------------------|---------------------------------|---|---|---|
| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSA MINISTERIAL PRIORITIES | | | | | 132 636 | (15 399) | 67 532 | 65 104 |
| Constituency Capacity Building | | | | | 45 251 | 5 578 | 43 744 | 1 507 |
| NSF/10/2/1/1 | South African National Civic Organisation (SANCO 1) | Capacity development of members. | 20 April 2012 | 31 March 2013 | 2 000 | - | 2 000 | - |
| NSF/10/2/1/11 | South African National Civic Organisation (SANCO 2) | Capacity development of members. | 1 April 2014 | 31 March 2017 | 4 400 | 1 596 | 4 400 | - |
| NSF/10/2/1/10 | South African College Principle's Organisation (SACPO 1) | Capacity development of members. | 20 September 2012 | 31 December 2013 | 1 969 | - | 1 969 | - |
| NSF/10/2/1/18 | South African College Principle's Organisation (SACPO 2) | Capacity development of members. | 1 April 2014 | 31 March 2017 | 2 613 | 516 | 2 597 | 16 |
| NSF/10/2/1/2 | Womens National Coalition (WNC 1) | Capacity development of members. | 1 January 2012 | 31 August 2012 | 2 000 | - | 2 000 | - |
| NSF/10/2/1/12 | Womens National Coalition (WNC 2) | Capacity development of members. | 1 April 2014 | 31 March 2017 | 4 400 | - | 4 388 | 12 |
| NSF/10/2/1/13 | Association of Private Providers of Education, Training and Development (APPETD 2) | Capacity development of members. | 1 April 2014 | 31 March 2017 | 1 375 | 328 | 1 349 | 26 |
| NSF/10/2/1/4 | National Council of Trade Unions (NACTU 1) | Capacity development of members. | 26 April 2012 | 30 June 2013 | 1 399 | - | 1 399 | - |
| NSF/10/2/1/14 | National Council of Trade Unions (NACTU 2) | Capacity development of members. | 1 April 2014 | 31 March 2017 | 1 760 | 251 | 1 760 | - |
| NSF/10/2/1/15 | Department of Public Service and Administration (DPSA 2) | Capacity development of members. | 1 April 2014 | 31 March 2017 | 3 985 | - | 3 985 | - |
| NSF/10/2/1/16 | Federation of Unions of SA (FEDUSA 2) | Capacity development of members. | 1 April 2014 | 31 March 2017 | 1 210 | 292 | 1 204 | 6 |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| | | | | | 2015/16 | | | |
|--|---|---|--------------------|------------------|---------------------------------|---|---|---|
| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/2/1/17 | Higher Education South Africa (HESA 2) | Capacity development of members. | 1 April 2014 | 31 March 2017 | 470 | 463 | 470 | - |
| NSF/10/2/1/8 | South Africa Youth Council (SAYC 1) | Capacity development of members. | 1 April 2012 | 30 June 2013 | 4 998 | - | 4 998 | - |
| NSF/10/2/1/19 | South Africa Youth Council (SAYC 2) | Capacity development of members. | 1 April 2014 | 31 March 2017 | 5 502 | 1 100 | 5 501 | 1 |
| NSF/10/2/1/5 | Congress of South African Trade Unions (COSATU 1) | Capacity development of members. | 1 April 2012 | 30 June 2013 | 2 891 | - | 2 891 | - |
| NSF/10/2/1/20 | Congress of South African Trade Unions (COSATU 2) | Capacity development of members. | 1 July 2013 | 31 March 2017 | 4 279 | 1 032 | 2 833 | 1 446 |
| National Public Dialogue and Advocacy | | | | | 10 910 | 11 | 10 910 | - |
| NSF/10/2/2/1 | National Skills Conference | Advocacy campaign on skills development. | 1 April 2013 | 31 March 2015 | 6 484 | 15 | 6 484 | - |
| NSF/10/2/2/2 | NSA Provincial Mobilisation and Consultation Workshop | Dialogue and advocacy workshops. | 1 September 2012 | 31 March 2015 | 4 400 | 11 | 4 400 | - |
| NSF/10/2/2/3 | NSA Advocacy Campaign | Advocacy campaign. | 15 November 2012 | 31 March 2015 | 26 | -15 | 26 | - |
| Skills Marketing and Communication | | | | | 920 | 87 | 920 | - |
| NSF/10/2/3/1 | Skills Marketing and Communications | Skills marketing and communications. | 5 November 2012 | 31 March 2015 | 920 | 87 | 920 | - |
| Provincial Skills Development Forums | | | | | 547 | 3 | 547 | - |
| NSF/10/2/4/1 | Provincial Skills Development Forums | NSA Provincial Skills Development Forums. | 1 April 2013 | 31 March 2015 | 547 | 3 | 547 | - |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| | | | | | 2015/16 | | | |
|---|--|---|--------------------|------------------|---------------------------------|---|---|---|
| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| Capacity Building | | | | | 74 997 | (21 078) | 11 400 | 63 597 |
| NSF/10/2/5/1 | NSA Members Capacity Building | Capacity development of NSA members. | 18 September 2012 | 31 March 2016 | 672 | - | 672 | - |
| NSF/10/2/5/2 | NSA Personnel (Deputy Director's contract posts) | Deputy Director contract posts. | 1 January 2013 | 31 August 2014 | 1 221 | 121 | 1 221 | - |
| NSF/10/2/5/3 | NSA Capacity Building: ILO Project | ILO: Workshops, seminars, mentoring, presentations, international visits. | 20 January 2013 | 31 March 2015 | 660 | 76 | 660 | - |
| NSF/10/2/5/4 | NSA Fund Manager (SAB&T) | NSA objectives funded via NSA Fund Manager. | 18 November 2014 | 18 November 2017 | 72 444 | (21 275) | 8 847 | 63 597 |
| Skills Legislation Research and Review | | | | | 11 | - | 11 | - |
| NSF/10/2/7/1 | Skills Legislation Research and Review | Skills legislation research and review. | 1 April 2013 | 31 March 2015 | 11 | - | 11 | - |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| | | | | | 2015/16 | | | |
|------------------------------|--|---|--------------------|------------------|---------------------------------|---|---|---|
| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| GOVERNMENT PRIORITIES | | | | | 6 400 961 | 1 218 238 | 5 265 205 | 1 135 756 |
| New Growth Path | | | | | 1 685 965 | 213 430 | 1 241 656 | 444 309 |
| NSF/10/3/1/1 | Agriseta and Commissioner for Land Rights Restitution | Skills development linked to land restitution (farm management, technical skills, governance and leadership, etc.) | 31 July 2014 | 31 December 2016 | 44 550 | 3 902 | 43 766 | 784 |
| NSF/10/3/1/10 | Lepelle Northern Water | Develop scarce skills in the water sector in Limpopo (Certificates in water & waste treatment reticulation, plumbing, electrical, mechanical, internship programme) | 29 August 2011 | 30 June 2014 | 61 875 | 8 602 | 61 875 | - |
| NSF/10/3/1/11 | Office of the Premier KZN | Integrated training in agriculture, tourism, artisan trades, engineering and EPWP. Proposed interventions are learnerships, apprenticeships, bursaries, internships & skills programmes . | 19 August 2011 | 31 May 2015 | 45 793 | 2 989 | 32 200 | 13 593 |
| NSF/10/3/1/13 | Gert Sibande TVET College | Address water, waste and reticulation challenges at municipalities and communities in Limpopo (Learnerships, artisan development, skills programmes). Auxiliary Nursing - 12 learners | 23 August 2011 | 31 December 2015 | 18 057 | 3 913 | 18 057 | - |
| NSF/10/3/1/14 | Proserve South Africa | Training in the tourism nodes identified in the Global Competiveness Project by Department of Tourism. | 5 August 2011 | 30 June 2013 | 18 977 | - | 18 977 | - |
| NSF/10/3/1/15 | Department of Public Works (DPW Learnerships and Artisans) | Learnerships and artisan development. | 1 April 2011 | 31 March 2016 | 52 500 | 9 282 | 18 942 | 33 558 |
| NSF/10/3/1/16 | Department of Public works (Northern Cape artisan development) | Artisan development. | 1 April 2011 | 31 March 2016 | 7 100 | - | 1 491 | 5 609 |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | 2015/16 | | | |
|----------------------|--|--|--------------------|------------------|---------------------------------|---|---|---|
| | | | | | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/3/1/17 | Mahube Training and Development | Occupationally-directed programmes, workplace-based skills development and increasing public sector capacity. | 2 April 2012 | 1 April 2014 | 74 823 | (41) | 74 823 | - |
| NSF/10/3/1/18 | Sizimisele Sesto JV | Apprenticeships, learnerships, training of PWD. | 2 April 2012 | 31 March 2015 | 43 097 | 4 942 | 43 097 | - |
| NSF/10/3/1/19 | Epilepsy South Africa - Western Cape | People with disabilities - Learnerships & skills programmes | 29 June 2012 | 31 December 2015 | 23 000 | 5 624 | 23 000 | - |
| NSF/10/3/1/20 | Eskilz Training Co-operative | Skills programmes | 1 August 2012 | 31 December 2014 | 11 970 | 24 | 11 970 | - |
| NSF/10/3/1/21 | Izizwe Training Centre t/a Simtech training and development | Artisan development | 1 August 2012 | 31 December 2014 | 17 878 | 43 | 17 878 | - |
| NSF/10/3/1/22 | Africa Skills Village (Training and Management Services) Pty Ltd | Learnerships and artisan development. | 1 August 2012 | 31 December 2015 | 47 813 | 9 969 | 44 162 | 3 651 |
| NSF/10/3/1/23 | Ada Holdings (Previously Cannistraro Investments) | Artisan development and improve employability (computer literacy, drivers licence, New Venture Creation programme) | 20 August 2012 | 31 December 2018 | 65 585 | 6 435 | 64 885 | 700 |
| NSF/10/3/1/24 | Kgabo Cars Training Centre | Artisan development - Automotive Repairs & Maintenance Level 4 and do trade test. | 23 August 2012 | 31 August 2013 | 1 715 | 348 | 1 715 | - |
| NSF/10/3/1/25 | Maredi Telecoms and Broadcasting (Pty)Ltd | Internship programme - 18 months | 1 April 2014 | 31 December 2014 | 5 581 | - | 5 581 | - |
| NSF/10/3/1/26 | South African Maritime Safety Authority (SAMSA) | Maritime engineering skills programmes. | 21 August 2012 | 31 December 2015 | 93 610 | 2 225 | 93 610 | - |
| NSF/10/3/1/28 | Vukani Aviation CC | National aviation cadet programme. | 8 January 2013 | 31 December 2015 | 77 071 | 560 | 77 071 | - |
| NSF/10/3/1/30 | Transnet Rail Engineering | Infrastructure support and training of 1000 artisans. | 1 August 2012 | 31 December 2018 | 175 526 | 66 257 | 175 526 | - |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | 2015/16 | | | |
|----------------------|---|--|--------------------|------------------|---------------------------------|---|---|---|
| | | | | | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/3/1/31 | Merseta | Artisan development programme. | 1 January 2009 | 31 December 2013 | 125 926 | - | 125 926 | - |
| NSF/10/3/1/34 | Bigen Africa Services | Water and waste reticulation Level 4; Plumbing Level 4, Supervision: Water and waste reticulation operations level 4, Water and waste treatment operations level 4, Water purification processes level 4, Water and waste water treatment - Process control supervision level 4, Interns on BSC: Hydrology, water and sanitation chemistry, Experiential training: ND engineering civil; ND engineering mechanical; ND engineering electrical. | 29 October 2013 | 31 December 2015 | 46 985 | 6 248 | 46 985 | - |
| NSF/10/3/1/36 | Denel SOC Ltd | Artisan development. | 8 July 2014 | 31 March 2017 | 42 561 | 13 683 | 18 819 | 23 742 |
| NSF/10/3/1/5 | PSETA | Training in learnership, skills programme, artisans, co-operative and capacity building. | 10 August 2011 | 31 December 2015 | 64 428 | 4 247 | 64 428 | - |
| NSF/10/3/1/6 | Deloitte Ukhubhaba Consortium (Aviation SP) | Aviation project (Training of flight pilots; NCV training; Technical training) | 28 October 2010 | 31 May 2014 | 79 079 | - | 79 079 | - |
| NSF/10/3/1/8 | False Bay TVET College | Various NQF3-5 certificate courses. | 10 August 2011 | 31 December 2014 | 13 614 | | 13 614 | - |
| NSF/10/3/1/37 | Eskom Artisan Development Support | Artisan development. | 6 February 2015 | 31 December 2018 | 173 750 | 51 899 | 51 899 | 121 851 |
| NSF/10/3/1 | South Arican Airways Technical | Artisan development. | 30 March 2015 | 31 December 2018 | 23 797 | - | - | 23 797 |
| NSF/10/3/1/38 | Denel (Project 73) | Artisan development. | 16 April 2015 | 31 December 2018 | 15 458 | 6 457 | 6 457 | 9 001 |
| NSF/10/3/1/39 | Passionate about People 3 | Youth training and workplace experience. | 1 April 2015 | 31 December 2017 | 13 437 | 4 109 | 4 109 | 9 328 |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| | | | | | 2015/16 | | | |
|--------------------------------------|---|---|--------------------|------------------|---------------------------------|---|---|---|
| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/3/8/1 | NAD: Mining Qualification Authority (MQA) (NC & WC) | Training of unemployed Artisans | 1 September 2015 | 31 March 2019 | 96 195 | 65 | 65 | 96 130 |
| NSF/10/3/1/41 | MQA Italy Project | Unemployed youth to study jewellery design and watchmaker programmes in Italy | 22 January 2016 | 31 December 2017 | 20 675 | 623 | 623 | 20 052 |
| NSF/10/3/9/1 | WIL: EC Office of the Premier | Work integrated learning | 29 February 2016 | 30 December 2017 | 75 285 | 1 026 | 1 026 | 74 259 |
| NSF/10/3/9/2 | WIL: Tshwane University of Technology (TUT) | Work integrated learning | 17 December 2015 | 31 December 2017 | 8 254 | - | - | 8 254 |
| Industrial Policy Action Plan | | | | | 403 890 | 181 136 | 359 347 | 44 543 |
| NSF/10/3/2/1 | Monyetla Work Readiness Programme | Call centre agents (work readiness programme). | 27 January 2012 | 31 March 2016 | 60 446 | - | 60 446 | - |
| NSF/10/3/2/5 | DTI Tooling Initiative Programme | Artisan development in Tool, Die and Mould making. | 22 September 2012 | 31 December 2016 | 200 335 | 65 965 | 168 593 | 31 742 |
| NSF/10/3/2/6 | DTI Unemployed Graduate programme (Itukise Work Experience project) | Placement of unemployed graduates to gain work-place experience. | 1 January 2013 | 31 March 2016 | 71 865 | 54 078 | 59 064 | 12 801 |
| NSF/10/3/2/7 | DTI Monyetla Work Readiness Programme 4 | Call centre agents (work readiness programme) - BPS sector. | 24 may 2013 | 31 December 2016 | 71 244 | 61 093 | 71 244 | - |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| | | | | | 2015/16 | | | |
|--------------------------|---|---|--------------------|------------------|---------------------------------|---|---|---|
| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| Rural Development | | | | | 1 066 748 | 233 779 | 719 228 | 347 520 |
| NSF/10/3/3/1 | Department of Rural Development and Land Reform (NARYSEC) | Youth development programme: Trained as para-professionals in the rural areas (Learnerships, artisan related programmes, skills programmes, etc., and practical work experience. | 18 April 2012 | 31 March 2016 | 191 024 | 30 301 | 74 858 | 116 166 |
| NSF/10/3/3/10 | Therapeuo Training | Beauty therapists. | 11 March 2014 | 31 December 2016 | 313 | 88 | 303 | 10 |
| NSF/10/3/3/11 | Earth Child Consulting | Skills programmes in bricklaying, plastering, electrical engineering, painting, plumbing, plant production, animal production, hospitality and tourism, fast food service, accomodation, tour guide and assistant housekeeping. | 2 April 2014 | 31 March 2016 | 62 779 | 31 084 | 62 779 | - |
| NSF/10/3/3/3 | Department of Public Works (EPWP Programme) | Unemployed for EPWP projects. | 1 April 2011 | 31 March 2016 | 310 000 | 14 903 | 220 420 | 89 580 |
| NSF/10/3/3/4 | Nsingweni Consulting CC / Nsingweni - Kalwayi NGO | Learnership: IT-technician training. | 1 August 2012 | 31 July 2017 | 153 247 | 33 251 | 121 362 | 31 885 |
| NSF/10/3/3/5 | University of Venda | Skills programmes - reviving existing cooperatives; Learnerships for unemployed youth; Internships for unemployed graduades; RPL - Artisans. | 21 January 2013 | 31 December 2015 | 26 679 | 2 652 | 26 679 | - |
| NSF/10/3/3/6 | Sisonke Economic Development Agency | Provision of skills development programmes to benefit Sisonke District Municipality previously disadvantaged communities that will alleviate poverty, reduce unemployment and increase job creation. | 1 January 2013 | 31 December 2015 | 78 861 | 21 165 | 57 210 | 21 651 |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | 2015/16 | | | |
|----------------------|---|---|--------------------|------------------|---------------------------------|---|---|---|
| | | | | | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/3/3/7 | Nkungumathe Youth Development Fund (Project 2) | Rural unemployed youth - artisan skills (apprenticeships and skills programmes). | 25 June 2013 | 31 December 2016 | 33 941 | 9 023 | 18 810 | 15 131 |
| NSF/10/3/3/8 | Skillswise (Pty) Ltd | Rural unemployed youth - Learnerships (Welding - mechanical / Electrical - construction) | 5 June 2013 | 31 December 2015 | 46 558 | 13 777 | 46 558 | - |
| NSF/10/3/3/9 | Mothlompegi Management Consulting Projects | Prepare backyard operators for trade tests. Motor mechanics, panel beating, welding, construction and electricians. | 5 June 2013 | 30 June 2015 | 32 414 | 17 775 | 30 489 | 1 925 |
| NSF/10/3/3/12 | Department of Agriculture, Forestry and Fisheries | Skills development of AgriBEE beneficiaries towards sustainable farming. | 29 September 2014 | 31 March 2017 | 44 465 | 20 420 | 20 420 | 24 045 |
| NSF/10/3/3/14 | MZINTLAVA QUARRY: Centre For Economic Participation | Learnerships in agriculture and construction; Skills programmes in fencing, quarrying and computer literacy, community co-operatives. | 23 June 2015 | 31 May 2017 | 41 992 | 17 537 | 17 537 | 24 455 |
| NSF/10/3/3/13 | Tsiku Training Consultancy | Rural agrarian transformation. | 8 May 2015 | 31 March 2017 | 44 475 | 21 803 | 21 803 | 22 672 |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| | | | | | 2015/16 | | | |
|-------------------------------------|---|--|--------------------|------------------|---------------------------------|---|---|---|
| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| Education and Health | | | | | 148 613 | 47 236 | 80 463 | 68 150 |
| NSF/10/3/4/5 | Inkwanca Home Based Care Centre (IHBC) | NPO: Community Health Work Training. | 20 August 2012 | 30 June 2015 | 4 177 | 5 | 4 177 | - |
| NSF/10/3/4/7 | Nelson Mandela Childrens Hospital Trust | Executive management development programme, Hospital management development programme - nurse managers / nurse specialisation training programme, support staff development (IT & database management skills), clinical lecturers and clinical preceptors. | 5 June 2013 | 31 December 2017 | 70 328 | 14 334 | 18 229 | 52 099 |
| NSF/10/3/4/8 | African Institute for Mathematical Science | SA students bursaries for AIMS academic programmes, AIMSSEC teacher professional development programme. | 28 June 2013 | 31 March 2016 | 18 131 | 7 514 | 18 131 | - |
| NSF/10/3/4/9 | South African National Council for the Blind (SANCB) | Skills development initiative for the blind. | 9 May 2014 | 31 March 2016 | 20 513 | 5 970 | 20 513 | - |
| NSF/10/3/4/10 | National Institute for the Deaf (NID 3) | Facilitation of the deaf accessible | 1 April 2015 | 31 March 2017 | 35 464 | 19 413 | 19 413 | 16 051 |
| Justice and Crime Prevention | | | | | 207 822 | 2 443 | 207 822 | - |
| NSF/10/3/5/2 | Department of Correctional Services (Offender Training) | Offender training. | 27 March 2012 | 31 March 2016 | 66 424 | 2 443 | 66 424 | - |
| NSF/10/3/5/4 | Chippa Investment Holdongs CC (PRASA) | Security officer and other skills programmes (unemployed) for full absorption by PRASA. | 1 August 2012 | 31 December 2013 | 78 977 | - | 78 977 | - |
| NSF/10/3/5/5 | Chippa (SAPS) Project | Transform SAPS reservists into SAPS professional trained security service's personnel. | 1 November 2012 | 31 December 2013 | 62 421 | - | 62 421 | - |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| | | | | | 2015/16 | | | |
|--|--|---|--------------------|-------------------|---------------------------------|---|---|---|
| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| Co-operatives, Small Enterprises, NGOs and Community Training Initiatives | | | | | 485 326 | 86 509 | 391 735 | 93 591 |
| NSF/10/3/6/10 | SEDA BESD Programme | Facilitators and emerging entrepreneurs. | 17 April 2012 | 31 March 2016 | 84 000 | 14 926 | 16 607 | 67 393 |
| NSF/10/3/6/14 | King Hintsa TVET College | Co-operative skills. | 13 April 2012 | 30 September 2013 | 26 786 | - | 26 786 | - |
| NSF/10/3/6/15 | Jet Education Services (Jet 2) | Youth employment creation programme (schools construction and renovations). | 13 April 2012 | 30 September 2014 | 14 090 | 262 | 14 090 | - |
| NSF/10/3/6/16 | LHR Solutions - Letsatsi 2 | Co-operative development. | 1 August 2012 | 31 July 2015 | 163 191 | 38 101 | 163 191 | - |
| NSF/10/3/6/17 | Caroline Fashion Enterprise | Fashion design learnership. | 1 August 2012 | 31 December 2013 | 6 340 | - | 6 340 | - |
| NSF/10/3/6/18 | KMK Training Service (Pty) Ltd | Fruit and vegetable producer training. | 16 August 2012 | 31 December 2014 | 15 446 | - | 15 446 | - |
| NSF/10/3/6/19 | Tembaletu Trust | Entrepreneurship (unemployed). | 20 August 2012 | 31 December 2014 | 8 172 | 413 | 8 172 | - |
| NSF/10/3/6/20 | Furniture World Private College for Further Education & Training | Skills programmes and learnerships. | 15 June 2014 | 31 December 2015 | 93 890 | 26 894 | 74 486 | 19 404 |
| NSF/10/3/6/22 | Siphumelele Skills Solutions | Learnership in furniture making NQF Level 3. | 31 December 2014 | 31 December 2015 | 39 728 | 395 | 39 728 | - |
| NSF/10/3/6/23 | Passionate About People Project 2 | Youth training and workplace experience. | 7 June 2013 | 31 March 2016 | 18 531 | 1 278 | 18 531 | - |
| NSF/10/3/6/24 | Caroline Fashion Enterprise 2 | Fashion design learnership. | 1 January 2014 | 31 December 2015 | 5 466 | 1 348 | 5 466 | - |
| NSF/10/3/6/25 | South African Disability Trust (SADDT-2) | Learnership for disabled learners in the hospitality industry | 19 June 2015 | 31 December 2016 | 9 686 | 2 892 | 2 892 | 6 794 |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| | | | | | 2015/16 | | | |
|-------------------------------|-----------------------------------|---|--------------------|------------------|---------------------------------|---|---|---|
| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| Public Sector Capacity | | | | | 2 402 597 | 453 705 | 2 264 954 | 137 643 |
| NSF/10/3/7/10 | Port Elizabeth TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 20 979 | 10 693 | 20 979 | - |
| NSF/10/3/7/12 | Goldfields TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 18 659 | - | 18 659 | - |
| NSF/10/3/7/13 | Maluti TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 30 364 | 30 361 | 30 364 | - |
| NSF/10/3/7/14 | Motheo TVET College | Student/Learner expansion and capacity development. | 7 September 2012 | 31 December 2015 | 49 862 | 20 288 | 49 862 | - |
| NSF/10/3/7/15 | Central Johannesburg TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 37 770 | 24 478 | 37 770 | - |
| NSF/10/3/7/16 | Ekurhuleni East TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 27 038 | - | 27 038 | - |
| NSF/10/3/7/17 | Ekurhuleni West TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 61 931 | (4 077) | 61 931 | - |
| NSF/10/3/7/18 | Sedibeng TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2016 | 21 195 | 10 004 | 21 195 | - |
| NSF/10/3/7/19 | South West Gauteng TVET College | Student/Learner expansion and capacity development. | 2 August 2012 | 31 December 2015 | 47 207 | 415 | 47 207 | - |
| NSF/10/3/7/20 | Tshwane North TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 74 685 | 30 962 | 31 471 | 43 214 |
| NSF/10/3/7/21 | Tshwane South TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 30 August 2016 | 42 083 | 4 565 | 17 902 | 24 181 |
| NSF/10/3/7/22 | Western Gauteng TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 41 605 | 9 | 41 605 | - |
| NSF/10/3/7/23 | Coastal TVET College | Student/Learner expansion and capacity development. | 3 January 2012 | 31 December 2015 | 108 247 | 7 251 | 108 247 | - |
| NSF/10/3/7/24 | Elangeni TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 86 469 | 39 383 | 86 469 | - |
| NSF/10/3/7/25 | Esayidi TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 46 000 | 1 519 | 46 000 | - |

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| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | 2015/16 | | | |
|----------------------|--------------------------------|---|--------------------|------------------|---------------------------------|---|---|---|
| | | | | | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/3/7/26 | Majuba TVET college | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 118 249 | 10 307 | 118 249 | - |
| NSF/10/3/7/27 | Mnambithi TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 30 547 | - | 30 547 | - |
| NSF/10/3/7/28 | Mthashana TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 41 347 | 2 679 | 41 347 | - |
| NSF/10/3/7/29 | Thekwini TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 20 000 | 44 | 20 000 | - |
| NSF/10/3/7/3 | Buffalo City TVET College | Student/Learner expansion and capacity development. | 3 January 2012 | 31 December 2015 | 26 912 | 6 150 | 18 036 | 8 876 |
| NSF/10/3/7/30 | Umfolozi TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 134 649 | 9 779 | 134 649 | - |
| NSF/10/3/7/31 | Umgungundlovu TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 75 367 | 23 343 | 75 367 | - |
| NSF/10/3/7/32 | Capricorn TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 57 547 | 10 364 | 57 547 | - |
| NSF/10/3/7/33 | Lephalale TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 100 000 | 21 638 | 100 000 | - |
| NSF/10/3/7/34 | Letaba TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 22 815 | 13 268 | 22 815 | - |
| NSF/10/3/7/35 | Mopani South East TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 51 841 | 2 847 | 51 841 | - |
| NSF/10/3/7/36 | Sekhukhune TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 44 100 | 12 808 | 44 100 | - |
| NSF/10/3/7/37 | Vhembe TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 72 367 | 4 264 | 72 367 | - |
| NSF/10/3/7/38 | Waterberg TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 39 392 | 2 983 | 39 392 | - |
| NSF/10/3/7/39 | Elanzeni TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 20 000 | (2 746) | 20 000 | - |

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| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | 2015/16 | | | |
|----------------------|-----------------------------------|---|--------------------|------------------|---------------------------------|---|---|---|
| | | | | | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/3/7/4 | East Cape Midlands TVET College | Student/Learner expansion and capacity development. | 2 August 2012 | 31 December 2015 | 102 396 | 17 403 | 60 260 | 42 136 |
| NSF/10/3/7/40 | Gert Sibande TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 48 016 | 20 368 | 48 016 | - |
| NSF/10/3/7/41 | Nkangala TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 29 455 | 5 475 | 29 455 | - |
| NSF/10/3/7/42 | Orbit TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 43 065 | (960) | 43 065 | - |
| NSF/10/3/7/43 | Taletso TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 16 381 | 339 | 16 381 | - |
| NSF/10/3/7/44 | Vuselela TVET College | Student/Learner expansion and capacity development. | August 04, 2012 | 31 December 2015 | 31 039 | 2 968 | 31 039 | - |
| NSF/10/3/7/45 | Northern Cape Rural TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 70 802 | 1 994 | 70 802 | - |
| NSF/10/3/7/46 | Northern Cape Urban TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 34 335 | 6 049 | 34 335 | - |
| NSF/10/3/7/47 | Boland TVET College | Student/Learner expansion and capacity development. | 6 September 2012 | 31 December 2015 | 85 186 | 15 742 | 85 186 | - |
| NSF/10/3/7/48 | College of Cape Town TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 36 740 | 9 338 | 36 740 | - |
| NSF/10/3/7/49 | False Bay TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 62 525 | 10 111 | 57 030 | 5 495 |
| NSF/10/3/7/5 | Ikhala TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 11 221 | 3 089 | 11 221 | - |
| NSF/10/3/7/50 | North Link TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 65 103 | 3 917 | 65 103 | - |
| NSF/10/3/7/51 | South Cape TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 86 402 | 22 676 | 86 402 | - |
| NSF/10/3/7/52 | West Coast TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 68 445 | 17 751 | 54 704 | 13 741 |

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| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/3/7/6 | Ingwe TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 8 093 | 5 | 8 093 | - |
| NSF/10/3/7/7 | King Hintsa TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 23 654 | 23 188 | 23 654 | - |
| NSF/10/3/7/8 | King Sabata TVET College | Student/Learner expansion and capacity development. | 1 August 2012 | 31 December 2015 | 5 653 | 757 | 5 653 | - |
| NSF/10/3/7/9 | Lovedale TVET College | Student/Learner expansion and capacity development. | 7 August 2012 | 31 December 2015 | 4 859 | (84) | 4 859 | - |
| DIRECTOR-GENERAL PRIORITIES | | | | | 10 368 247 | 2 865 391 | 7 544 060 | 2 824 187 |
| Worker Education | | | | | 34 841 | 5 408 | 29 168 | 5 673 |
| NSF/10/4/1/1 | Ditsela Danlep & Provincial Project | Advanced National Labour Educational Programme. | 5 July 2011 | 31 December 2015 | 17 374 | 341 | 17 374 | - |
| NSF/10/4/1/3 | Workers College Project 2 | Training of members of trade unions. Diplomas and degrees (UKZN): Industrial Working Life. | 26 June 2013 | 31 March 2016 | 17 467 | 5 067 | 11 794 | 5 673 |
| Skills System Capacity Building | | | | | 85 342 | 24 057 | 85 342 | - |
| NSF/10/4/2/6 | SAICA Walter Sisulu University | Capacity development for B Com Chartered Accountants programme accreditation by SAICA. | 3 January 2012 | 31 December 2015 | 84 403 | 23 701 | 84 403 | - |
| NSF/10/4/2/7 | Quality Council for Trades Occupations (QCTO) | Systems, processes and capacity (Training of Quality Development Facilitators) | 1 August 2012 | 28 February 2015 | 939 | 356 | 939 | - |
| Training Lay-off Scheme | | | | | 66 095 | (9 469) | 66 095 | - |
| NSF/10/4/3/1 | Merseta TLS | Training lay-off scheme | Ongoing | Ongoing | 66 095 | (9 469) | 66 095 | - |

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| | | | | | R'000 | R'000 | R'000 | R'000 |
| Academia, Research and Development | | | | | 491 311 | 50 705 | 57 067 | 434 244 |
| NSF/10/4/4/10 | National Institute for Humanities and Social Sciences (NIHSS) | PhDs in Humanities and Social Sciences, African pathways and catalytic projects (Heritage hubs and other projects). | Ongoing | Ongoing | 132 624 | 29 297 | 29 298 | 103 326 |
| NSF/10/4/4/9 | UCT Hairdressing | Hair Testing and Cosmetic Toxicology Laboratory. Development of Specialization in the Hairdressing Sub-Sector. | 19 May 2014 | 31 March 2016 | 8 691 | 2 325 | 8 691 | - |
| NSF/10/4/4/11 | LIMA Rural Development Foundation | Administers the Mzala Centre (research and organizational skills for academics, students and activists). | 3 August 2015 | 31 August 2017 | 26 421 | 3 163 | 3 163 | 23 258 |
| NSF/10/4/4/12 | NMMU - SAIMI Project | Maritime research, education and training. | 1 April 2015 | 31 December 2018 | 296 145 | 15 907 | 15 903 | 280 242 |
| NSF/10/4/4/13 | CEPD (Centre for Education Policy Development) | Student Leadership Capacity. | 22 June 2015 | 31 May 2019 | 27 430 | 13 | 12 | 27 418 |
| Bursaries | | | | | 6 632 907 | 1 551 362 | 5 401 300 | 1 231 607 |
| NSF/10/4/5/1 | National Research Foundation (NRF) | Post graduate bursaries. | Ongoing | Ongoing | 941 572 | 192 017 | 637 341 | 304 231 |
| NSF/10/4/5/2 | National Student and Financial Aid Scheme (NSFAS) | Under and post graduate bursaries. | Ongoing | Ongoing | 5 665 184 | 1 351 627 | 4 756 239 | 908 945 |
| NSF/10/4/5/4 | International Scholarships | International scholarships. | Ongoing | Ongoing | 20 901 | 6 225 | 6 226 | 14 675 |
| NSF/10/4/5/5 | Belgium Campus | Training of unemployed youth | 1 April 2015 | 31 December 2018 | 5 250 | 1 493 | 1 494 | 3 756 |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| | | | | | 2015/16 | | | |
|---|---|---|--------------------|------------------|---------------------------------|---|---|---|
| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| DHET projects for Academia, Research, Capacity and Development | | | | | 3 057 751 | 1 243 328 | 1 905 088 | 1 152 663 |
| NSF/10/4/6/7 | National Artisan Moderation Body (NAMB) | Artisan development systems and capacity building for national artisan development. | 1 February 2012 | 31 March 2016 | 128 833 | 11 270 | 26 942 | 101 891 |
| NSF/10/4/6/8 | HETMIS System | Management information system. | 1 July 2012 | 31 March 2016 | 30 647 | 5 071 | 14 089 | 16 558 |
| NSF/10/4/6/5 | JET education services (Jet 1) | TVET college improvement project. | 23 September 2011 | 31 March 2016 | 69 398 | 12 771 | 77 675 | (8 277) |
| NSF/10/4/6/2 | ADRS Wits EPU | Research and capacity development - link to HSRC (Labour Market Intelligence Project) | 3 December 2011 | 31 March 2016 | 14 917 | - | 11 347 | 3 570 |
| NSF/10/4/6/11 | South African Institute of Chartered Accountants (SAICA) | Capacity Development (TVET - CFOs and HR generalists) | 1 April 2012 | 31 March 2016 | 240 313 | 75 800 | 213 183 | 27 130 |
| NSF/10/4/6/1 | Human Science Research Council (HSRC) | Labour Market Intelligence Project | 7 February 2012 | 31 March 2016 | 66 500 | 12 572 | 48 408 | 18 092 |
| NSF/10/4/6/10 | University of KZN - CCRRI project | Research / Implementation of Soudien Committee report / Obstacles/ supply / diversity - entrants of professions through HET-system. | 26 April 2012 | 31 March 2016 | 27 077 | 413 | 15 907 | 11 170 |
| NSF/10/4/6/12 | UKZN Maurice Webb Race Relations Unit | African researchers - humanities and social sciences. | 26 April 2012 | 31 March 2016 | 3 719 | - | 3 719 | - |
| NSF/10/4/6/9 | CEPD - HSS Project | Research - Humanities and Social Sciences | 5 June 2012 | 31 March 2016 | 18 873 | - | 15 736 | 3 137 |
| NSF/10/4/6/13 | CEPD: Research and Public Engagement - Post School Education & Training | Research and Public Engagement - Post School Education & Training | 1 August 2012 | 31 March 2016 | 88 925 | 27 265 | 54 349 | 34 576 |
| NSF/10/4/6/14 | NAMB - NAD Support Centre (EEC) | Ekurhuleni East TVET College Support Centre for the National Artisan Development | 17 September 2012 | 31 March 2016 | 23 839 | 8 443 | 23 799 | 40 |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | 2015/16 | | | |
|----------------------|--|--|--------------------|------------------|---------------------------------|---|---|---|
| | | | | | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/4/6/28 | Ministerial Task Team - Mathematics and Science Foundation | Ministerial task teams (Additional budget): 1. Maths and Science Foundation 2. RPL funding models and approaches 3. Review RPL practices and approaches 4. SAIVCET | 2 May 2012 | 31 March 2016 | 1 234 | 1 | 26 | 1 208 |
| NSF/10/4/6/24 | Central Application Service - Phase 1 (Clearing House) | Appoint a service provider to facilitate and implement phase 1 of the central application service in the form of clearing house. | 11 December 2012 | 31 March 2016 | 44 060 | 8 642 | 21 669 | 22 391 |
| NSF/10/4/6/23 | Adult Education and Training Curriculum Development | Curriculum Development. | 6 December 2012 | 31 March 2016 | 8 773 | 837 | 2 987 | 5 786 |
| NSF/10/4/6/22 | DHET Intervention at Universities: Good Governance and Admin | Interventions at Universities to restore good governance and effective administration: University of Zululand, WSU, TUT, VUT and University of Limpopo. | 1 April 2012 | 31 March 2016 | 34 196 | - | 34 196 | - |
| NSF/10/4/6/27 | Walter Sisulu University: Infrastructure Development | Installing modern teaching and learning technology at Mthatha campuses. Installing security palisade fencing around residence. | 9 July 2012 | 31 March 2016 | 64 300 | - | 32 150 | 32 150 |
| NSF/10/4/6/26 | Post School Information Systems | Appointment of a Project Manager for HETMIS (60 month period) | 29 August 2012 | 31 March 2016 | 6 692 | 643 | 2 165 | 4 527 |
| NSF/10/4/6/25 | Multi-Media Communication Campaign | Develop and implement a 12-month long multi-media communication campaign for DHET. | 31 July 2012 | 31 March 2016 | 10 705 | 1 610 | 11 074 | (369) |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | 2015/16 | | | |
|----------------------|--|---|--------------------|------------------|---------------------------------|---|---|---|
| | | | | | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/4/6/21 | Project Co-ordination Unit: DHET Capacity Development Support Grant | Appointment of personnel for project coordination unit. | 21 September 2012 | 31 March 2016 | 8 799 | 1 942 | 4 859 | 3 940 |
| NSF/10/4/6/20 | Special Infrastructure Project - Presidential SIPs | Resourcing of the special projects office of DHET. | 1 September 2012 | 31 March 2016 | 44 877 | 3 502 | 12 250 | 32 627 |
| NSF/10/4/6/19 | Screening TVET Textbooks | Screening and re-screening of student text books and lecturer guides for NC(V) programmes in TVET Colleges. | 1 April 2012 | 31 March 2016 | 635 | 2 | 1 451 | (816) |
| NSF/10/4/6/18 | Post School Infrastructure: Phase 1: Project Manager | Resourcing of the special projects office of DHET. | 1 April 2012 | 31 March 2016 | 5 646 | 1 | 1 003 | 4 643 |
| NSF/10/4/6/17 | RPL for Artisans Project (Indlela) | Recognition of prior learning for artisans. | 12 June 2012 | 31 March 2016 | 16 265 | 2 848 | 6 822 | 9 443 |
| NSF/10/4/6/16 | Open and Distance Learning | Development of an open and distance education and training system - Phase 1 | 4 June 2012 | 31 March 2016 | 3 950 | (6) | 2 902 | 1 048 |
| NSF/10/4/6/15 | Ministerial Task Team on SAIVCET | Ministerial task team for the establishment of the South African Institute for Vocational and Continuing Education and Training | 1 March 2012 | 31 March 2016 | 1 500 | | 788 | 712 |
| NSF/10/4/6/32 | Skills Branch: Provision of Organisation of Original Development Project | Organisation development project. | 1 May 2012 | 31 March 2016 | 1 138 | - | 724 | 414 |
| NSF/10/4/6/30 | Ministerial Special Projects | Capacitating unit responsible for establishing ministerial task teams and committees and coordinating work of the various Ministerial Task Teams. | 6 December 2012 | 31 March 2016 | 15 265 | 474 | 12 066 | 3 199 |
| NSF/10/4/6/34 | Higher Education South Africa (HESA) | Building capacity of university and TVET college academic staff to integrate HIV AIDS issues in the curricula. | 1 August 2013 | 31 March 2016 | 24 808 | 6 908 | 12 283 | 12 525 |

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| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | 2015/16 | | | |
|----------------------|---|---|--------------------|------------------|---------------------------------|---|---|---|
| | | | | | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/4/6/37 | National Examinations & Assessments (CDNEA) | Capacity development support to National Examinations and Assessment. | 20 January 2015 | 31 March 2016 | 60 000 | - | 95 710 | (35 710) |
| NSF/10/4/6/36 | SAQA-CDS Projects | Establishment of National Comprehensive and Independent career development helpline and advisory services - to support NAF, NSDS. | 1 September 2010 | 31 March 2016 | 45 204 | 328 | 34 388 | 10 816 |
| NSF/10/4/6/4 | DHET: Recognition of Prior Learning Ministerial Task Team (RPL) | Ministerial Task Team on Recognition of Prior Learning | 13 December 2011 | 31 May 2012 | 500 | - | - | 500 |
| NSF/10/4/6/35 | DHET: Appointment of Consultants for the Infrastructure Development Project (IDP) | Appointment of Consultants for the Infrastructure Development Project | 29 April 2013 | 31 July 2015 | 10 894 | 1 911 | 11 401 | (507) |
| NSF/10/4/6/31 | DHET: Oversight committee on transformation in SA universities | Oversight committee on transformation in SA universities | 7 December 2012 | 31 December 2018 | 12 007 | 208 | 208 | 11 799 |
| NSF/10/4/6/33 | DHET: Costing Module for TVET Programmes | Costing Module for TVET Programmes | 1 April 2013 | 31 March 2014 | 1 700 | 840 | 840 | 860 |
| NSF/10/4/6/38 | DHET: NMMU Medical Training | NMMU Medical Training | 1 April 2015 | 30 June 2016 | 10 100 | 9 929 | 9 929 | 171 |
| NSF/10/4/6/39 | DHET: #feesmustfall | Zero percent fee increase at universities for 2016 | 1 January 2016 | 31 December 2016 | 1 274 000 | 969 139 | 969 139 | 304 861 |
| NSF/10/4/6/40 | DHET: SAIVCET | South African Institute for Vocational and Continuing Education | 24 March 2016 | 31 March 2021 | 185 378 | - | - | 185 378 |
| NSF/10/4/6/41 | DHET: National Plan for PSET | National Plan for PSET | 1 July 2015 | 31 December 2016 | 9 952 | 1 195 | 1 195 | 8 757 |
| NSF/10/4/6/42 | DHET: SSACCI/ SwissCham Project | Swiss South Africa Cooperation Initiative for dual system training of artisan apprentices in SA | 1 July 2015 | 31 December 2017 | 1 644 | 195 | 195 | 1 449 |

ANNEXURE: LIST OF SKILLS DEVELOPMENT PROGRAMMES AND PROJECTS FUNDED BY NSF

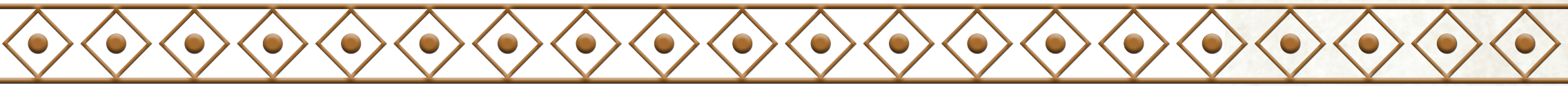
| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | 2015/16 | | | |
|----------------------|---|--|--------------------|------------------|---------------------------------|---|---|---|
| | | | | | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/4/6/43 | Higher Education and Training HIV/AIDS Programme (HEAIDS) | Strengthening general health and wellness issues in the higher education sector | 1 January 2016 | 31 December 2019 | 36 000 | 2 622 | 2 622 | 33 378 |
| NSF/10/4/6/44 | DHET: Intergrated Examination Solutions (IT examination system improvement project) | IT examination system improvement project | 1 September 2015 | 31 March 2018 | 52 000 | - | - | 52 000 |
| NSF/10/4/6/45 | South African Research and Education Network (SANReN) | Provides the backbone for connectivity of universities to the internet and global research networks | 1 April 2016 | 31 March 2020 | - | - | - | - |
| NSF/10/4/6/46 | DHET: Hanoi Leadership Symposium | South African Delegates to attend the 7th University Scholars Leadership Symposium in Hanoi, Vietnam | 1 August 2016 | 31 August 2016 | - | - | - | - |
| NSF/10/4/6/47 | DHET: Artisan Certificate/ Artisan Development | Artisan Development | 1 April 2012 | 31 March 2020 | 141 243 | 10 210 | 19 958 | 121 285 |
| NSF/10/4/6/48 | DHET: Dual System Apprenticeship Project (DSAP) | Dual System Apprenticeship Project | 1 November 2012 | 31 March 2016 | 6 414 | - | - | 6 414 |
| NSF/10/4/6/49 | DHET: Ministerial Committee: Funding Frameworks for FETs and ELCs | Funding Frameworks for FETs and ELCs | 1 July 2013 | 30 June 2014 | 2 575 | 448 | 448 | 2 127 |
| NSF/10/4/6/50 | DHET: HSRC: BRICKS Think Tank | BRICKS Think Tank | 1 April 2014 | 31 March 2015 | 1 748 | 1 054 | 1 748 | - |
| NSF/10/4/6/51 | DHET: World Skills South Africa (WSSA) | World Skills South Africa | 1 January 2015 | 30 November 2015 | 8 000 | 6 382 | 6 382 | 1 618 |
| NSF/10/4/6/52 | DHET: TVET Campus Managers Development | TVET Campus Managers Development | 1 July 2015 | 30 June 2018 | 7 389 | - | - | 7 389 |
| NSF/10/4/6/53 | DHET: SAICA - HR Project | SAICA - HR Project | 1 January 2015 | 31 December 2015 | 16 140 | 16 141 | 16 141 | |

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| | | | | | 2015/16 | | | |
|---------------------------------------|--|--|--------------------|------------------|---------------------------------|---|---|---|
| NSF Reference Number | Project Name | Short Description | Project Start Date | Project End Date | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/4/6/54 | DHET: SAICA - HR Training Support Project | SAICA - HR Training Support Project | 1 March 2014 | 30 April 2014 | 300 | - | 113 | 187 |
| NSF/10/4/6/55 | DHET: FET Forensic Investigations | FET Forensic Investigations | 16 August 2013 | 31 March 2016 | 10 227 | 4 430 | 12 013 | (1 786) |
| NSF/10/4/6/56 | DHET: PSET Quality Assurance | PSET Quality Assurance | 1 April 2015 | 31 March 2016 | 2 210 | - | - | 2 210 |
| NSF/10/4/6/57 | DHET: NIHSS - Board Operational cost | NIHSS - Board Operational cost | 1 April 2014 | 31 March 2018 | 98 621 | 34 203 | 41 556 | 57 065 |
| NSF/10/4/6/58 | DHET: Senior managers in the VCET branch | Senior managers in the VCET branch | 30 November 2012 | 31 December 2018 | 14 772 | 3 085 | 9 316 | 5 456 |
| NSF/10/4/6/59 | DHET: JET educational services 4 administrators | JET educational services 4 administrators | 1 December 2011 | 30 August 2014 | 16 849 | - | 7 217 | 9 632 |
| NSF/10/4/6/60 | DHET: TVET College Foundational Learning Programme | TVET College Foundational Learning Programme | 1 March 2015 | 31 December 2019 | 26 000 | - | - | 26 000 |
| SKILLS INFRASTRUCTURE | | | | | 3 644 493 | 278 133 | 1 490 771 | 2 153 722 |
| Public Delivery Infrastructure | | | | | 3 565 807 | 278 152 | 1 412 085 | 2 153 722 |
| NSF/10/5/1/1 | University of Pretoria (Veterinary project) | Veterinary programme | 20 September 2012 | 31 December 2016 | 113 612 | 16 902 | 102 971 | 10 641 |
| NSF/10/5/1/2 | University of Pretoria (MBChB programme) | MBChB- programme | 1 August 2012 | 31 December 2015 | 311 042 | 107 098 | 310 453 | 589 |
| NSF/10/5/1/3 | University of Johannesburg Engineering Development | Workplace experience facilities for graduates. | 30 April 2013 | 31 December 2015 | 212 809 | 81 353 | 212 809 | - |
| NSF/10/5/1/4 | Cape Peninsula University of Technology Renewable Energy Infrastructure Project (CPUT) | Renewable energy learning facilities. | 25 January 2013 | 31 December 2016 | 105 578 | 53 685 | 66 176 | 39 402 |
| NSF/10/5/1 | DHET TVET College Infrastructure Development | 16 TVET college campuses. | 9 December 2013 | 30 June 2016 | 2 500 000 | - | 589 768 | 1 910 232 |

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|---|--|---|--------------------|------------------|---------------------------------|---|---|---|
| | | | | | Contract Value (Project Budget) | 2015/16 Skills Development Grant Disbursement Expenditure | Total Skills Development Grant Disbursement Expenditure to Date | Remaining Commitment (Remaining Budget) |
| | | | | | R'000 | R'000 | R'000 | R'000 |
| NSF/10/5/1/6 | ADA Holdings - Ingwe Projects | TVET Colleges Infrastructure | 3 April 2014 | 31 March 2016 | 187 416 | 19 114 | 104 373 | 83 043 |
| NSF/10/5/1/7 | DHET FET Infrastructure - W&RSETA/Mthashana FET | TVET Colleges Infrastructure | 1 April 2014 | 31 March 2017 | 39 350 | - | 25 535 | 13 815 |
| NSF/10/5/1/8 | DHET FET Infrastructure - LGSETA/Lovedale FET | TVET Colleges Infrastructure | 31 March 2014 | 31 March 2017 | 46 000 | - | - | 46 000 |
| NSF/10/5/1/9 | DHET FET Infrastructure - ServicesSETA/King Sebata FET | TVET Colleges Infrastructure | 31 March 2014 | 31 March 2017 | 50 000 | - | - | 50 000 |
| Community Education Centres | | | | | 78 686 | (19) | 78 686 | - |
| NSF/10/5/2/2 | National Institute of the Deaf (NID 2) | Disabled people and improve infrastructure facilities. | 11 April 2012 | 31 March 2017 | 78 686 | (19) | 78 686 | - |
| Human Resource Development Strategy of South Africa (HRDSSA) | | | | | 105 200 | 10 799 | 44 605 | 60 595 |
| Research | | | | | 105 200 | 10 799 | 44 605 | 60 595 |
| NSF/10/1/1 | HRDSA Funding | Human Resource Development Strategy of South Africa Priorities (HRDSSA) | 28 March 2013 | 31 March 2016 | 105 200 | 10 799 | 44 605 | 60 595 |
| TOTAL AS PER ANNUAL FINANCIAL STATEMENTS | | | | | 20 651 537 | 4 357 162 | 14 412 173 | 6 239 364 |



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