



# ANNUAL REPORT 2015/2016

| ALL aboard |



## Quality Council for Trades and Occupations

Annual Report

2015/16 Financial Year

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## PART A: GENERAL INFORMATION

## 1. PUBLIC ENTITY'S GENERAL INFORMATION

|   |  |
|---|--|
| <b>REGISTERED NAME:</b>                     | Quality Council for Trades and Occupations   |
| <b>REGISTRATION NUMBER (if applicable):</b> | Not applicable   |
| <b>PHYSICAL ADDRESS:</b>                    | 256 Glyn Street<br>Hatfield<br><br>Pretoria<br><br>0083  |
| <b>POSTAL ADDRESS:</b>                      | Private Bag X278<br><br>Pretoria<br><br>0001   |
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| <b>E-MAIL ADDRESS:</b>                      | info@qcto.org.za   |
| <b>WEBSITE ADDRESS:</b>                     | www.qcto.org.za  |
| <b>EXTERNAL AUDITORS:</b>                   | Auditor-General of South Africa<br>PO Box 446<br>Pretoria<br>0001  |
| <b>BANKERS:</b>                             | ABSA, 2 <sup>nd</sup> Floor, Lourie Place<br>Hillcrest Office Park<br>177 Dyer Street<br>Hillcrest<br>0083 |
| <b>FRAUD AND ETHICS HOTLINE</b>             | 0800 322 322<br>qcto@tip-offs.com  |

## 2. LIST OF ABBREVIATIONS / ACRONYMS

|                |   |
|----------------|---|
| <b>AGSA</b>    | Auditor-General of South Africa   |
| <b>APP</b>     | Annual Performance Plan   |
| <b>APPETD</b>  | Association of Private Providers for Education, Training and Development                |
| <b>AQP</b>     | Assessment Quality Partner  |
| <b>BBBEE</b>   | Broad Based Black Economic Empowerment  |
| <b>CAT</b>     | Credit Accumulation Transfer  |
| <b>CEO</b>     | Chief Executive Officer   |
| <b>CD</b>      | Chief Directorate   |
| <b>CFO</b>     | Chief Financial Officer   |
| <b>CIPPT</b>   | Chartered Institute for Professional Practitioners and Trainers                         |
| <b>CHE</b>     | Council on Higher Education   |
| <b>CGICTPF</b> | Corporate Governance of Information Communication Technology Framework                  |
| <b>COBIT</b>   | Control Objectives for information and Related Technology                               |
| <b>COIDA</b>   | Compensation for Occupational Injuries and Diseases Act                                 |
| <b>DBE</b>     | Department of Basic Education   |
| <b>DG</b>      | Director General  |
| <b>DHET</b>    | Department of Higher Education and Training   |
| <b>DoL</b>     | Department of Labour  |
| <b>EISA</b>    | External Integrated Summative Assessment  |
| <b>ETQA</b>    | Education and Training Quality Assurance body   |
| <b>FET</b>     | Further Education and Training  |
| <b>HR</b>      | Human Resources   |
| <b>IT</b>      | Information Technology  |
| <b>ITC</b>     | Information Technology and Communication  |
| <b>ITIL</b>    | Information Technology Infrastructure Library   |
| <b>IQ</b>      | Institute for Quality   |
| <b>INDLELA</b> | Institute for the Development of Learnerships, Employment Skills and Labour Assessments |
| <b>LQDF</b>    | Learner Qualifications Development Facilitator  |
| <b>MHET</b>    | Minister of Higher Education and Training   |
| <b>MOA</b>     | Memorandum of Agreement   |

## LIST OF ABBREVIATIONS / ACRONYMS (Continued)

|                |  |
|----------------|--|
| <b>MoL</b>     | Minister of Labour   |
| <b>MSP</b>     | Master Systems Plan  |
| <b>MTEF</b>    | Medium Term Expenditure Framework  |
| <b>N/A</b>     | Not applicable   |
| <b>NAMB</b>    | National Artisan Moderating Body   |
| <b>NATED</b>   | National Education Report 191 (Part 2) N4 to N6  |
| <b>NCV</b>     | National Certificate Vocational  |
| <b>NLRD</b>    | National Learner Records Database  |
| <b>NQF Act</b> | National Qualifications Framework Act (No. 67 of 2008)   |
| <b>NSA</b>     | National Skills Authority  |
| <b>OQA</b>     | Occupational Quality Assurance   |
| <b>OQM</b>     | Occupational Qualifications Management   |
| <b>OQSF</b>    | Trades and Occupations Qualifications Sub-Framework (commonly known as Occupational Qualifications Sub-Framework for Trades and Occupations) |
| <b>PAYE</b>    | Pay As You Earn  |
| <b>PFMA</b>    | Public Finance Management Act  |
| <b>PPPFA</b>   | Preferential Procurement Policy Framework Act  |
| <b>QA</b>      | Quality Assurance  |
| <b>QAP</b>     | Quality Assurance Partner  |
| <b>QC</b>      | Quality Council  |
| <b>QCTO</b>    | Quality Council for Trades and Occupations   |
| <b>QDF</b>     | Qualifications Development Facilitators  |
| <b>SAQA</b>    | South African Qualifications Authority   |
| <b>SARS</b>    | South African Revenue Services   |
| <b>SCM</b>     | Supply Chain Management  |
| <b>SDA</b>     | Skills Development Act (No 97 of 1998)   |
| <b>SDP</b>     | Skills Development Provider  |
| <b>SETA</b>    | Sector Education and Training Authority  |
| <b>SLA</b>     | Service Level Agreement  |
| <b>SOP</b>     | Standard Operating Procedure   |
| <b>TVET</b>    | Technical Vocational Education and Training  |
| <b>UIF</b>     | Unemployment Insurance Fund  |
| <b>Umalusi</b> | Council for Quality Assurance in General and Further Education and Training  |
| <b>WBL</b>     | Work Based Learning  |
| <b>WEL</b>     | Work Experience Learning   |
| <b>WIL</b>     | Work Integrated Learning   |





### 3. FOREWORD BY THE CHAIRPERSON

It is an honour and privilege to begin my second term as Chairperson of the Quality Council for Trades and Occupations (QCTO).

The 2015/16 to 2019/20 period will prove to be extremely exciting, as the organisation has completed all the necessary processes required to lay a solid foundation for improved operations.

We are now at the stage to travel the uncharted terrain in the Skills Development and Training arena, hence we invite you to come aboard. The next five-year period will see the QCTO deliver more actively, on its mandate as defined in the Skills Development Act.

In the Annual Report, we call for all stakeholders to join us on this journey as we move to further uplift the occupational training space. We look forward to the registration of the much needed and relevant qualifications that support economic development and sustainability. Our quality assurance systems will further be strengthened to give a higher degree of confidence to all stakeholders, particularly employers and learners.

We invite you to join us for what we believe to be an exciting journey towards qualifying a skilled and capable workforce.

Yours sincerely

**Prof Peliwe P Lolwana**  
**Chairperson of Council**  
**Quality Council for Trades and Occupations**  
**27 July 2016**

"We are now at the stage to travel the uncharted terrain in the Skills Development and Training arena, hence we invite you to come aboard."

#### 4. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER



We have begun the new five year planning cycle with much optimism. Our systems and processes are in place and gaining traction. It fills us with great pride, as we see the QCTO taking an upward trajectory.

Our pursuit is towards a strong organisation that responds to stakeholder needs. The QCTO stakeholder matrix is wide and varied, making stakeholder response an intricate balance. We take pride in the execution of our strategy to respond to stakeholder concerns and queries. While we note room for improvement, we urge stakeholders to come on board in making this prestigious organisation victorious in championing our vision of qualifying skilled and capable workforce.

This five year strategic planning period which began on 01 April 2015, has seen the QCTO accelerating the realignment of the historically registered unit standards-based qualifications which will have significant impact on simplifying the NQF.

The organisation will roll out its quality assurance processes and improve its information technology systems. These two actions will enhance the QCTO's delivery on its mandate to develop and implement quality assurance systems. Throughout the various national policies, there are calls for the strengthening

of quality assurance regimes in the education sector.

Improvement of the information technology systems will assist the core operations of the QCTO to run more efficiently. In terms of the core functions, improved information technology systems will help the organisation to mitigate risks such as those impacting on certification. Equally, the improvements in information technology will impact the organisation's ability to load learner data onto National Records Learner Database (NLRD).

The organisation is moving, thus I close by echoing the Chairperson's call----**ALL ABOARD!**

Finally, as is customary I must recognise the QCTO staff for their commitment to the organisation and its development.

Sincerely,

**Ms G Joyce Mashabela**  
**Chief Executive Officer**  
**Quality Council for Trades and Occupations**  
**27 July 2016**

## 5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

The Accounting Authority is responsible for preparing the public entity's Annual Financial Statements (AFS) and for the judgements made in this information.

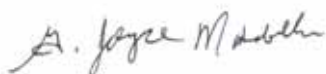
The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Annual Financial Statements.

In my opinion, the financial statements fairly reflect the operations of the public entity for the financial year ended 31 March 2016.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements of the public entity.

The QCTO Annual Financial Statements for the year ended 31 March 2016 have been audited by the external auditors and their report is presented on page 62- 64.

The AFS of the public entity set out on page 65 to page 112 have been approved.



**Ms G Joyce Mashabela**  
**CHIEF EXECUTIVE OFFICER**  
**Quality Council for Trades and Occupations**  
27 July 2016



**Prof Peliwe P Lolwana**  
**CHAIRPERSON OF THE COUNCIL**  
**Quality Council for Trades and Occupations**  
27 July 2016

## 6. STRATEGIC OVERVIEW

The Quality Council for Trades and Occupations (QCTO) commenced with the implementation of its second Strategic Plan as from 1 April 2015. This strategic plan intends to cover the five year period 2015/16 to 2019/20. Throughout the previous five year planning period, the organisation was in an establishment phase where the time was utilised to set baselines and define operations. For this five year period we have been able to set targets as per the baselines determined. While only 50% of the set targets have been achieved, the organisation is now on an upward trajectory towards meeting 100% success.

### 6.1 Vision

The QCTO’s vision is to **qualify** a skilled and capable workforce.

### 6.2 Mission

The QCTO’s mission is to effectively and efficiently manage the occupational qualifications sub-framework in order to set standards, develop and quality assure national occupational qualifications for all who want a trade or occupation and, where appropriate, professions.

### 6.3 Values

Values

Innovation and Excellence

We rise to opportunities and challenges, we continuously learn, we are innovative and we consistently produce work of distinction and fine quality, on time, and in line with our clients’ needs

Empowerment and Recognition

We enable people to make things happen, we encourage and support one another when and where needed, and we celebrate successful accomplishment of work

Respect and Dignity

We value and show consideration for all the people we work with, treat one another with kindness and thoughtfulness, and embrace inclusivity

Ethics and Integrity

We embrace and practice a moral code of trustworthiness, honesty and truthfulness in everything we say and do, and we honour our promises and commitments

Ownership and Accountability

We take ownership of our responsibilities and we answer for our decisions and actions

Authenticity

We protect the public by issuing authentic, quality qualifications

## 7. LEGISLATIVE AND OTHER MANDATES

On 31 December 2010 the QCTO was listed as a Schedule 3A Public Entity under the Public Finance Management Act, effective retrospectively from 1 April 2010 (Gazette Notice 33900), as per Section 26(G)(1) of the Skills Development Act (SDA).

### 7.1 Constitutional Mandate

The QCTO is not directly referenced in the Constitution. However there are two sections in the Bill of Rights to which its functions relate:

#### 22. Freedom of trade, occupation and profession

Every citizen has the right to choose their trade, occupation or profession freely. The practice of a trade, occupation or profession may be regulated by law.

#### 29. Education

1. Everyone has the right
  - a. to a basic education, including adult basic education; and
  - b. to further education, which the state, through reasonable measures, must make progressively available and accessible.

In ensuring the quality of occupational qualifications, which include qualifications leading to trades, other occupations and professions, the QCTO contributes to Section 22. In developing and quality assuring occupational qualifications that augment the menu of qualifications in the various sub-

frameworks of the National Qualifications Framework, it also contributes to Section 29(1)(b).

As its foundational learning programmes contribute to adult basic education, the QCTO also contributes to Section 29(1)(a).

### 7.2 Legislative Mandate

#### National Qualifications Framework Act and the Skills Development Act

The QCTO has been established in order to accommodate the unique learning requirements for building occupational competence. The QCTO is responsible for occupational qualifications development, quality assurance and certification.

Both the National Qualifications Framework (NQF) Act, No. 67 of 2008 and the Skills Development Act, No. 97 as amended in 2008 outline the functions of the QCTO.

The NQF Act specifies that the QCTO should:

- Develop and manage its sub-framework, make recommendations and advise the Minister on matters relating to its sub-framework;
- Consider and agree level descriptors ensuring that they remain current and appropriate;
- Develop and recommend qualifications to SAQA for registration;
- Develop and implement quality assurance policy for registered qualifications;

- Maintain a database of learner achievements and submit learners achievement data to SAQA for recording on the National Learner Records Database (NLRD);
- Conduct or commission and publish research; and
- Inform the public about its sub-framework.

The Skills Development Act (SDA), in Chapter 6C (Sections 26F – J), stipulates that the QCTO must:

- Advise the Minister on all matters of policy concerning occupational standards and qualifications.
- Perform its functions in terms of the Skills Development Act and the National Qualifications Framework Act.
- Subject to any policy issued by the Minister in terms of Section 26F:
  - Design and develop occupational standards and qualifications and submit them to the South African Qualifications Authority for registration on the National Qualifications Framework;
  - Establish and maintain occupational standards and qualifications;
  - Ensure the quality of occupational standards and qualifications and learning in and for the workplace;
  - Promote the objectives of the National Qualifications Framework;
- Liaise with the National Skills Authority on the suitability and adequacy of occupational standards and qualifications and on the quality of learning in and for the workplace; and
- Perform any other prescribed function.

### **Public Finance Management Act**

The QCTO also ensures compliance to the Public Finance Management Act (PFMA), Treasury Regulations, Preferential Procurement Policy Framework Act (PPPFA) and the Framework for Supply Chain Management.

## 8. ORGANISATIONAL STRUCTURE







## PART B: PERFORMANCE INFORMATION



## 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General South Africa (AGSA) currently performs the necessary audit procedures on the 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 being reported under the *Predetermined Objectives* heading in the *Report on other legal and regulatory requirements* section of the auditor's report.

Refer to page 62-64 of the Report of the External Auditors, published under Part E: Financial Information.

- White Paper for Post-School Education and Training;
- National Development Plan;
- Industrial Policy Action Plan;
- National Skills Development Strategy III; and
- Ministerial Guidelines.

Regarding the national policy initiatives the QCTO has fully embraced the White Paper for Post-School Education and Training contributing to its success by excluding the QCTO's mandate. In particular, the QCTO contributes to the following aspects of the White Paper:

## 2. SITUATIONAL ANALYSIS

### 2.1 Service Delivery Environment

The basic mandate of the QCTO is to manage the Occupational Qualification Sub-Framework (OQSF) of the NQF. This includes the development and quality assurance of occupational (which includes trades) qualifications and part qualifications. This latter aspect of the organisation's mandate encompasses:

- Overseeing the NATED Report 190/1 Part 2 qualifications (N4 to N6 and National N-Diploma) along with the total reconstruction of these qualifications;
- Overseeing the historically registered (unit standard based and provider based) qualifications and expire or realign thereof as the case may be; and
- Developing and recommending new occupational qualifications to SAQA for registration.

In performing these duties, the organisation takes cognisance of the various national policy initiatives, including:

- Relationship between education and training institutions, and the workplace is strengthened through the model of qualification design that defines workplace activities;
- Strengthening and expansion of TVET College system;
- Review and rationalise occupational qualifications;
- Improve quality assurance processes and standardise these across the Post-School education and training system; and
- Continue to standardise qualification development.

In addition to the legislative imperatives listed in the NQF Act and the SDA, the overall policy mandate of the QCTO has been further clarified through published Minister's Government Gazette 36003 on the determination of the three sub-frameworks that make the NQF. This Gazette was followed by Gazette No. 36803. The two Gazettes propose that the OQSF's focus should be on levels 1 to 6 of the NQF albeit the OQSF extends to level 8. Based on the content of the two Gazettes, the QCTO finalised the Occupational Qualifications Sub-Framework policy document which was published via gazette in July 2014.

Furthermore, a decision has been made that the QCTO should take on responsibility for the quality assurance and reconstruction of the NATED Report 190/1 Part 2 qualifications offered generally by TVET Colleges. The QCTO continues to manage the unit standards based qualifications, the quality of assurance of which is currently delegated to the Sector Education and Training Authorities (SETAs). The plan to withdraw these delegations, without disrupting the system, commenced in 2015/16. This means that in future some of these delegated functions will be conducted by the QCTO.

The registration of qualifications and the significant expiry or replacing of historically registered (unit standards based, provider-based and NATED) qualifications remain areas of high importance to the QCTO. Working closely with SAQA, many of the bottle necks experienced regarding registration of qualifications have decreased. Now the major focus is on the plan to speed up the qualifications development process as well as the realignment of historically registered qualifications.

The QCTO has developed almost a third of the priority qualifications from the listed trades. This is a notable achievement in that in each of these trade areas there is a national qualification setting a national standard of competencies required for that specific trade. All the national trade qualifications are internationally comparable.

The QCTO is moving forward with the replacement of qualifications that are encompassed in the newly developed occupational qualifications. This initiative will result in a significant reduction of historically registered qualifications as the new occupational qualifications gain prominence.

For unit standards based and provider-based qualifications, the process of gathering the necessary data and validity testing of the data during 2015/16 has resulted in an implementation plan to realign or replace these qualifications. As a result of the careful collection and consideration of the data, the QCTO is poised to now swiftly conclude this project with the aim that within the next two years these types of

qualifications will be dramatically reduced helping to significantly improve the simplification of the NQF.

Regarding the delegations made to the SETAs to quality assure the unit standards based qualifications which still remain on the OQSF, the Council approved plan was activated in 2015/16. The plan calls for the QCTO to assume certain aspects of the delegated functions. This too helps to simplify the NQF. There continues to be a concerted effort to monitor those quality assurance functions still delegated to the SETAs. Working closely with the SETAs, two bodies, the relevant SETA and QCTO, have jointly worked to resolve issues that have been (are) thorns in the sides of stakeholders. These relate to the accreditation of providers, registration of assessors and moderators and certification of learners.

Virtually all certifications backlogs that plagued the system for a number of years have been eliminated. Any of the historical backlogs that come to the attention of the QCTO are assigned to a project team to be addressed speedily. Since the QCTO took over the task of generating trade certifications it has achieved its target of a 21 day turn around meaning that no backlog exists in trade certifications issued by the QCTO.

Regarding the accomplishment of its mandate, the work of the QCTO over the next five years can be encapsulated into two main strategic goals which in essence are:

- Establishing an organisation that has a sound foundation enabling its sustainability for years to come; and
- Ensuring that South African citizens have access to credible skills training that supports both industrial and social development.

To create credible skills training opportunities there is need for qualifications that employers find acceptable. These qualifications must be seen as credible thus the need to structure a quality assurance system that fosters strict oversight and monitoring of learning provision in particular.

The total number of qualifications that were evaluated and approved by the QCTO during the year under review has doubled when compared to the previous financial year. This improvement signals that qualifications development process has improved.

The QCTO has increased capacity for the development of qualifications by training Learner Qualification Development Facilitators (LQDFs). During the year under review, 37 LQDFs were trained. The LQDF training contributes in expanding a pool of candidates to be considered for registration as Qualifications Development Facilitators (QDFs). To date the QCTO has registered 31 QDFs; thus improving the number of facilitators available for qualifications development. QDFs and LQDFs play an important role in facilitating the qualification development process. The QCTO has improved its administrative, support and monitoring capacity which has resulted in an improved flow of qualifications in the system.

The QCTO has made a commitment to creating a vibrant TVET College system by ensuring that exciting and relevant qualifications are developed for use in this system. For this reason the total reconfiguration (re-construction) of the NATED Report 190/1 Part 2 qualifications moved into high gear in 2015/16.

Underpinning the availability of qualifications is a reliable quality assurance system consisting of properly approved assessment quality partners, assessment centres and skills development providers both of which require proper monitoring.

In addition to registering Occupational Qualifications, the QCTO is also developing part qualifications and accredits skills development providers. The accreditation systems started to take shape with a few teething problems. By the end of the 2015/16 financial year valuable lessons were learned as the accreditation baseline was set.

The QCTO also interacted with various key stakeholders, for an example South African Airways

(SAA), Electricity Supply Commission (Eskom), Transnet and other key entities of the government, as part of preparing for the roll out of occupational qualifications.

## 2.2 Organisational Environment

The Joint Policy Statement on Enhancing the Efficacy and Efficiency of the National Qualifications Framework issued by the Ministers of Education and Labour in 2007 initiated the establishment of the QCTO. When the Department of Higher Education and Training (DHET) came into existence in 2009, many of the functions related to skills development were moved to the DHET. These functions became encapsulated into what is now called the Skills Branch of the DHET and the QCTO was established in the process as well. The project to establish the QCTO started in 2007 and on 1 April 2010 it came into operation through Gazette No. 33059 published by the Minister of Higher Education and Training. The QCTO was listed as a public entity Schedule 3A on 31 December 2010 via Gazette No. 33900 by the Minister of Finance but retrospectively to 1 April 2010. Although the organisation was declared a public entity it could not run until the DHET and QCTO entered into a Memorandum of Agreement (MoA) in July 2011. The MoA allowed the QCTO to use various DHET policies and systems so that the QCTO could, as per Gazette, operate as a public entity officially.

The MoA, however, was not a panacea as:

- the process model for qualification development which drives one of the core business elements was still being revised, debated and tested;
- the process model for quality assurance was still in its very early stages;
- a Council had not been fully established with all the necessary committees; and

- a permanent staff establishment (including a permanently appointed Chief Executive Officer) did not exist.

Thus, for all practical purposes the organisation was only established in 2012 when two significant actions took place. First, the Council became fully functional as at this point two key committees, Occupational Quality Assurance and Occupational Qualifications, became operational. Second, was the appointment of permanent staff at various levels of the organisation.

Over the three year period 2012 to 2015 much was accomplished. A few that the QCTO consider major milestones are:

1. Moving the QCTO to its own rental location which is situated in a highly desirable area with rental fees set at a very reasonable price.
2. Putting the Human Resources and Finance systems in place which enabled the QCTO to dispense with the MoA it had entered into with the DHET.
3. Standardising operational processes and procedures for the core business areas has taken place.
4. Creating governance and corporate structures that meet the exacting requirements of the National Treasury and Auditor General South Africa has taken place.
5. Achieving a clean audit for the 2014/15 financial year.

The QCTO has developed an Information Technology five year Multiyear Master System Plan that has been approved by the Council. The implementation of the plan is monitored regularly by the QCTO IT Steering Committee.

In terms of the governance structure, a new Council

was appointed that possesses the necessary experience and expertise, and that functions on the basis of a number of committees, including the Executive Committee, the Audit and Risk Committee, the Occupational Qualifications Committee and the Occupational Quality Assurance Committee. The new Council's term of office is from 1 April 2015 to 31 March 2020. The new Council met for the first time on 18 June 2015 during its induction programme and became fully functional immediately. The existence of the Council ensured that the organisation was well governed and that mission critical decisions for its success were made.

The marketing and communications unit was established with the appointment of the Deputy Director: Marketing and Communications in November 2014. Since its establishment, it has succeeded in building the QCTO brand and created a platform for communication with QCTO stakeholders. The vigorous roll out of an intense marketing drive commenced during the 2015/16 financial year.

In 2014 a revised website was launched where data is regularly updated to inform stakeholders of information vital to their lives. This information includes a total listing of registered qualifications, accredited providers, qualifications in development and so forth. During the 2015/16 financial year, a need was identified to enhance the website in order to ensure that it is more user friendly and the layout is improved. In this regard, Phase 2 of the website process was subsequently initiated. At year end the Phase 2 process was 80% complete. The existence of a more vibrant website and engagement of Deputy Director of Marketing and Communication has addressed concerns about the organisation's ability to handle internal and external communication effectively.

With staff establishment having stabilised, performance planning and management aligned to strategy has taken centre stage facilitated through rigorous operational planning at unit level. Performance planning and management will continue to assist the organisation in its effort to focus on its mandate while the implementation of plans and policies related to staff development will enable all levels of the staff establishment to reach the desired capability to deliver on the QCTO's strategy. The QCTO has been working with staff to embed better strategic planning processes along with risk management and fraud prevention, the latter strengthened by the services of the QCTO's Internal Auditors.

## 2.3 Key Policy Developments and Legislative Changes

No new policy developments or legislative changes were experienced this year; however the four initiatives below still have significant impact on the QCTO's operation:

2.3.1 The Government Gazette No. 34932 R20 2 (5) which makes provision for SETAs to: "monthly from 1 October 2012 transfer as part of its administration costs as contemplated in sub regulation (1) and approved in the annual SETA strategic plan, a maximum of 0,5% of the total levy received by the SETA to QCTO for quality assurance functions as contemplated in section 26H of the Act;"

2.3.2 A Government Gazette published in August 2013 on Amendments to the Determination of the National Qualifications Framework's Sub-frameworks (Gazette No. 36 803 published on 30 August 2013); and

2.3.3 White Paper for Post-School Education and Training launched on 16 January 2014 by the Minister.

2.3.4 The publication of the Occupational Qualifications Sub-Framework policy document in July 2014.

## 2.4 Strategic Outcome-Oriented Goals

2.4.1 The Quality Council for Trades and Occupations (QCTO) started to implement its new Strategic Plan 2015/16 to 2019/20 as from 1 April 2015. This Strategic Plan resulted in an Annual Performance Plan for 2015/16 where performance indicators were adjusted to an extent although there is still a relationship between 2014/15 performance indicators and 2015/16 performance indicators. Reporting has been done in such a way to make the necessary links in Section 3 below.

The QCTO made the following progress in terms of its Strategic Outcome Oriented Goals:

| <b>Strategic Outcomes Oriented Goal 1</b> | <b>Competent people in priority trades and occupations.</b>  |
|---|--|
| <b>Goal Statement</b>                     | Contribute to the creation of a skilled and capable workforce in priority trades and occupations for employment opportunities that are available in the labour market  |
| <b>Indicator</b>                          | Number of certificates issued in priority occupational qualifications (trades and non-trades) after recommendation by Assessment Quality Partner   |
| <b>Progress</b>                           | <p><b>Occupational Qualifications</b></p> <ul style="list-style-type: none"> <li>• A notable improvement has been observed in the registration of QCTO qualifications, in this financial year a total of 37 occupational qualifications were registered by SAQA on the Occupational Qualifications Sub Framework (OQSF). To date 81 occupational qualifications are registered on the OQSF of NQF. This number excludes the historically registered qualifications that reside on the OQSF.</li> <li>• For the 2015/16 financial year, forty seven (47) Occupational qualifications were approved by the QCTO for recommendation to SAQA for registration.</li> <li>• At the end of the financial year a total of 42 occupational qualifications were receiving attention for registration by SAQA.</li> <li>• The Occupational Qualification Sub-framework (OQSF) policy review work commenced in the 2015/16 financial year, the review work will be finalised in the next financial year leading to the republishing of the reviewed policy. Other policies that have been reviewed are the DQP Delegation Policy and Accreditation Policy. The Credit Accumulation and Transfer (CAT) Policy has been drafted. Guidelines and framework documents that enable development of occupational qualifications have been reviewed and are now packaged into the Occupational Qualifications Management Strategic Document (OQMSD). The OQMS Document is a document that contains the objectives, activities, job descriptions, adopted OFO Code Document and all policies of the OQM unit. The OQMSD helps to ensure that all in the unit understand the strategic objective of the unit and helps to standardise operations of the unit.</li> <li>• Accreditation of Skills Development Providers (SDPs) that seek to offer occupational qualifications is conducted directly by the QCTO. The baseline to accredit SDPs offering newly registered occupational qualifications has been established to be 90 working days. The previous turnaround time was impossible to achieve due to the two phase process of accreditation and the rapid increase in the number of applications received.</li> <li>• Once accreditation status is granted, the SDP commences enrolling learners and providing necessary support on teaching and learning. Currently there are 85 SDPs that have been accredited to offer occupational qualifications.</li> </ul> |



## Progress

Each quarter all accredited SDPs are requested to furnish the QCTO with the details of learners registered as well as on which occupational qualifications the learners are registered. Examples of Occupational Qualification that have a notable number of learners are the Health Promotion Officer which has an enrolment of almost 900 learners and Tax Professional which has 133 enrolled learners. The eminent challenge that could be experienced is the accreditation of SDPs within the set turnaround time due to the increase in numbers of SDPs seeking accreditation and limited financial resources to carry out this function.

- A total of 180 historically registered qualifications were identified for further deregistration or deactivation by June 2016. This along with the 143 deactivated previously will bring the total number of deactivated historically registered qualifications to 323. Thus there will be 749 historically registered qualifications that will need to be either realigned or replaced by Occupational Qualifications. SAQA and stakeholders that will be affected by this process will be engaged. It is hoped that by the second quarter of 2018 all historically qualifications will be expired, replaced or realigned to Occupational Qualifications. A dedicated unit has been established to ensure that this target is achieved and has begun to assist SETAs that opted to realign historically registered qualifications
- As the White Paper made it emphatically clear that Technical and Vocational Education and Training (TVET) Colleges are central to the post school expansion strategy and as the N4 to N6 part qualifications make up an essential part of the TVET Colleges' programme mix, the QCTO will continue to reconstruct the N4 – N6 part qualification. For the year under review, the QCTO has approved the Bookkeeper occupational qualification for recommendation to SAQA for registration. This qualification includes Financial Administration Clerk as a part qualification.
- The QCTO visited all public Technical and Vocational Education and Training (TVET) Colleges in order to conduct research on how colleges understand and will add in their programme mix and offering Occupational Qualifications particularly with respect to Work Integrated Learning. The REAL Centre of WITS concluded the research it was commissioned by the QCTO to conduct on public TVET Colleges. A full report on both investigations has been finalised.
- The QCTO has embarked on strengthening collaborative efforts to support the delivery of occupational qualifications. In this regard the QCTO has been working closely with academies of learning associated with three Public Enterprises Entities (Eskom, Transnet, and South African Airways).
- The QCTO joined the EW SETA and Rand Water Board in responding to the Presidential Call on War on Leaks.
- The QCTO is also in partnership with the DHET Special Project Branch to implement a project that will see 13 registered Trade qualifications piloted in public TVET Colleges.

|                        |  |
|------------------------|--|
| <p><b>Progress</b></p> | <p><b>Quality Assurance</b></p> <ul style="list-style-type: none"> <li>• The QCTO was able to apply its full quality assurance for the new Occupational Qualifications. In the year under review the final External Integrated Summative Assessments (EISA) was administered for the Tax Practitioner, Compliance Officer and Electrical Line Mechanic qualifications. This gave the QCTO the opportunity to evaluate the effectiveness of its quality assurance policies and procedures.</li> <li>• As at the end of the 2015/16 reporting period there are 35 Assessment Quality Partners (AQPs) approved for registered Occupational Qualifications. This includes the National Artisan Moderating Body (NAMB) as the AQP for trades as well as Sector Education and Training Authorities (SETAs), and Professional Bodies. The AQP Forum is fully functional and has been instrumental in helping shape the AQP policies and processes.</li> <li>• The turnaround time for processing accreditation of assessment centre applications for the 2015/16 period was within the 30-day timeframe as per the approved Accreditation of Assessment Centre Policy (February 2013). Thus far a total of 111 SETA accredited trade test centres and 12 assessment centres/sites for the new occupational qualifications have been accredited.</li> <li>• The QCTO trade test certification system is functional and effective. The development of a fully-fledged certification system for all qualifications on the OQSF is being prioritised for 2016/17. Much of the backlog in the issuing of trade certificates as well as outstanding applications for replacement certificates has been resolved. The turnaround time for producing certificates is now well within the 21-day period as specified in policy. In addition, the certification unit also conducts the verification of certificates. To date the QCTO has entered into service level agreements with 57 verification clients.</li> <li>• The Certification Unit processed 84% (15414 of the 18 392 records) of the certification recommendations for first issues for trade certificates received from NAMB. This underachievement is due to the Unit's involvement in the relocation of the archived trade contracts (approximately 3 million records) from the DHET to the QCTO premises.</li> <li>• The Monitoring and Evaluation Unit conducted planned monitoring visits to Quality Assurance Partners (QAPs). Monitoring reports for each of the QAPs were developed and QAPs are being monitored against the improvement plans submitted. In addition a sample of 64 Skills Development Providers (SDPs) were monitored to check compliance with SETA accreditation policies and procedures. This included determining the veracity of the SETA accreditation procedures and processes.</li> </ul> |
|------------------------|--|



| Strategic Outcomes<br>Oriented Goal 2 | Create a sustainable organisation  |
|---------------------------------------|--|
| Goal Statement                        | Create a sustainable organisation to deliver on the QCTO's mandate   |
| Indicator                             | Management systems developed, implemented and maintained by March 2020   |
| Progress                              | <ul style="list-style-type: none"> <li>• All management support systems (Financial, Human Resources, Information Technology, General Administration, Marketing and Communication, Supply Chain Management) are in place.</li> <li>• The development of a multiyear Master Systems Plan (MSP) was completed and approved during 2014/15. The plan has yearly determined implementation milestones and deliverables dependent on business priorities and the availability of funds. The following elements of the MSP were implemented for the year under review: <ul style="list-style-type: none"> <li>o Development of ITIL and COBIT processes</li> <li>o Enhancement of the Disaster Recovery Plans and the testing thereof</li> <li>o The development of the Corporate Governance of Information Communication Technology Framework (CGICTPF) and MSP Implementation Matrix used to monitor the progress and assess the maturity level of compliance to the DPSA CGICTPF.</li> </ul> </li> </ul> |

### 3. PERFORMANCE INFORMATION BY PROGRAMME

The QCTO hereby reports against its Annual Performance Plan 2015/16 as approved by the Minister. It needs to be noted that the Technical Indicator Descriptors (TIDs) were revised throughout the year to improve the clarity of TIDs for reporting purposes.

#### 3.1 Programme 1: Administration

The purpose of Programme 1:

To enable QCTO performance through strategic leadership and reliable delivery of management support services

The following strategic objective links to Programme 1:

Strategic objective 1.1: Institutional capability in place to enable QCTO to deliver its products and services

### *Strategic objectives, performance indicators planned targets and actual achievements*

Programme 1: Administration in the QCTO performed as follows:

| Performance Indicator   | Actual Achievement 2014/15 | Planned Target 2015/16  | Actual Achievement 2015/16   | Deviation from planned target to Actual Achievement for 2015/16 | Comment on deviations |
|---|----------------------------|---|--|---|-----------------------|
| <b>Programme 1: Administration</b>  |                            |   |  |   |                       |
| <b>Strategic objective 1.1: Institutional capability in place to enable QCTO to deliver its products and services</b> |                            |   |  |   |                       |
| 1.1.1<br>ICT MSP<br>Implementation plan approved annually   | New indicator              | An implementation plan for 2016/17 approved by the steering committee | Achieved<br><br>Multiyear MSP implementation plan developed and approved by the ICT Steering Committee. Yearly milestones and deliverables of the plan are monitored through the implementation matrix | None  |                       |



### ***Strategy to overcome areas of under performance***

Not applicable

### ***Linking performance with budgets***

Here under is an analysis of the 2015/16 budget for Programme 1:

#### **Programme 1: Administration**

| Classification      | 2015/16         |
|---------------------|-----------------|
|                     | R'000           |
|                     | Adjusted budget |
| Compensation        | 10,654          |
| Goods and services  | 7,817           |
| Capital expenditure | 1,013           |
| <b>TOTAL</b>        | <b>19,484</b>   |

## **3.2 Programme 2: Occupational Qualifications**

The purpose of Programme 2:

To ensure that occupational qualifications registered on the Occupational Qualifications Sub-Framework are available and Skills Development Providers (SDPs) that offer occupational qualifications are accredited within a reasonable period and ensure credibility of providers.

The following strategic objective links to Programme 2:

Strategic objective 2.1: Ensure prioritised occupational qualifications recommended to SAQA for registration on the Occupational Qualification Sub-framework which are utilised and effectively managed

### ***Strategic objectives, performance indicators planned targets and actual achievements***

Programme 2: Occupational Qualifications in the QCTO performed as follows:

| Performance Indicator (PI)  | Actual Achievement 2014/15  | Planned Target 2015/2016                               | Actual Achievement 2015/16   | Deviation from planned target to Actual Achievement for 2015/16   | Comment on deviations  |
|---|---|--|--|---|--|
| Programme 2: Qualifications Management  |   |  |  |   |  |
| Strategic objective 2.1: Implementation of registered occupational qualifications quality assured   |   |  |  |   |  |
| 2.1.1 Number of prioritised occupational qualifications recommended to SAQA for registration on the QQSF  | Not achieved<br><br>22 of 60 prioritised occupational qualifications recommended to SAQA  | 30 prioritised occupational qualifications recommended | Achieved<br><br>47 prioritised occupational qualifications recommended   | 17  | The target was exceeded because of the introduction of a centralised system that enabled monitoring of qualifications as they flowed through the development process as well as improvement in quality assurance system used to verify work performed. |
| 2.1.2 % of prioritised registered occupational qualifications with enrolment (based on the new Occupational Qualifications Development Model) monitored   | No target in 2014/2015  | 100%   | Achieved 100%<br><br>Seven (7) prioritised registered occupational qualifications had learner uptake. All 7 qualifications were monitored via the monitoring of all (85) accredited Skills Development Providers | None  |  |
| 2.1.3 Maximum turnaround time from date of receipt of duly completed accreditation application to date of issuance of accreditation letter to skills development providers offering occupational qualifications (in working days) | Achieved <i>to establish baseline</i><br><br>An average of 10 working days is the baseline turnaround time from the date of receipt of recommendation to the date of accreditation of skills development providers offering occupational qualifications | 40   | Not Achieved<br><br>There are 33 SDPs that were accredited within the turnaround (40 days) and 52 SDPs accredited out of the turnaround time for financial year 2015/16  | One case took 230 working days which results in a deviation of 190 days. This case was the maximum deviation. | The accreditation of providers for occupational qualifications takes longer than the set baseline.<br><br>Lack of resources also contributed to the non-achievement of the target.   |

| Performance Indicator (PI)   | Actual Achievement 2014/15 | Planned Target 2015/2016 | Actual Achievement 2015/16          | Deviation from planned target to Actual Achievement for 2015/16 | Comment on deviations  |
|--|----------------------------|--------------------------|-------------------------------------|---|--|
| 2.1.4 Number of learner Qualifications Development Facilitators (LQDFs) trained to facilitate the development of occupational qualifications | New indicator              | 40                       | Not Achieved<br>37 LQDFs trained    | 3   | The unavailability of some LQDFs that had earlier confirmed attendance impacted negatively on the final number of those that were trained. |
| 2.1.5 Number of reports on reconstruction N4 – N6 part qualifications submitted for consideration to the Qualifications Committee/Council    | New indicator              | 4                        | Not Achieved<br>3 reports submitted | One Report not submitted.                                       | Quarter 1 Report was not signed by the Chairperson of the Council Committee.   |

### ***Strategy to overcome areas of under performance***

The following strategy will be put in place to address areas of under-performance:

- Set a realistic turnaround time to accredit Skills Development Providers that seek to offer Occupational Qualifications;
- Key Performance Indicator 2.1.3 has been separated into three sub-key performance indicators;
- Increase the human resource capacity of the accreditation unit by enlisting persons on an ad hoc bases to serve as verifiers to conduct the accreditation processes; and
- Improve the processes for recruiting persons to train to become QDFs.

### ***Linking performance with budgets***

Hereunder is an analysis of the 2015/16 budget for Programme 2:

#### **PROGRAMME 2: OCCUPATIONAL QUALIFICATIONS**

|                     | 2015/16         |
|---------------------|-----------------|
|                     | R'000           |
|                     | Adjusted budget |
| Compensation        | 7,351           |
| Goods and services  | 5,627           |
| Capital expenditure | 687             |
| <b>TOTAL</b>        | <b>13,665</b>   |



### 3.3 Programme 3: Quality Assurance

The purpose of Programme 3:

To establish and maintain standards for the Quality Assurance of Assessments and Certification for Occupational Qualifications on the OQSF

The following strategic objectives link to Programme 3:

Strategic objective 3.1: To ensure that the Quality Assurance System for the implementation of registered occupational qualifications is functional, effective and efficient

Strategic objective 3.2: Learner achievements for qualifications on the OQSF quality assured and certificated as prescribed in QCTO policies

#### ***Strategic objectives, performance indicators planned targets and actual achievements***

Programme 3: Quality Assurance in the QCTO performed as follows:

| Performance Indicator (PI)  | Actual Achievement 2014/15  | Planned Target 2015/2016 | Actual Achievement 2015/16   | Deviation from planned target to Actual Achievement for 2015/16 | Comment on deviations |
|---|---|--------------------------|--|---|-----------------------|
| <b>Programme 3: Quality Assurance</b>   |   |                          |  |   |                       |
| <b>Strategic objective 3.1:</b> To ensure that the Quality Assurance System for the implementation of registered occupational qualifications is functional, effective and efficient |   |                          |  |   |                       |
| 3.1.1 % of assessment centre accreditations processed within the turnaround time (30 days)  | Achieved <i>to establish baseline</i><br><br>Average turnaround time of 14 days. This confirms the 21 days turnaround as prescribed in the Accreditation Policy is achievable.<br>Disclosure:<br>The 2014/15 Annual Report incorrectly indicated 21 days. The accreditation policy indicates 30 days. This error does not affect the reported achievement | 100%                     | Achieved 100%<br><br>74 of 74 accreditation applications processed within turnaround time of 30 days | None  |                       |

| Performance Indicator (PI)  | Actual Achievement 2014/15   | Planned Target 2015/2016  | Actual Achievement 2015/16   | Deviation from planned target to Actual Achievement for 2015/16 | Comment on deviations  |
|---|--|---|--|---|--|
| 3.1.2 % of Assessment Quality Partner (AQP) delegation approvals processed  | For AQPs Achieved 100% (12 AQP applications received and approved)                               | 100%  | Achieved 100%<br><br>10 of 10 applications processed   | None  |  |
| 3.1.3 % of Quality Assurance Partners (QAPs) and Assessment Quality Partners (AQPs) that have been quality assured                              | Achieved 100%<br><br>28 Assessment Quality Partners and 21 Quality Assessment Partners monitored | 100%  | Achieved 100%<br><br>35 of 35 Assessment Quality Partners and 22 of 22 Quality Assessment Partners monitored | None  |  |
| 3.1.4 The number of quality assurance functions delegated to QAPs (SETAs and SAQA accredited Professional Bodies) and DHET taken up by the QCTO | New indicator  | The number of delegated functions taken back as per Council approved plan for 2015/16 | Not achieved   | 100%  | The QCTO could not fully take back the three functions identified in the approved plan due to the slow consultation process with SETAs impacted on by the release of the SETA landscape document as well as the QCTO limited resources and capacity. The Upload of the NLRD data remains with the SETAs as the QCTO does not have the IT system to facilitate the transfer of data |

| Performance Indicator (PI)  | Actual Achievement 2014/15  | Planned Target 2015/2016 | Actual Achievement 2015/16   | Deviation from planned target to Actual Achievement for 2015/16 | Comment on deviations   |
|---|---|--------------------------|--|---|---|
| <b>Strategic objective 3.2:</b> Learner achievements for qualifications on the QQSF quality assured and certificated as prescribed in QCTO policies |   |                          |  |   |   |
| 3.2.1 % of certificates issued within the turnaround time (21 working days)   | <p>Achieved <i>to establish baseline</i></p> <p>Average turnaround time of 16 days for trade certificates. This confirms the 21 days turnaround as prescribed in the Certification Policy is achievable and will be applicable to all certificates to be issued by the QCTO as and when the Occupational Qualifications are implemented</p>                               | 100%                     | <p>Not achieved 84%</p> <p>15414 of 18392 certificate applications processed within 21 day turnaround time</p> | 16%   | Certification Unit involved in the move of archived files (approximately 3 million learner records) from the DHET to QCTO during the last semester  |
| 3.2.2 % of learner achievement data submitted to National Learner Records Data base (NLRD) in accordance with NLRD specifications                   | <p>Not achieved 0%</p> <p><i>QCTO has not issued certificates for the newly registered occupational qualifications as these are being implemented this year 2015, hence no data submitted to NLRD. For the legacy qualifications, QCTO has delegated the function to the SETAs who have complied with submission of data to the NLRD as per the NLRD requirements</i></p> | 100%                     | Not achieved   | 100%  | No data was submitted to the NLRD directly from the QCTO as per the SAQA NLRD data submission schedule. Data submitted directly from the SETAs to NLRD in terms of QCTO delegation to the SETAs |



### ***Strategy to overcome areas of under performance***

The following strategy will be put in place to address areas of under-performance:

- In the 2016/17 cycle, the taking back of the functions delegated to SETAs is prioritised by subsuming this under the broader function mandate of the QCTO. The quality assurance of qualifications and part qualifications registered on the Occupational Qualifications Sub- framework (OQSF).
- The QCTO will implement the necessary processes to manage the upload of learner achievements to the NLRD.

### ***Linking performance with budgets***

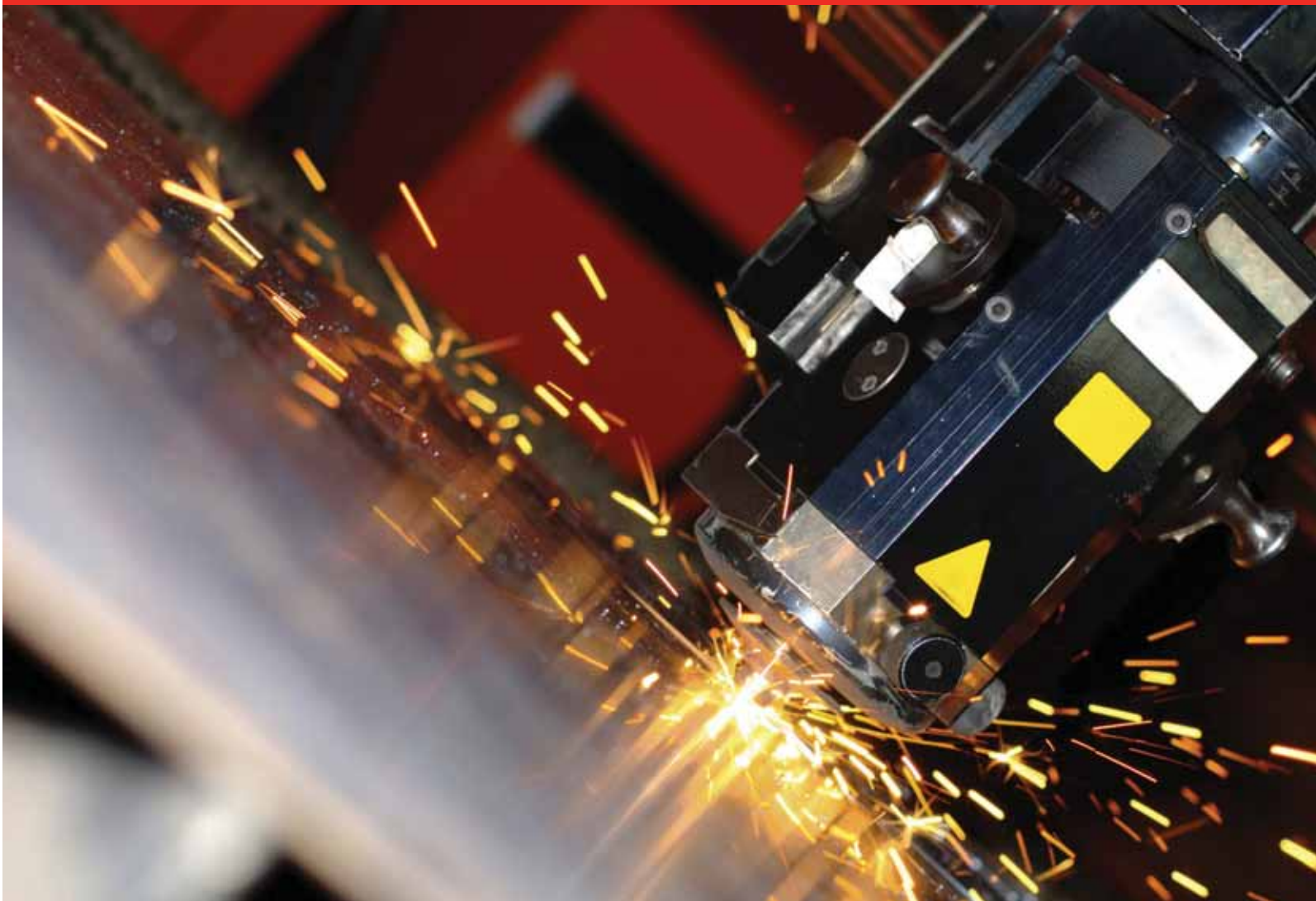
Hereunder is an analysis of the 2015/16 budget for Programme 3:

#### **PROGRAMME 3: QUALITY ASSURANCE**

| Classification      | 2015/16         |
|---------------------|-----------------|
|                     | R'000           |
|                     | Adjusted budget |
| Compensation        | 16,800          |
| Goods and services  | 11,200          |
| Capital expenditure | 699             |
| <b>TOTAL</b>        | <b>28,699</b>   |

## **4. REVENUE COLLECTION**

| Sources of revenue | 2014/2015 |                         |                         | 2015/2016 |                         |                         |
|--------------------|-----------|-------------------------|-------------------------|-----------|-------------------------|-------------------------|
|                    | Estimate  | Actual Amount Collected | (Over)/Under Collection | Estimate  | Actual Amount Collected | (Over)/Under Collection |
|                    | R'000     | R'000                   | R'000                   | R'000     | R'000                   | R'000                   |
| Government Grant   | 23,168    | (23,168)                | -                       | 21,848    | 21,848                  | -                       |
| Finance Income     | -         | (1,375)                 | (1,375)                 | -         | 1,356                   | (1,356)                 |
| Other Income       | -         | (18)                    | (18)                    |           | 1,176                   | (1,176)                 |
| SETA Grant         | 28,500    | 28,500                  | -                       | 40,000    | 40,000                  | -                       |
| NSF                | -         | (500)                   | (500)                   | -         | 356                     | (356)                   |
| Total              | 51,668    | 53,561                  | (1,893)                 | 61,848    | 64,736                  | (2,888)                 |



## 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 regarding public entities is applied through the precepts of the Public Finance Management Act (PFMA).

Parliament, the Executive and the Accounting Authorities of the QCTO are responsible for corporate governance.

## 2. PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING

The QCTO met with the Portfolio Committee on Higher Education and Training on 25 March 2015 and presented its Annual Performance Plan and budget for 2015/16. The QCTO's Chairperson, Prof Peliwe Lolwana, the Chief Executive Officer, Ms G. Joyce Mashabela and the Chief Financial Officer, Ms Ndivhu Madilonga-Khondowe attended the meeting.

The same three individuals as well as Mr T Lata, Chief Director: Occupations Qualifications Management and Mr V Naidoo, Chief Director: Occupational Quality Assurance attended a second meeting with the Portfolio Committee on 14 October 2015 to present the QCTO's Annual Report for the financial year 2014/15.

## 3. EXECUTIVE AUTHORITY

The QCTO submitted the final 2014/15 Annual Report to the Minister via the Department of Higher Education and Training on 31 July 2015 which was delivered to Parliament on 27 August 2015 and tabled in Parliament on 22 September 2015.

The QCTO has also submitted all four of the QCTO's Quarterly Performance Reports for the 2015/16 financial year to the Minister via the Director-General: Higher Education and Training as required by the Department. Submission dates were as follows:

- a. Quarter 1 Performance Report: 23 July 2015
- b. Quarter 2 Performance Report: 26 October 2015
- c. Quarter 3 Performance Report: 29 January 2016
- d. Quarter 4 Performance Report: 25 April 2016

## 4. THE ACCOUNTING AUTHORITY

### *Introduction*

The purpose of the QCTO is to establish, maintain and quality assure occupational standards and qualifications and learning in and for the work place as referred to in its mandate and legislative requirements. The QCTO is one of three Quality Councils (QCs) tasked with the role of standards setting and quality assurance.

## **Board Charter**

The requirements of the QCTO's Constitution are provided for in the SDA. The second Constitution was approved by the Minister in 2011.

## **Composition of the Council**

The first Council's term of office came to an end on 31 March 2015. A new Council was appointed as stated below, with the following members serving a second term, excluding the CEOs of the QCTO, Umalusi, the Council on Higher Education and SAQA who are ex officio members:

Prof Peliwe Lolwana (Chairperson)

Ms Stella Carthy

Mr Willy Matthiae

The Council held four ordinary meetings, an induction workshop, two planning workshops and a seminar.

## **COUNCIL**



*From left to right back row (Standing): Mr Gordon Louw, Ms Stella Carthy, Prof Peliwe Lolwana, Mr Willy Matthiae, Dr Mafu Rakometsi, Mr Amon Teteme, Dr Tholsia Naidoo, Mr Ntsie Malao,*

*From left to right front row (Seated): Prof Narend Baijnath, Ms Joyce Mashabela, Mr Joe Samuels*

*Absent Members: Dr Thabo Mashongoane, Mr Moeketsi Rakgosi  
Ms Happy Sibande, Ms Gergda Magnus, Ms Mariane Tsoeu*

| Name                 | Designation (in terms of the Board structure)     | Date appointed    | Date resigned | Qualifications   | Area of Expertise  | Board Directorships (List the entities)  | Other Committees (e.g. Audit committee) | No. of Meetings attended (4 ordinary Council meetings held) |
|----------------------|---|-------------------|---------------|--|--|--|---|---|
| Prof Peliwe Lolwana  | Chairperson                                       | 26 September 2011 | N/A           | Ph.D.  | Knowledge of education and training<br>Research<br>Policy development<br>Leadership and Management<br>Governance | Human Resources Development of SA Council<br>Metropolitan Momentum<br>Insurance Foundation<br>Hotazel Manganese Mines<br>Education Trust<br>University of Fort Hare<br>Council | Executive Committee<br>(Chairperson)    | 4 presents  |
| Ms G Joyce Mashabela | CEO: QCTO   | 1 April 2012      | N/A           | MA, MS, MBA  | Teaching<br>Management<br>Administration   | SAQA<br>Council on Higher Education (CHE)<br>Umalusi<br>National Skills Authority (NSA)<br>SASCE   | Executive Committee                     | 4 presents  |
| Mr Joe Samuels       | CEO: SAQA   | 1 March 2012      | N/A           | BSc Hons (Physiology),<br>MPhil (Adult Education)                    | Qualifications framework, policy, adult education  | CHE<br>Umalusi,<br>QCTO,<br>SAQA and<br>NSA  | None                                    | 1 present<br>3 apologies                                    |
| Dr Denyse Webbstock  | Acting CEO: CHE                                   | 23 June 2015      | 27 Aug 2015   | BA; BA (Hons) (Natal); PG<br>Dip Int Rels (Amsterdam),<br>PhD (UKZN) | Higher Education   | SAQA and<br>Umalusi<br>CHE,<br>SAQA and<br>Umalusi   | None                                    | 2 presents  |
| Prof Narend Baijnath | CEO: CHE  | 1 October 2015    | N/A           |  | Higher Education   |  | None                                    | 1 present<br>1 apology                                      |
| Dr Mafu Rakometsi    | CEO: Umalusi                                      | 20 January 2010   | N/A           | Ph.D   | History of education<br>Curriculum, examinations and assessment  | SAQA,<br>QCTO,<br>CHE and<br>Member of Helderberg<br>College Council   | None                                    | 3 presents<br>1 apology                                     |
| Dr Thabo Mashongoane | Director: NSA to represent Executive Officer: NSA | 1 April 2015      | N/A           | Ph.D Educational Management  | Skills development   | None   | None                                    | 3 presents<br>1 apology                                     |

|                      |   |                                   |     |   |   |   |  |                         |
|----------------------|---|-----------------------------------|-----|---|---|---|--|-------------------------|
| Mr Gordon Louw       | Nominated by NEDLAC to represent organised labour                                     | 19 March 2015                     | N/A | N5 Electrical Engineering Coaching/Counseling for RPL<br>Certificate in Quality Management System: ISO 9001:2000<br>Labour Arbitration Workshop | Worker education and training and labour relations  | SAQA  | Occupational Qualifications Committee  | 4 presents              |
| Mr Amon Teteme       | Nominated by NEDLAC to represent organised labour                                     | 19 March 2015                     | N/A | Pratitioner Certificate   | Education and Training, Skills Development and Employment Equity and other Labour related Legislation | Member of MQA Board and Member of MQA Executive Committee | Executive Committee<br>Occupational Quality Assurance Committee  | 3 presents<br>1 apology |
| Ms Stella Carthy     | Nominated by NEDLAC to represent organised business                                   | 20 January 2010 and 19 March 2015 | N/A | Qualified teacher IPM Diploma - HR Labour Relations Training  | Skills Development  | National Skills Authority (NSA)                           | Executive Committee<br>Occupational Quality Assurance Committee (Chairperson)  | 4 presents              |
| Mr. Willy Matthiae   | Nominated by NEDLAC to represent organised business                                   | 20 January 2010 and 19 March 2015 | N/A | National Technical Diploma Mechanical Engineering B Com. ( Business management & Industrial Psychology)<br>Management Development Diploma       | Engineering, Management, Project management, Training and Development                                 | None  | Executive Committee<br>Qualifications Committee (Chairperson)<br>Audit and Risk Committee (from April 2015 to July 2015) | 4 presents              |
| Mr. Moeketsi Rakgosi | Nominated by NEDLAC to represent organisations of community and development interests | 19 March 2015                     | N/A | Bachelor of Arts.Degree in Economics and Political Science<br>Post Graduate Diploma in Project Management                                       | Skills Development and Training, Programmes and Project Management                                    | None  | None   | 3 presents<br>1 apology |



| Name             | Designation (in terms of the Board structure)   | Date appointed | Date resigned | Qualifications  | Area of Expertise  | Board Directorships (List the entities)  | Other Committees (e.g: Audit committee)  | No. of Meetings attended (4 ordinary Council meetings held) |
|------------------|---|----------------|---------------|---|--|--|--|---|
| Mr. Nisie Malao  | Nominated by NEDLAC to represent organisations of community and development interests           | 19 March 2015  | N/A           | Certificate in Youth Development,<br>Certificate in Library & Information Management,<br>Certificate in Career Guidance,<br>Certificate in Client Relations,<br>Certificate in Basic Computing & Internet Use,<br>Certificate in Basic Accounting,<br>Certificate in First Aid & Fire Fighting, and<br>Certificate in Grant Writing | Skills Development Facilitation for Non-Profit organisations and Co-operatives | None   | Occupational Quality Assurance Committee | 4 presents  |
| Ms Happy Sibande | Appointed by the Minister to represent the interests of public education and training providers | 19 March 2015  | N/A           | Secondary Teachers Diploma, Certificate in Effective People Management, Certificate in Corporate Governance, Certificate in Risk Management, Certificate in Thinking and Planning Strategically, Certificate in Project Management  | Teaching Management Administration   | Lepharo Metal Incubator and Human Resource Development Council of South Africa | N/A                                      | 2 presents<br>2 apologies                                   |

|                   |   |                |     |  |   |   |   |                         |
|-------------------|---|----------------|-----|--|---|---|---|-------------------------|
| Dr Tholsia Naidoo | Member nominated by the private providers of education and training to represent the interests of private education and training providers which providers are accredited providers in terms of the SDA | 19 March 2015  | N/A | <p>Doctorate<br/>Masters in Education,<br/>Bachelor of Education<br/>Higher Diploma in Education,<br/>Bachelor of Arts,<br/>Diploma in Human Resources Management,<br/>Certificate in Finance for non-financial Managers and<br/>Certificate in Total Quality Management</p> | <p>Training strategy in South Africa<br/>Quality assurance<br/>Strategic business management</p>  | <p>Board of Institute of Quality (IQ)<br/>Board of Chartered Institute for Professional Practitioners and Trainers (CIPPT)<br/>Board of Association of Private Providers for Education, Training and Development (APPETD)</p> | Executive Committee<br>Occupational Quality Assurance Committee<br>Audit and Risk Committee | 4 presents              |
| Ms Gerda Magnus   | Member to represent the interests of the state  | 19 March 2015  | N/A | <p>BA Honours Human resource Development<br/>MBA</p>   | <p>Skills Development<br/>HR<br/>Education and Training</p>   | None  | None  | 3 presents<br>1 apology |
| Ms Mariane Tsoeu  | Member to represent the interests of the state  | 31 August 2015 | N/A | <p>Master of Arts (Development Sociology),<br/>Diploma in International Education,<br/>Honours in Demography and Population Studies) and<br/>Bachelor of Arts (Industrial Sociology and Industrial psychology)</p>   | <p>Skills development, placement programmes for artisans and interns, policy development and conceptualisation, programme conceptualisation and development, various social and economic research areas</p> | None  | None  | 2 presents              |



## EXECUTIVE COMMITTEE



From left to right back row (Standing): Mr Amon Tetema, Ms Joyce Mashabela and Mr Willy Matthiae  
From left to right front row (Seated): Ms Stella Carthy, Prof Peliwe Lolwana and Dr Tholsia Naidoo

### Committees

The Council had appointed the following Committees below. Quarterly reports from the Committees are presented to Council.

| Committee                                | No. of meetings held | No. of members   | Names of members                  | No. of meetings attended | No. of apologies received |
|--|----------------------|--|-----------------------------------|--------------------------|---------------------------|
| Executive Committee                      | 4                    | 6 members<br><br>(Mr Teteme and Dr Naidoo were elected as new members of EXCO and joined from February 2016) | Prof Peliwe Lolwana (Chairperson) | 4                        | 0                         |
|  |                      |  | Ms Joyce Mashabela CEO)           | 4                        | 0                         |
|  |                      |  | Ms Stella Carthy                  | 4                        | 0                         |
|  |                      |  | Mr Willy Matthiae                 | 3                        | 1                         |
|  |                      |  | Mr Amon Teteme                    | 1                        | N/A                       |
|  |                      |  | Dr Tholsia Naidoo                 | 1                        | N/A                       |
| Occupational Qualifications Committee    | 3                    | 8 members  | Mr Willy Matthiae (Chairperson)   | 3                        | 0                         |
|  |                      |  | Mr Louis Schutte                  | 2                        | 1                         |
|  |                      |  | Mr Gordon Louw*                   | 2                        | N/A                       |
|  |                      |  | Dr Allyson Lawless                | 2                        | 1                         |
|  |                      |  | Mr Malesela Maleka*               | 1                        | 1                         |
|  |                      |  | Mr Louis Coetzer                  | 3                        | 0                         |
|  |                      |  | Prof Paul Beard                   | 1                        | 2                         |
|  |                      |  | Mrs Bella Sattar                  | Retired                  | 0                         |
| Occupational Quality Assurance Committee | 4                    | 10 members<br><br>(8 members plus two vacancies)   | Ms Stella Carthy (Chairperson)    | 4                        | 0                         |
|  |                      |  | Mr Phineas Sibanyoni              | 3                        | 1                         |
|  |                      |  | Mr Amon Teteme*                   | 2                        | 1                         |
|  |                      |  | Dr Tholsia (Naidoo                | 3                        | 0                         |
|  |                      |  | Mr Ntsie Malao*                   | 3                        | N/A                       |
|  |                      |  | Ms Mary Peters                    | 4                        | 0                         |
|  |                      |  | Dr Marina le Grange*              | 2                        | 1                         |
|  |                      |  | Prof Joy Papier*                  | 3                        | 0                         |
|  |                      |  | Dr Caroline Selepe*               | 2                        | 1                         |
|  |                      |  | Mr Terrence Harrison*             | 1                        | 1                         |

\*These members were appointed throughout the financial year on different dates

## OCCUPATIONAL QUALIFICATIONS COMMITTEE



*From left to right back row (Standing): Mr Louis Coetzer, Mr Louis Schutte and Mr Malesela Maleka*

*From left to right front row (Seated): Dr Allyson Lawless, Mr Gordon Louw, Mr Willy Matthiae and Prof Germain Beard*

## OCCUPATIONAL QUALITY ASSURANCE COMMITTEE



*From left to right back row (Standing): Mr Ntsie Malao, Mr Phineas Sibanyoni and Mr Amon Tete*

*From left to right front row (Seated): Dr Marina le Grange, Ms Mary Peters, Ms Stella Carthy, Dr Caroline Selepe and Dr Tholsia Naidoo*

### Remuneration of Council members

The QCTO Council members were remunerated as per National Treasury rates. Reimbursement was in accordance with the Remuneration Policy of the QCTO Council and Council Committees. Members from the public sector did not receive remuneration.

| Name  | Remuneration<br>R | Other re-imburement<br>R | Total<br>R        |
|---|-------------------|--------------------------|-------------------|
| Prof Peliwe Lolwana<br>(Chairperson)          | 48 864.00         | 1 633.19                 | 50 497.19         |
| Mr Gordon Louw                                | 38 565.00         | 105.00                   | 38 670.00         |
| Mr Amon Teteme                                | 28 944.00         | 2 188.87                 | 31 132.87         |
| Ms Stella Carthy                              | 38 592.00         | 4 361.59                 | 42 953.59         |
| Mr Willy Matthiae                             | -                 | 6 633.07                 | 6 633.07          |
| Mr Moeketsi Rakgosi                           | 28 944.00         | 807.63                   | 29 751.63         |
| Mr Ntsie Malao                                | 38 592.00         | 10 460.24                | 49 052.24         |
| Dr Tholsia Naidoo                             | 38 592.00         | 120.00                   | 38 712.00         |
| Ms Joyce Mashabela (CEO)                      | N/A               | N/A                      | N/A               |
| Mr. Joe Samuels                               | N/A               | N/A                      | N/A               |
| Dr Denyse Webbstock /<br>Prof Narend Bajjnath | N/A               | N/A                      | N/A               |
| Dr Mafu Rakometsi                             | N/A               | N/A                      | N/A               |
| Dr Thabo Mashongoane                          | N/A               | N/A                      | N/A               |
| Ms Gerda Magnus                               | N/A               | N/A                      | N/A               |
| Ms Mariane Tsoeu                              | N/A               | N/A                      | N/A               |
| <b>Total</b>                                  | <b>261 093.00</b> | <b>26 309.59</b>         | <b>287 402.59</b> |

\* The above amounts include remuneration, subsistence and travelling allowances for attending Council meetings.

## 5. RISK MANAGEMENT

The Council reviewed and implemented the Risk Management Policy, Risk Management Framework and Risk Management Strategy. The CEO serves as the Chief Risk Officer. All milestones of the Risk Management Strategy for 2015/16 were achieved. Various risk assessments were conducted which have culminated in a strategic risk register and operational risk registers for all Chief Directorates. A Risk Management Committee is in place. Progress on the mitigation of risks is continually monitored and reported to the Audit and Risk Committee on a quarterly basis.

## 6. INTERNAL CONTROL UNIT

Continued progress was made to improve internal controls. Audit Action Plans with findings raised by the AGSA as well as Internal Audit are in place and are being closely monitored by the Audit and Risk Committee. These findings are also followed up by Internal Audit on a regular basis and reported to the Audit and Risk Committee.

The QCTO management together with Internal Audit conduct quarterly meetings on the QCTO's internal control checklist and presents the outcomes to the Audit and Risk Committee.

## 7. INTERNAL AUDIT AND AUDIT COMMITTEE

### Key activities and objectives of Internal Audit

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

The scope of the Internal Audit function includes, but is not limited to an evaluation of:

- ▶ The reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- ▶ The systems established to ensure compliance with those policies, plans, procedures, laws and regulations that could have a significant impact on operations and reports;
- ▶ The means of safeguarding assets and, where appropriate, verification of the existence of such assets;
- ▶ The economic and efficient management of the company's financial, human and other resources, and the effective conduct of its operations; and
- ▶ Operations or programmes to ascertain whether or not results are consistent with established objectives and goals and whether or not the operations are being carried out as planned.

The Internal Audit function's objectives, defined in terms of audit focus areas, are:

- **Financial auditing:** which aims to ensure that reliable information is produced for both management purposes and external publication and that adequate controls exist to safeguard assets;
- **Operational auditing:** which focuses on the effectiveness and efficiency of the substructure's operations;
- **Compliance auditing:** which addresses compliance with relevant national laws and regulations, best practice and the QCTO's established policies and procedures;
- **IT auditing:** which reviews the controls over information technology and whether IT supports the QCTO's objectives; and
- **Performance auditing:** to evaluate measures instituted by management to ensure economic acquisition and efficient and effective utilisation of resources.

### Audit work

The QCTO has outsourced the function of internal audit to O.M.A. Chartered Accountants.

The following activities as per audit plan were completed for the 2015/16 financial period:

- Followed up on Management Action Plans – External and Internal Audit Findings – May 2015
- Reviewed Performance Information for Quarter 4 of 2014/15 and Annual Performance Information for 2014/15 financial year
- Reviewed Unaudited Annual Financial Statements 2014/15
- Reviewed Internal Audit and Audit and Risk Committee Charters
- Prepared Internal Audit Plans for 2015/16 and 2016/17 and Rolling Plans for 2015/16 to 2017/18 and 2016/17 to 2018/19 respectively
- Compiled the Risk Assessment and Process and Risk Overview Report
- Completed the Fraud Risk Assessment
- Facilitated an Annual Root Cause Workshop to prepare an audit action plan
- Participated in Quarterly Dashboard Meetings
- Reviewed Performance Information for Quarter 1-3 of 2015/16
- Reviewed Human Capital Management
- Followed up on findings raised by the Auditor General
- Reviewed Supply Chain and Expenditure Management
- Reviewed Financial Discipline (Fixed Asset and Cash Management)
- Reviewed Governance and Compliance
- Reviewed Occupational Quality Assurance

## Objectives of the Audit and Risk Committee

- 1.1 The objective of the Audit and Risk Committee is to assist the QCTO in the discharge of its responsibilities for financial and management reporting, corporate governance and corporate control including the review of internal controls and the management and mitigation of risks.
- 1.2 It should also review the QCTO's procedures in complying with relevant laws, regulations and ethics.
- 1.3 The Committee has an advisory role to the Council.

## Key activities of the Audit and Risk Committee

The Audit and Risk Committee should assist the Council in carrying out its responsibilities as they relate to the QCTO's:

- (a) financial, management and other reporting practices;
- (b) internal controls and management of risks; and
- (c) compliance with laws, regulations, and ethics;

Furthermore the Audit and Risk Committee:

- should report to the Council any matter identified during the course of carrying out its duties that it considers significant; and
- perform or undertake on behalf of the Council any such other tasks or actions as the Council may from time to time authorise.

A further breakdown of activities is:

- Consider the effectiveness of the internal control and risk management system.
  - Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations together with management's responses.
  - Review the QCTO risk profile on an annual basis and ensure management is effectively managing the risks.
  - Review the Materiality and Significance Framework and Fraud Prevention Plan of the QCTO.
  - Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management' investigation and follow-up (including disciplinary action) of any instances of non-compliance.
  - Review the adequacy, reliability and accuracy of the financial information provided to management and other users of such information and annually review the Annual Financial Statements.
- 1.4 The QCTO's first Audit and Risk Committee's term of office expired on 31 July 2015. A new Audit and Risk Committee was appointed and attended its induction session in September 2015.



The table below discloses relevant information on the QCTO Audit and Risk Committee members of the two Committees:

| Name  | Qualifications  | Internal or external | Date appointed    | Date Resigned           | No. of Meetings attended |
|---|---|----------------------|-------------------|-------------------------|--------------------------|
| Audit and Risk Committee: First term of office ended 31 July 2016 (2 meetings held) |   |                      |                   |                         |                          |
| Mr Paul Slack (Chairperson)   | CA (SA)<br>B.Com (Hons) (Financial Management)  | External             | 8 June 2012       | Term of office ended    | 2                        |
| Mr Theuns Tredoux   | B. Com (Hons) Acc<br>MBL (Unisa)  | External             | 8 June 2012       | Re-appointed            | 2                        |
| Mr Velile Kweyama   | Senior Secondary Teachers Diploma (SSTD)<br>Bachelor of Accounting Sciences (BCompt)<br>CIA and CCSA  | External             | 31 January 2013   | Term of office ended    | 2                        |
| Ms Thobeka Njozela  | B. Com<br>B. Compt (Hons)<br>MBA<br>Executive Development Programme<br>CIA, CCSA, CRMA<br>Certificate in Management Practice                            | External             | 15 April 2014     | Re-appointed for 1 year | 2                        |
| Mr Willy Matthiae   | National Technical Diploma<br>Mechanical Engineering<br>B Com ( Business Management & Industrial Psychology)<br>Management Development Diploma          | External             | 8 May 2014        | Term of office ended    | 2                        |
| Audit and Risk Committee: Second term of office (2 meetings held)                   |   |                      |                   |                         |                          |
| Ms Rene van Wyk (Chairperson)   | B. Com (Accounting)<br>B Com (Hons)<br>MBA<br>CA (SA)<br>Certificate in the Theory of Accounting (CTA)<br>Diploma in Advanced Banking                   | External             | 3 September 2015  | N/A                     | 2                        |
| Ms Thobeka Njozela  | B.Com<br>B. Compt (Hons)<br>MBA<br>Executive Development Programme<br>CIA, CCSA, CRMA<br>Certificate in Management Practice                             | External             | 10 September 2015 | N/A                     | 2                        |
| Mr Theuns Tredoux (Alternate: Ms Amelia Poolman)                                    | B.Com (Hons) Acc<br>MBL (Unisa)   | External             | 3 September 2015  | N/A                     | 1 present<br>1 apology   |
| Mr Dumisani Dlamini   | SAIPA<br>Masters of Commerce Degree<br>Bachelor of Technology (Taxation)<br>Post graduate diploma in Business Management<br>National Diploma Accounting | External             | 3 September 2015  | N/A                     | 2                        |



| Name  | Qualifications   | Internal or external | Date appointed    | Date Resigned | No. of Meetings attended               |
|---|--|----------------------|-------------------|---------------|--|
| Mr Thilivali Ramawa   | B.Com (Accounting)<br>CTA<br>CA (SA)<br>RA   | External             | 3 September 2015  | N/A           | 2                                      |
| Dr Tholsia Naidoo<br>(non voting representative from Council) | Doctorate<br>Masters in Education<br>Bachelor of Education<br>Higher Diploma in Education<br>Bachelor of Arts<br>Diploma in Human Resources Management<br>Certificate in Finance for non-financial Managers<br>Certificate in Total Quality Management | External             | 10 September 2015 | N/A           | 2                                      |
| Adv Collen Weapond (co-opted expert)                          | B.Com Hons (IT)<br>M.Tech ( Forensic Investigations)<br>LLB<br>B.IURIS<br>B .Tech Policing<br>Postgraduate Diploma in Computer Forensics (course work)<br>Diploma in Education SP III<br>Diploma in Compliance Management                              | External             | 15 January 2016   | N/A           | 1<br><br>(only invited to one meeting) |

#### AUDIT AND RISK COMMITTEE



From left to right back row (Standing): Mr. Thilivhali Ramawa and Mr.Dumisani Dlamini  
From left to right front row (Seated):Ms.Thobeka Njozela, Ms.Rene van Wyk,and Dr.Tholsia Naidoo

Absent Members:Mr. Theuns Tredoux and Adv. Collen Weapond (Co-opted Member)

## **8. COMPLIANCE WITH LAWS AND REGULATIONS**

Up to date the QCTO has ensured that it complied with all required documentation in terms of the PFMA and Treasury Regulations, as required by the DHET's Compliance Calendar.

The QCTO also attends various other meetings to keep abreast of laws and regulations that need to be complied with. The QCTO works closely with the DHET to ensure it is continuously updated with latest laws and regulations.

The CFO also attends the CFO Forum and meetings arranged by National Treasury to keep abreast with new developments.

## **9. UNSOLICITED PROPOSAL**

There was no unsolicited proposal engaged during the 2015/16 financial year.

## **10. FRAUD AND CORRUPTION**

The QCTO approved a reviewed Fraud Prevention Policy and Plan. A fraud risk assessment was conducted by the Office which resulted in a fraud risk register.

The QCTO launched its own Fraud and Ethics Hotline in March 2016 which will be advocated going forward.

No cases of fraud have become known to the QCTO during the 2015/16 financial year.

## **11. MINIMISING CONFLICT OF INTEREST**

In the past year no conflict of interest was declared.

## **12. CODE OF CONDUCT**

The QCTO has its own approved Code of Conduct for employees which every employee signed.

## **13. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES**

The QCTO moved to its own office space in mid-December 2013. The building is compliant to health and safety imperatives as assessed by the landlord and therefore there are no major issues of concern identified thus far.

## **14. SECRETARY**

The QCTO does not fall under the Companies Act and therefore this section is not applicable to the QCTO (no Company Secretary). The QCTO does have a Director: Governance, Strategy and Secretariat Services and staff that form the secretariat to Council and most of its Committees.

## 15. SOCIAL RESPONSIBILITY

Not applicable to the QCTO for the 2015/16 financial year.

## AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

### Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated 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 controls applied by the entity over financial and risk management is effective and transparent. In line with the PFMA requirements, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was effective.

### The quality of In Year Management and Quarterly Reports submitted in terms of the PFMA

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

### Evaluation of Annual Financial Statements

The Audit and Risk Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the annual report, with the Auditor-General South Africa and Accounting Authority;
- Reviewed the Auditor-General South Africa's management report and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.

The Audit and Risk Committee concurs and accepts the Auditor-General South Africa's report on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General South Africa.

**Internal audit**

The Audit and Risk Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

**Auditor-General of South Africa**

The Audit and Risk Committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues.

A handwritten signature in blue ink, appearing to read 'R. van Wyk', is written over a horizontal line. The signature is stylized with a large loop at the end.

**Ms Rene van Wyk**  
**Chairperson of the Audit and Risk Committee**  
**Quality Council for Trades and Occupations**  
**22 July 2016**



## PART D: HUMAN RESOURCE MANAGEMENT

## 1. INTRODUCTION

- Overview of HR matters at the public entity

QCTO approved structure provides for 47 permanent positions. Of these positions 46 were filled during the 2015/16 financial year, bringing the vacancy rate down to 2% as compared with the previous financial year (2014/15) which was at 11%. It must be noted that as a result of the drive to review the QCTO organisational structure a decision was taken that the one vacant position of Practitioner: Marketing and Communication should not be filled, pending the review of the QCTO structure that will align with the revised strategy. Additional 45 contract posts were filled during the year under review. The process of organisational structure review kicked off in 2014/15 and is expected to conclude by not later than December 2016. The result of the organisational structure review (and subsequent funding thereof) will to a greater extent minimise the need for the filling of contract posts.

As from September 2014 the QCTO made use and implemented its own HR policies, procedures and payroll systems. The implementation necessitated a review of certain parts of the QCTO's approved Human Resources Policy manual, namely the Leave policy. The review of the leave policy was initiated in order to align with best practices.

- Set HR priorities for the year under review and the impact of these priorities

The main HR focus was to capacitate the entity by filling of positions and developing its own HR policies and systems. This has enabled the QCTO to fully function independently. Staff development through training and development initiatives was one of the key areas of focus for the 2015/16 financial year.

- Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

The QCTO's own HR Policies, procedures, and systems were implemented as from 1 September 2014. These approved HR policies and procedures include elements of staff retention, such as training and development and bursaries for staff.

- Employee performance management framework

QCTO developed its own Performance Management Policy and the policy was approved in November 2014. Implementation began in 2014/15 however at a much smaller scale as the policy was only approved later in that year. 2015/16 saw full implementation at a much larger scale than in the previous year as employees were now familiar with the monitoring tool.

- Employee wellness programme

Employee wellness day was held in December 2015. This marked the second phase of the employee wellness programme. More programs are planned for 2016/17 depending on the availability of funds.



- Achievements

- The QCTO submitted the Employment Equity Report for the first time to the Department of Labour and a letter of good standing was issued by the said Department.
- The QCTO was registered as an employer with SARS for PAYE, COIDA and UIF
- A separate pension fund from the DHET was established and approved by the Government Pension Fund
- QCTO continued successfully to implement its own payroll system (VIP). The HR Premier module was also introduced and commenced to be used during the year under review. This module enables the maintenance of accurate employee records.
- The QCTO as an employer is registered with SARS for PAYE, COIDA and UIF and continues to comply with the relevant requirements.
- Very low vacancy rate (2%)

- Challenges faced by the public entity

A large percentage of positions are filled on contract basis. This situation has adverse implications on the stability of the organisation. These posts are funded mainly from the SETA grant, however as these funds are allocated annually, based on a submission made to the DHET, the amount received (if any) can vary considerably. The uncertainty this creates has negative consequences for the QCTO, since a large number of employees can only be employed on contract basis as opposed to permanent contracts.

- Future HR plans /goals

The QCTO's organisational structure review process is in progress and scheduled for completion approximately by December 2016. With the finalisation of the organisational structure review process, this will allow for the phasing out of contract posts provided that a stable, permanent source of funds is made available.

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

### *Personnel Cost by programme*

| Programme | Total Expenditure for the Entity | Personnel Expenditure | Personnel Expenditure as a % of Total Expenditure | Number of Employees | Average personnel cost per employee |
|-----------|----------------------------------|-----------------------|---|---------------------|-------------------------------------|
|           | R'000                            | R'000                 |   |                     |                                     |
| QCTO      | 74 160                           | 38 440                | 52  | 91                  | 422                                 |

**Note:** The total number of 91 employees includes 45 contract employees



**Personnel cost by salary band**

| Level                  | Personnel Expenditure | % of Personnel Expenditure to total personnel costs | Number of Employees | Average personnel cost per employee |
|------------------------|-----------------------|---|---------------------|-------------------------------------|
|                        | R'000                 | R'000   |                     |                                     |
| Top Management         | 1 306                 | 3   | 1                   | 1306                                |
| Senior Management      | 7 780                 | 20  | 9                   | 864                                 |
| Professional qualified | 21 136                | 55  | 40                  | 528                                 |
| Skilled                | 3 047                 | 8   | 10                  | 305                                 |
| Semi - Skilled         | 4 808                 | 13  | 27                  | 178                                 |
| Unskilled              | 363                   | 1   | 4                   | 91                                  |
| <b>TOTAL</b>           | <b>38 440</b>         | <b>100</b>  | <b>91</b>           | <b>422</b>                          |

**Note:** The total number of 91 employees includes 45 contract employees.

**Performance Rewards**

Performance Rewards for 2014/15 were finalised and paid during the year under review. No performance rewards were paid (2015/16) since the appraisals were yet to be finalised by year end. A provision has been raised in the financials for the estimated costs of performance rewards to be paid.

**Training Costs**

| Programme | Personnel Expenditure | Training Expenditure | Training as a % of Personnel Costs | Number of Employees | Average Training cost per employee |
|-----------|-----------------------|----------------------|------------------------------------|---------------------|------------------------------------|
|           | R'000                 | R'000                |                                    |                     |                                    |
| QCTO      | 38 440                | 295                  | 1                                  | 46                  | 6                                  |

**Employment and vacancies**

| Programme | 2014/15<br>Approved Posts | 2014/15<br>Number of Employees | 2015/16<br>Approved Posts | 2015/16<br>Number of Employees | % of vacancies |
|-----------|---------------------------|--------------------------------|---------------------------|--------------------------------|----------------|
| QCTO      | 47                        | 82                             | 47                        | 91                             | 2%             |

Notes:

1. The total number of 91 employees includes 45 contract employees which are not on the formal approved structure for permanent posts.
2. Of the 47 approved permanent posts, 46 posts were filled.

| Level                  | 2014/15<br>Approved Posts | 2014/15<br>Number of Employees | 2015/16<br>Approved Posts | 2015/16<br>Number of Employees | % of vacancies |
|------------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|----------------|
| Top Management         | 1                         | 1                              | 1                         | 1                              | 0%             |
| Senior Management      | 9                         | 8                              | 9                         | 9                              | 0%             |
| Professional qualified | 15                        | 13                             | 15                        | 15                             | 0%             |
| Skilled                | 13                        | 11                             | 13                        | 12                             | 2%             |
| Semi - Skilled         | 8                         | 8                              | 8                         | 8                              | 0%             |
| Unskilled              | 1                         | 1                              | 1                         | 1                              | 0%             |
| <b>TOTAL</b>           | <b>47</b>                 | <b>42</b>                      | <b>47</b>                 | <b>46</b>                      | <b>2%</b>      |

All approved positions and contract posts have been budgeted accordingly throughout the MTEF period.

#### ***Employment changes***

The table below provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in employment profile of the QCTO.

| Salary Band            | Employment at the beginning of the period | Appointments | Promotions of existing employees | Terminations | Employment at the end |
|------------------------|---|--------------|----------------------------------|--------------|-----------------------|
| Top Management         | 1   | 0            | 0                                | 0            | 1                     |
| Senior Management      | 8   | 1            | 0                                | 0            | 9                     |
| Professional qualified | 29  | 13           | 0                                | 2            | 40                    |
| Skilled                | 16  | 3            | 9                                | 0            | 10                    |
| Semi - Skilled         | 25  | 9            | 6                                | 1            | 27                    |
| Unskilled              | 3   | 2            | 0                                | 1            | 4                     |
| <b>TOTAL</b>           | <b>82</b>                                 | <b>28</b>    | <b>15</b>                        | <b>4</b>     | <b>91</b>             |

**Reasons for staff leaving**

| Reason             | Number   |
|--------------------|----------|
| Death              | 0        |
| Resignation        | 4        |
| Dismissal          | 0        |
| Retirement         | 0        |
| Ill - Health       | 0        |
| Expiry of Contract | 0        |
| Other              | 0        |
| <b>TOTAL</b>       | <b>4</b> |

***Labour Relations: Misconduct and disciplinary action***

There were neither misconduct cases nor disciplinary actions for the year under review.

***Equity Target and Employment Equity Status***

The Employment Equity Policy had just been approved together with other Human Resources policies. The Employment Equity Plan was developed and submitted to the Department of Labour and shall be reviewed in 2016/2017.



## PART E: FINANCIAL INFORMATION

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

**Index Page**

|  |    |
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| Accounting Authority's Responsibilities and Approval   | 61 |
| Report of the auditor-general to Parliament on the Quality Council for Trades and Occupation | 62 |
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## Accounting Authority's Responsibilities and Approval

The Council is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Council 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) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

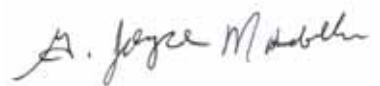
The Council acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Council to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. 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.

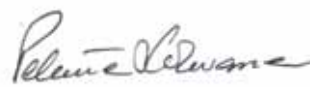
The Council is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial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

Although the Accounting Authority is primarily responsible for the financial affairs of the entity, they are audited by the entity's external auditors.

The Annual Financial Statements set out on pages 65 to 112, which have been prepared on the going concern basis, were approved by the accounting authority on 27 July 2016 and were signed on its behalf by:



**Ms Joyce Mashabela (Chief Executive Officer)**  
27 July 2016



**Prof Peliwe Lolwana (Chairperson)**  
27 July 2016

## Report of the auditor-general to Parliament on the Quality Council for Trades and Occupation

### Report on the financial statements

#### Introduction

1. I have audited the financial statements of the Quality Council for Trades and Occupation set out on pages 65 to 112 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 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) and 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 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 the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Quality Council for Trades and Occupation 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.

## Report on other legal and regulatory requirements

7. 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 programmes 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

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the

year ended 31 March 2016:

- Programme 2: occupational qualifications on pages 28 to 30
  - Programme 3: quality assurance on pages 31 to 34
9. 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 programmes. 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.
  10. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
  11. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
    - Programme 2: occupational qualifications
    - Programme 3: quality assurance

## Additional matter

12. Although I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matter:

## Achievement of planned targets

13. Refer to the annual performance report on pages 27 to 34; for information on the achievement of planned targets for the year.

## Compliance with legislation

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

## Procurement and contract management

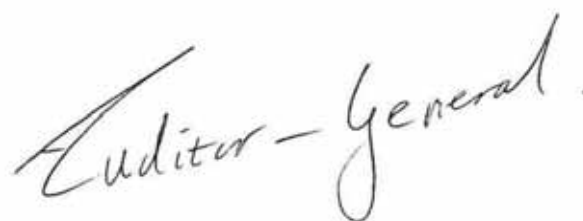
15. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by treasury regulation 16A6.1.

## Internal control

16. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matter reported below is limited to the significant internal control deficiency that resulted in the finding on compliance with legislation included in this report.

## Leadership

17. The lack of adequate management oversight with regard to sourcing training providers for staff training resulted in non-compliance.



Pretoria

29 July 2016



**AUDITOR - GENERAL**  
**SOUTH AFRICA**

*Auditing to build public confidence*

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Report of the Council**

The Council submit their report for the year ended 31 March 2016.

**1. Incorporation**

On 31 December 2010, the QCTO was listed as a Schedule 3A Public Entity under the Public Finance Management Act, effective retrospectively from 01 April 2010 (Gazette Notice 33900), as per section 26 (G) (1) of the Skills Development Act.

**2. Review of activities****Main business and operations**

The QCTO has been established in order to accommodate the unique learning requirements for building occupational competence. The QCTO is responsible for Occupational Qualifications development and monitoring.

Both the National Qualifications Framework Act, No 67 of 2008 and the Skills Development Act, No 97 as amended in 2008 outline the functions of the QCTO.

Net deficit of the entity was R9 403 000 (2015: deficit of R7 389 000). The deficit was mainly as a result of non cash items i.e Depreciation and amortisation expenses R2 592 000 and Provisions additions for R2 844 000. The overall spending is in line with the revised budget, due to approved cash surplus.

**3. Subsequent events**

The Council is not aware of any matter or circumstance arising since the end of the financial year that would require an adjustment of the financial statements.

**4. Council members' interest**

There were no conflict of interest declared for the year under review.

**5. Accounting Authority**

The Council of the entity during the year and to the date of this report are as follows:

**Name**

Prof Peliwe Lolwana (Chairperson)  
 Ms Joyce Mashabela (Chief Executive Officer)  
 Dr Denyse Weebstock  
 Dr Tholsia Naidoo  
 Mr Gordon Louw  
 Mr Moeketsi Rakgosi  
 Mr Ntsie Malao  
 Mr Thabo Mashongoane  
 Mr Willy Eduard Matthiae  
 Ms Mariane Tsoeu  
 Ms Gerda Magnus  
 Dr Mafu S Rakometsi  
 Mr Joe Samuels  
 Ms Stella Ruth Carthy  
 Mr Amon Teteme

## Report of the Council

### 6. Secretary

The secretary of the entity is Ms. Adri H Solomon:

Business address: 256 Glynn Street

Hatfield

Pretoria

0083

Postal address: Private Bag X278

Pretoria

0001

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Report of the Council****7. Member and executive managers emoluments**

|                                   | <b>Total fees<br/>2016<br/>R</b> | <b>Total fees<br/>2015<br/>R</b> |
|-----------------------------------|----------------------------------|----------------------------------|
| <b>Council Members</b>            |                                  |                                  |
| Prof Peliwe Lolwana (Chairperson) | 50 497                           | 24 517                           |
| Mr Malesela Maleka**              | -                                | 16 400                           |
| Mr Gordon Louw                    | 38 670                           | -                                |
| Dr MJ Le Grange**                 | -                                | 15 240                           |
| Ms S Mogopodi**                   | -                                | 12 192                           |
| Mr Amon Teteme                    | 31 133                           | -                                |
| Ms Stella Ruth Carthy             | 42 953                           | 21 433                           |
| Mr Willy Mathiae                  | 6 633                            | 2 167                            |
| Mr Moeketsi Rakgosi               | 29 752                           | -                                |
| Mr Ntsie Malao                    | 49 052                           | -                                |
| Dr Tholsia Naidoo                 | 38 712                           | -                                |
|                                   | <b>287 402</b>                   | <b>91 949</b>                    |

\*\*The term of office ended on 31 March 2015



## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Report of the Council**

|                        | Designation                       | Appointment Date | Basic salary     | Service/<br>Performance<br>Bonuses | Pension        | Total package<br>2016 | Total<br>package<br>2015 |
|------------------------|-----------------------------------|------------------|------------------|------------------------------------|----------------|-----------------------|--------------------------|
| Executive Management   |                                   |                  | R                | R                                  | R              | R                     | R                        |
| Ms J Mashabela         | Chief Executive Officer           | 01-Apr-12        | 1 111 965        | 83 687                             | 120 638        | 1 316 290             | 1 266 167                |
| Mr TM Lata             | Chief Director: OQM               | 15-Oct-12        | 974 824          | 20 060                             | 99 200         | 1 094 084             | 1 068 421                |
| Mr VD Naidoo           | Chief Director: OQA               | 01-Feb-14        | 887 258          | 128 937                            | 95 751         | 1 111 946             | 988 150                  |
| Ms N Madilonga         | Chief Financial Officer           | 09-Nov-12        | 992 296          | 50 149                             | 99 200         | 1 141 645             | 1 156 137                |
| Ms A Solomon           | Director: Governance              | 10-Apr-86        | 757 951          | 116 570                            | 82 231         | 956 752               | 1 045 344                |
| Mr I Gumbochuma        | Director: Finance and Procurement | 12-Aug-13        | 784 804          | 65 530                             | 79 372         | 929 706               | 819 126                  |
| Mr S Siwundla**        | Director: Information Technology  | 1-Apr-14         | -                | -                                  | -              | -                     | 128 305                  |
| Mr S Mkhonza           | Director: OQM                     | 01-Jan-98        | 746 756          | 86 353                             | 81 017         | 914 126               | 819 126                  |
| Ms B Langa Mtintsilana | Director: OQA                     | 01-Apr-12        | 746 757          | 113 969                            | 81 017         | 941 743               | 819 126                  |
| Ms AJ Van Rensburg     | Director: Certification           | 01-Oct-14        | 735 489          | 49 614                             | 79 372         | 864 475               | 417 533                  |
| Mr T Ramhewa           | Director: Information Technology  | 01-Jan-16        | 196 238          | -                                  | 19 806         | 216 044               | -                        |
|                        |                                   |                  | <b>7 934 338</b> | <b>714 869</b>                     | <b>837 604</b> | <b>9 486 811</b>      | <b>8 527 435</b>         |

\*\* Mr S. Siwundla resigned on 19 June 2014

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Statement of Financial Position as at 31 March 2016**

|  | Note(s) | 2016<br>R '000 | 2015<br>R '000 |
|--|---------|----------------|----------------|
| <b>Assets</b>                              |         |                |                |
| <b>Current Assets</b>                      |         |                |                |
| Cash and cash equivalents                  | 5       | 7 960          | 10 463         |
| Receivables from exchange transactions     | 3       | 269            | 141            |
| Receivables from non-exchange transactions | 4       | 2              | 302            |
|  |         | <b>8 231</b>   | <b>10 906</b>  |
| <b>Non-Current Assets</b>                  |         |                |                |
| Infrastructure, plant and equipment        | 6       | 6 360          | 8 172          |
| Intangible assets                          | 7       | 11             | 69             |
|  |         | <b>6 371</b>   | <b>8 241</b>   |
|  |         | <b>14 602</b>  | <b>19 147</b>  |
| <b>Liabilities</b>                         |         |                |                |
| <b>Current Liabilities</b>                 |         |                |                |
| Payables from exchange transactions        | 8       | 5 294          | 1 699          |
| Provisions                                 | 9       | 2 844          | 2 037          |
| Operating lease liability                  | 21      | 1 348          | 893            |
|  |         | <b>9 486</b>   | <b>4 629</b>   |
| <b>Total Liabilities</b>                   |         | <b>9 486</b>   | <b>4 629</b>   |
| <b>Net Assets</b>                          |         | <b>5 116</b>   | <b>14 518</b>  |



## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Statement of Financial Performance**

|   | <b>Note(s)</b> | <b>2016<br/>R '000</b> | <b>2015<br/>R '000</b> |
|---|----------------|------------------------|------------------------|
| <b>Revenue</b>                                      |                |                        |                        |
| <b>Revenue from exchange transactions</b>           |                |                        |                        |
| Rendering of services                               |                | 178                    | -                      |
| Other income  |                | 998                    | 18                     |
| Interest received - investment                      |                | 1 377                  | 1 375                  |
| <b>Total revenue from exchange transactions</b>     |                | <b>2 553</b>           | <b>1 393</b>           |
| <b>Revenue from non-exchange transactions</b>       |                |                        |                        |
| <b>Transfer from other government entities</b>      |                |                        |                        |
| Government grants & subsidies                       |                | 61 848                 | 51 668                 |
| Transfer from other government entities             |                | 356                    | 500                    |
| <b>Total revenue from non-exchange transactions</b> |                | <b>62 204</b>          | <b>52 168</b>          |
| <b>Total revenue</b>                                | 17             | <b>64 757</b>          | <b>53 561</b>          |
| <b>Expenses</b>                                     |                |                        |                        |
| Personnel   | 19             | (38 440)               | (30 840)               |
| Administrative Expenses                             | 18             | (32 772)               | (27 037)               |
| Transfer payments                                   | 22             | (356)                  | (500)                  |
| Depreciation and amortisation                       | 6              | (2 592)                | (2 573)                |
| <b>Total expenses</b>                               |                | <b>(74 160)</b>        | <b>(60 950)</b>        |
| <b>Deficit for the period</b>                       |                | <b>(9 403)</b>         | <b>(7 389)</b>         |

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Statement of Changes in Net Assets**

|                                 | <b>Accumulated<br/>surplus</b> | <b>Total net<br/>assets</b> |
|---------------------------------|--------------------------------|-----------------------------|
|                                 | <b>R '000</b>                  | <b>R '000</b>               |
| <b>Balance at 31 March 2014</b> | <b>21 907</b>                  | <b>21 907</b>               |
| Deficit for the period          | (7 389)                        | (7 389)                     |
| Total changes                   | (7 389)                        | (7 389)                     |
| <b>Balance at 31 March 2015</b> | <b>14 518</b>                  | <b>14 518</b>               |
| Deficit for the period          | (9 403)                        | (9 403)                     |
| Total changes                   | (9 403)                        | (9 403)                     |
| <b>Balance at 31 March 2016</b> | <b>5 115</b>                   | <b>5 115</b>                |

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Cash Flow Statement**

|   |         | 2016                  | 2015                   |
|---|---------|-----------------------|------------------------|
|   | Note(s) | R '000                | R '000                 |
| <b>Cash flows from operating activities</b>                 |         |                       |                        |
| <b>Receipts</b>   |         |                       |                        |
| Sale of goods and services                                  |         | 90                    | -                      |
| Grants  |         | 62 204                | 51 668                 |
| Interest received   |         | 1 356                 | 1 375                  |
| Other receipts  |         | 998                   | 18                     |
|   |         | <u>64 648</u>         | <u>53 061</u>          |
| <b>Payments</b>   |         |                       |                        |
| Employee costs  |         | (35 544)              | (28 628)               |
| Suppliers   |         | (30 884)              | (42 672)               |
|   |         | <u>(66 428)</u>       | <u>(71 300)</u>        |
| <b>Net cash flows from operating activities</b>             | 10      | <u><b>(1 780)</b></u> | <u><b>(18 239)</b></u> |
| <b>Cash flows from investing activities</b>                 |         |                       |                        |
| Purchase of infrastructure, plant and equipment             | 6       | (724)                 | (1 273)                |
| Purchase of intangible assets                               | 7       | -                     | (40)                   |
| <b>Net cash flows from investing activities</b>             |         | <u><b>(724)</b></u>   | <u><b>(1 313)</b></u>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |         | <b>(2 503)</b>        | <b>(19 552)</b>        |
| Cash and cash equivalents at the beginning of the period    |         | <u>10 463</u>         | <u>30 015</u>          |
| <b>Cash and cash equivalents at the end of the period</b>   | 5       | <u><b>7 960</b></u>   | <u><b>10 463</b></u>   |

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Statement of Comparison of Budget and Actual Amounts**

| <b>Budget on Cash Basis</b>                     |                 |                 |                 |                                    |  |           |
|---|-----------------|-----------------|-----------------|------------------------------------|--|-----------|
|   | Approved Budget | Adjustments     | Final Budget    | Actual Amounts on comparable basis | Difference between final budget and actual | Reference |
|   | R '000          | R '000          | R '000          | R '000                             | R '000                                     |           |
| <b>Statement of Financial Performance</b>       |                 |                 |                 |                                    |  |           |
| <b>Revenue</b>                                  |                 |                 |                 |                                    |  |           |
| <b>Revenue from exchange transactions</b>       |                 |                 |                 |                                    |  |           |
| Rendering of services                           | -               | -               | -               | 90                                 | 90   | 1         |
| Other income                                    | -               | -               | -               | 998                                | 998  | 2         |
| Interest received - investment                  | -               | -               | -               | 1 356                              | 1 356                                      | 3         |
| <b>Total revenue from exchange transactions</b> | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>2 444</b>                       | <b>2 444</b>                               |           |
| <b>Transfers from other entities</b>            |                 |                 |                 |                                    |  |           |
| <b>Transfer revenue</b>                         |                 |                 |                 |                                    |  |           |
| Government grants & subsidies                   | 61 848          | 10 414          | 72 262          | 62 204                             | (10 058)                                   | 4         |
| <b>Total revenue</b>                            | <b>61 848</b>   | <b>10 414</b>   | <b>72 262</b>   | <b>64 648</b>                      | <b>(7 614)</b>                             |           |
| <b>Expenses</b>                                 |                 |                 |                 |                                    |  |           |
| Personnel                                       | (34 805)        | (2 414)         | (37 219)        | (35 544)                           | 1 675                                      | 5         |
| Administrative                                  | (24 644)        | (8 000)         | (32 644)        | (30 884)                           | 1 760                                      | 6         |
| <b>Total expenses</b>                           | <b>(59 449)</b> | <b>(10 414)</b> | <b>(69 863)</b> | <b>(66 428)</b>                    | <b>3 435</b>                               |           |
| <b>Surplus(Deficit) for the period</b>          | <b>2 399</b>    | <b>-</b>        | <b>2 399</b>    | <b>(1 780)</b>                     | <b>(4 179)</b>                             |           |
| <b>Statement of Financial Position</b>          |                 |                 |                 |                                    |  |           |
| <b>Assets</b>                                   |                 |                 |                 |                                    |  |           |
| <b>Non-Current Assets</b>                       |                 |                 |                 |                                    |  |           |
| Infrastructure, plant and equipment             | (2 399)         | -               | (2 399)         | (724)                              | 1 675                                      | 7         |
|   | -               | -               | -               | (2 503)                            | (2 503)                                    |           |

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Statement of Comparison of Budget and Actual Amounts****Budget on Cash Basis (Continued)**

- 1) The amount relates to certificate verification services that was initiated during the year.
- 2) The amount relates to the reimbursement from the Landlord for the expenses incurred for the additional office space.
- 3) The majority of interest was earned from investment with SARB. Initially QCTO did not anticipate the excess funds during the year.
- 4) The difference is due to approved rollovers of accumulated surplus that formed part of the 2015/2016 approved budget.
- 5) The spending on personnel expenditure is within the budget.
- 6) This was due to the expenditure that was incurred in the current year and correctly accounted for as accruals in the current year, which will be paid in the new financial year.
- 7) The capital expenditure budget was under-spent because the majority of the assets were bought when the organisation moved to its new premises in the 2013/14 financial year.

## Accounting Policies

### 1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These financial statements are presented in South African rand which is the functional currency of the entity. Figures have been rounded off to the nearest thousand Rand (R'000).

#### 1.2 Going concern assumption

These financial statements have been prepared on the going concern basis. In assessing whether the QCTO is a going concern, the Council has considered the fact that the QCTO receives State Contributions (Voted Funds) which is sufficient to classify the QCTO as a going concern for at least the next twelve months and has also conducted a comprehensive going concern assessment.

#### 1.3 Offsetting

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

#### 1.4 Significant judgements and sources of estimation uncertainty

In the application of the QCTO 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.

#### Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

## Accounting Policies

### 1.4 Significant judgements and sources of estimation uncertainty (Continued)

#### Impairment testing

Due to the nature of the QCTO, management considers infrastructure, plant and equipment and intangible assets to be non-cash generating assets and therefore impairment of cash-generating assets are not applicable.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 9 - Provisions.

#### Infrastructure, plant and equipment

The useful lives of assets are based on management's estimation. Management considers the following factors to determine the optimum useful life expectation for each of the individual items of infrastructure, plant and equipment.

- Expected usage of the asset. Usage is assessed by reference to the assets expected capacity or physical output;
- Expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used, the repair and maintenance programme and the care and maintenance of the asset while idle;
- Technical or commercial obsolescence arising from changes or improvement in

production or from a change in the market demand for the product or service output of the asset; and

- Exit policy of the entity.

### 1.5 Infrastructure, plant and equipment

Infrastructure, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Infrastructure, plant and equipment is initially measured at cost.

The cost of an item of infrastructure, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.



## Accounting Policies

### 1.5 Infrastructure, plant and equipment (Continued)

Where an item of infrastructure, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of infrastructure, plant and equipment have different useful lives, they are accounted for as separate items (major components) of infrastructure, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of infrastructure, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of infrastructure, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of infrastructure, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of infrastructure, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of infrastructure, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of infrastructure, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of infrastructure, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Infrastructure, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

## Accounting Policies

### 1.5 Infrastructure, plant and equipment (continued)

The useful lives of items of infrastructure, plant and equipment have been assessed as follows:

| Item                   | Depreciation method | Average useful life |
|------------------------|---------------------|---------------------|
| Computer equipment     | Straight line       | 3 Years             |
| Furniture and fittings | Straight line       | 5-10 Years          |
| Leasehold improvements | Straight line       | 5 Years             |
| Motor vehicles         | Straight line       | 5 Years             |
| Office equipment       | Straight line       | 3 Years             |

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of infrastructure, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of infrastructure, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of infrastructure, plant and equipment is included in surplus or deficit when the item is

derecognised. The gain or loss arising from the derecognition of an item of infrastructure, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

## Accounting Policies

### 1.6 Intangible assets (Continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided

on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item              | Useful life |
|-------------------|-------------|
| Computer software | 2 years     |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

## Accounting Policies

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts

that would be expected to have a similar response to changes in market factors.

- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between

## Accounting Policies

### 1.7 Financial instruments (continued)

knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that 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.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

## Accounting Policies

### 1.7 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

## Accounting Policies

### 1.7 Financial instruments (continued)

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity will continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets



## Accounting Policies

### 1.7 Financial instruments (continued)

transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and

above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

## Accounting Policies

### 1.9 Impairment of non-cash-generating assets (continued)

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.10 Employee benefits

Employee benefits are all forms of consideration given by QCTO in exchange for service rendered by employees.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are

due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

## Accounting Policies

### 1.10 Employee benefits (Continued)

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 13.

### 1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately

## Accounting Policies

### 1.13 Revenue from exchange transactions (Continued)

equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable.

#### Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required

to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

## Accounting Policies

### 1.14 Revenue from non-exchange transactions (continued)

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation. Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is

measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Transfers

Apart from services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## Accounting Policies

### 1.15 Comparative figures

Budget information in accordance with GRAP 24 has been provided in the Statement of Comparison of Budget Against Actual Amounts for the current financial year only, and forms part of the audited annual financial statements.

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

### 1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009

which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or council may write off the



## Accounting Policies

### 1.16 Irregular expenditure (Continued)

amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.17 Budget information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 April 2015 to 31 March 2016.

The Annual Financial Statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the Annual Financial Statements. Refer to Statement of comparison of budget and actual amounts.

### 1.18 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible 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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.20 Commitments

Commitments are disclosed where the QCTO has, in the normal course of its operations, entered into a contractual agreement with entities related to project and other expenses which are not yet due for payment.

### 1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the



## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

## Accounting Policies

### 1.21 Unauthorised expenditure (Continued)

expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 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.

### 1.24 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 GRAP3 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 shall restate 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.

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements****2. New standards and interpretations****2.1 Standards and interpretations issued, but not yet effective**

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2016 or later periods:

| Standard/ Interpretation:  | Effective date: Years beginning on or after | Expected impact:                             |
|--|---|--|
| - GRAP 18: Segment Reporting   | 01 April 2017                               | No impact                                    |
| - GRAP 20: Related parties   | 01 April 2017                               | The impact of the amendment is not material. |
| - GRAP 32: Service Concession Arrangements: Grantor  | 01 April 2016                               | The impact of the amendment is not material. |
| - GRAP 108: Statutory Receivables  | 01 April 2016                               | The impact of the amendment is not material. |
| - IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset | 01 April 2016                               | No impact                                    |
| - GRAP 16 (as amended 2015): Investment Property   | 01 April 2016                               | No impact                                    |
| - GRAP 17 (as amended 2015): Property, Plant and Equipment   | 01 April 2016                               | The impact of the amendment is not material. |
| - GRAP 109: Accounting by Principals and Agents  | 01 April 2017                               | No impact                                    |
| - GRAP 21 (as amended 2015): Impairment of non-cash-generating assets  | 01 April 2017                               | No impact                                    |
| - GRAP 26 (as amended 2015): Impairment of cash-generating assets  | 01 April 2017                               | No impact                                    |
| - Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities                           | 01 April 2018                               | No impact                                    |

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements**

|  | 2016       | 2015       |
|--|------------|------------|
|  | R '000     | R '000     |
| <b>3. Receivables from exchange transactions</b> |            |            |
| Trade debtors                                    | 88         | -          |
| Deposits   | 50         | 50         |
| Accrued Income                                   | 21         | -          |
| Prepaid expenses                                 | 110        | 91         |
|  | <b>269</b> | <b>141</b> |

The deposit was paid as a requirement of a fuel account with the service provider for refuelling of QCTO rented vehicles. The prepaid expenses is a result of the insurance premium cover for the period from 01 December 2015 to 30 November 2016. Trade debtors relates to certification verification services that was initiated during the year.

**4. Receivables from non-exchange transactions**

|                                 |          |            |
|---------------------------------|----------|------------|
| Employee's debt                 | 2        | -          |
| Government grants and subsidies | -        | 302        |
|                                 | <b>2</b> | <b>302</b> |

The employee's debt relates to traffic fines incurred on hired cars, that are recoverable from the employees.

**Receivables from non-exchange transactions past due but not impaired**

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 31 March 2016, R2000 were past due but not impaired.

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements**

|  | 2016   | 2015   |
|--|--------|--------|
|  | R '000 | R '000 |

The ageing of amounts past due but not impaired is as follows:

1 month past due

|   |     |
|---|-----|
| 2 | 302 |
|---|-----|

**5. Cash and cash equivalents**

Cash and cash equivalents consist of:

|                     |              |               |
|---------------------|--------------|---------------|
| Bank balances       | 7 222        | 351           |
| Short-term deposits | 738          | 10 112        |
|                     | <b>7 960</b> | <b>10 463</b> |

As required in Treasury Regulation 31.2, National Treasury approved the banks where the QCTO bank accounts are held. The weighted average interest rate on short term bank deposits was approximately 6.8% for the financial year (2015 : 5.8%).

Cash includes cash with ABSA bank. Cash equivalents are short term, highly liquid investments that are held with the Corporation for Public Deposits (CPD) - SARB 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 comprises of cash on hand, deposits held at call with CPD, net of bank overdrafts.

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements**

|  | 2016   | 2015   |
|--|--------|--------|
|  | R '000 | R '000 |

**6. Infrastructure, plant and equipment**

|                        | 2016             |   |                | 2015             |   |                |
|------------------------|------------------|---|----------------|------------------|---|----------------|
|                        | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Computer equipment     | 4 122            | (2 947)   | 1 175          | 3 720            | (1 757)   | 1 963          |
| Furniture and fittings | 4 283            | (1 134)   | 3 149          | 4 030            | (644)   | 3 386          |
| Leasehold improvements | 2 890            | (1 346)   | 1 544          | 2 890            | (771)   | 2 119          |
| Motor vehicles         | 400              | (148)   | 252            | 400              | (67)  | 333            |
| Office equipment       | 733              | (493)   | 240            | 665              | (294)   | 371            |
| <b>Total</b>           | <b>12 428</b>    | <b>(6 068)</b>                                      | <b>6 360</b>   | <b>11 705</b>    | <b>(3 533)</b>                                      | <b>8 172</b>   |

**Reconciliation of infrastructure, plant and equipment - 2016**

|                        | Opening balance | Additions  | Depreciation   | Total        |
|------------------------|-----------------|------------|----------------|--------------|
| Computer equipment     | 1 963           | 403        | (1 191)        | 1 175        |
| Furniture and fittings | 3 386           | 253        | (490)          | 3 149        |
| Leasehold improvements | 2 119           | -          | (575)          | 1 544        |
| Motor vehicles         | 333             | -          | (81)           | 252          |
| Office equipment       | 371             | 68         | (199)          | 240          |
|                        | <b>8 172</b>    | <b>724</b> | <b>(2 536)</b> | <b>6 360</b> |

**Reconciliation of infrastructure, plant and equipment - 2015**

|                        | Opening balance | Additions    | Disposals   | Depreciation   | Total        |
|------------------------|-----------------|--------------|-------------|----------------|--------------|
| Computer equipment     | 3 007           | 206          | (19)        | (1 231)        | 1 963        |
| Furniture and fittings | 3 346           | 484          | (5)         | (439)          | 3 386        |
| Leasehold improvements | 2 692           | -            | -           | (573)          | 2 119        |
| Motor vehicles         | -               | 400          | -           | (67)           | 333          |
| Office equipment       | 386             | 183          | -           | (198)          | 371          |
|                        | <b>9 431</b>    | <b>1 273</b> | <b>(24)</b> | <b>(2 508)</b> | <b>8 172</b> |

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements**

|  | 2016   | 2015   |
|--|--------|--------|
|  | R '000 | R '000 |

**6. Infrastructure, plant and equipment (Continued)**

A register containing the information required by Public Finance Management Act, Act 1 of 1999 is available for inspection at the registered office of the entity.

It is noted that there are no infrastructure, plant and equipment that have been pledged as security for liabilities.

**7. Intangible assets**

|                   | 2016                |   |                   | 2015                |   |                   |
|-------------------|---------------------|---|-------------------|---------------------|---|-------------------|
|                   | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying<br>value | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying<br>value |
| Computer software | 145                 | (134)   | 11                | 145                 | (76)  | 69                |

**Reconciliation of intangible assets - 2016**

|                   | Opening balance | Amortisation | Total |
|-------------------|-----------------|--------------|-------|
| Computer software | 69              | (58)         | 11    |

**Reconciliation of intangible assets - 2015**

|                   | Opening balance | Additions | Amortisation | Total |
|-------------------|-----------------|-----------|--------------|-------|
| Computer software | 94              | 40        | (65)         | 69    |

It is noted that there are no intangible assets that have been pledged as security for liabilities.

**8. Payables from exchange transactions**

|                  |              |              |
|------------------|--------------|--------------|
| Trade payables   | 888          | 1 001        |
| Other payables   | -            | 2            |
| Accrued expenses | 4 406        | 696          |
|                  | <b>5 294</b> | <b>1 699</b> |

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements**

|  | 2016   | 2015   |
|--|--------|--------|
|  | R '000 | R '000 |

**9. Provisions****Reconciliation of provisions - 2016**

|                     | Opening Balance | Additions    | Utilised during the year | Total        |
|---------------------|-----------------|--------------|--------------------------|--------------|
| Leave pay provision | 784             | 800          | (376)                    | 1 208        |
| Bonus provision     | 1 253           | 2 096        | (1 713)                  | 1 636        |
|                     | <b>2 037</b>    | <b>2 896</b> | <b>(2 089)</b>           | <b>2 844</b> |

**Reconciliation of provisions - 2015**

|                     | Opening Balance | Additions    | Utilised during the year | Reversed during the year | Total        |
|---------------------|-----------------|--------------|--------------------------|--------------------------|--------------|
| Leave pay provision | 298             | 486          | -                        | -                        | 784          |
| Bonus provision     | 884             | 1 253        | (1 334)                  | 450                      | 1 253        |
|                     | <b>1 182</b>    | <b>1 739</b> | <b>(1 334)</b>           | <b>450</b>               | <b>2 037</b> |

Leave is calculated based on leave days outstanding at year end and quantified in terms of total cost of employment per employee. The service bonus and the performance bonus accruals relates to 13th cheque as well as approved performance bonus commitments owed to QCTO employees at financial year end.



## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements**

|   | 2016           | 2015            |
|---|----------------|-----------------|
|   | R '000         | R '000          |
| <b>10. Cash (used in) generated from operations</b> |                |                 |
| Surplus/ (Deficit)                                  | (9 404)        | (7 390)         |
| <b>Non-cash movements:</b>                          |                |                 |
| Depreciation  | 2 534          | 2 508           |
| Amortisation  | 58             | 65              |
| Loss on sale of plant and equipment                 | -              | 24              |
| Movements in operating lease assets and accruals    | 455            | 668             |
| Movements in provisions                             | 807            | 855             |
| Other non-cash items                                | (21)           | 3               |
| <b>Changes in working capital:</b>                  |                |                 |
| Receivables from exchange transactions              | 193            | (294)           |
| Payables from exchange transactions                 | 3 598          | (14 480)        |
| Conditional grants and receipts                     | -              | (198)           |
|   | <b>(1 780)</b> | <b>(18 239)</b> |
| <b>11. Commitments</b>                              |                |                 |
| <b>Approved and contracted commitments</b>          |                |                 |
| Current expenditure                                 | 5 340          | 10 309          |
| Capital expenditure                                 | 39             | 181             |
|   | <b>5 379</b>   | <b>10 490</b>   |

The approved and contracted commitments relates to contracts and orders made by the Council for goods and services that are yet to be received.

**Operating leases - as lessee (expense)**

## Minimum lease payments due

|                                     |               |               |
|-------------------------------------|---------------|---------------|
| - within one year                   | 7 106         | 6 381         |
| - in second to fifth year inclusive | 12 634        | 19 738        |
|                                     | <b>19 740</b> | <b>26 119</b> |

The QCTO leases 5 photocopy machines from Konica Minolta for a period of 36 months, effective from 1 December 2013 and 1 February 2015 respectively. The monthly lease payments are R7 713 and R12 166 respectively with no annual escalation. The lease agreement is extendable after 36 months for a further 24 months.

The QCTO entered into 5 years lease agreement for office premises with Luzomix (Pty) Ltd effective from 1 December 2013. The monthly lease payment is R366 014 with an escalation of 8% per annum. The QCTO also entered into 3 years and 5 months lease agreement for additional office space with Luzomix (Pty) Ltd effective from 01 June 2015. The monthly lease payments is R122 356 with an escalation of 8% per annum.

## Notes to the Annual Financial Statements

### 12. Financial instruments disclosure

#### Categories of financial instruments

Except as detailed in the following table, QCTO management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

#### 2016

##### Financial assets

|  | At fair<br>value<br>R '000 | At<br>amortised<br>cost<br>R '000 | Total<br>R '000 |
|--|----------------------------|-----------------------------------|-----------------|
| Receivables from exchange transactions     | 269                        | -                                 | 269             |
| Receivables from non-exchange transactions | 2                          | -                                 | 2               |
| Cash and cash equivalents                  | 7 960                      | -                                 | 7 960           |
|  | <b>8 231</b>               | <b>-</b>                          | <b>8 231</b>    |

##### Financial liabilities

|                                     | At fair<br>value<br>R '000 | At<br>amortised<br>cost<br>R '000 | Total<br>R '000 |
|-------------------------------------|----------------------------|-----------------------------------|-----------------|
| Payables from exchange transactions | 5 294                      | -                                 | 5 294           |

## Notes to the Annual Financial Statements

### 12. Financial instruments disclosure (continued)

#### 2015

##### Financial assets

|  | At fair value<br>R '000 | At amortised<br>cost<br>R '000 | Total<br>R '000 |
|--|-------------------------|--------------------------------|-----------------|
| Receivables from exchange transactions     | 141                     | -                              | 141             |
| Receivables from non-exchange transactions | 302                     | -                              | 302             |
| Cash and cash equivalents                  | 10 463                  | -                              | 10 463          |
|  | <b>10 906</b>           | <b>-</b>                       | <b>10 906</b>   |

##### Financial liabilities

|                                     | At fair<br>value<br>R '000 | At amortised<br>cost<br>R '000 | Total<br>R '000 |
|-------------------------------------|----------------------------|--------------------------------|-----------------|
| Payables from exchange transactions | 1 699                      | -                              | 1 699           |

##### Financial instrument risk

In the course of the QCTO operations it is exposed to market, interest rate, credit, and liquidity risk. As a Schedule 3A Public Entity, QCTO's Council approved the Risk Management Policy in May 2013. The agreed Risk Management Framework and Strategy was available in the QCTO but due to limited staff could not be fully implemented, however progress has been made.

##### Market risk

##### *Foreign exchange risk*

The QCTO does not initiate any transactions with international parties and is therefore not exposed to any exchange risk due to currency fluctuations. All transactions are denominated in South African Rand with local vendors.

## Notes to the Annual Financial Statements

### 12. Financial instruments disclosure (continued)

#### Price risk

The QCTO is not exposed to price or commodity price risk as they do not carry any investments.

Cash includes cash with commercial banks. These cash equivalents are subject to an insignificant risk of change in value.

#### Cash flow and fair value interest rate risk

The QCTO does not carry any significant interest bearing assets, therefore the revenue and operating cash flows are not substantially depended on changes in market interest rates. As the QCTO does not have significant interest bearing liabilities, the expense and cash flows are not substantially dependent on changes in market interest rates.

The QCTO exposure to interest rate risk and effective interest rates on financial instruments at reporting date are as follows:

|                                       | Effective<br>interest rate<br><br>R '000 | Subject to<br>interest rate<br>movement:<br>Floating<br>R '000 | Non-interest<br>bearing<br><br>R '000 | Total<br><br>R '000 |
|---------------------------------------|--|--|---------------------------------------|---------------------|
| <b>31 March 2016</b>                  |  |  |                                       |                     |
| <b>Current financial assets</b>       |  |  |                                       |                     |
| Cash and cash equivalents             | 6.80%                                    | 7 960  | -                                     | 7 960               |
| Receivable from exchange transactions | N/A                                      | -  | 248                                   | 248                 |
|                                       | <b>6.80 %</b>                            | <b>7 960</b>   | <b>248</b>                            | <b>8 208</b>        |
| <b>Current financial liabilities</b>  |  |  |                                       |                     |
| Payables from exchange transactions   | N/A                                      | -  | 5 294                                 | 5 294               |
|                                       | <b>-</b>                                 | <b>-</b>   | <b>5 294</b>                          | <b>5 294</b>        |
| <b>31 March 2015</b>                  |  |  |                                       |                     |
| <b>Current financial assets</b>       |  |  |                                       |                     |
| Cash and cash equivalents             | 5.80%                                    | 10 463   | -                                     | 10 463              |
| Receivable from exchange transactions | N/A                                      | -  | 141                                   | 141                 |
|                                       | <b>5.80 %</b>                            | <b>10 463</b>  | <b>141</b>                            | <b>10 604</b>       |

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements****12. Financial instruments disclosure (continued)**

| Effective<br>interest rate | Subject to<br>interest rate<br>movement:<br>Floating | Non-interest<br>bearing | Total  |
|----------------------------|--|-------------------------|--------|
| R '000                     | R '000   | R '000                  | R '000 |

**Current financial liabilities**

|                                     |     |   |              |              |
|-------------------------------------|-----|---|--------------|--------------|
| Payables from exchange transactions | N/A | - | 1 699        | 1 699        |
|                                     | -   | - | <b>1 699</b> | <b>1 699</b> |

**Credit risk**

Financial assets, which potentially subject the QCTO to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously.

The QCTO management limits its treasury counter-party exposure by only dealing with well-established financial institutions approved by National Treasury.

The QCTO does not have any material exposure to any individual or counter-party. The QCTO's concentration of credit risk is limited to the industry in which the QCTO operates. No events occurred in the industry during the financial year that may have an impact on the recovery of receivable from exchange transactions.

The funds maximum exposure to credit risk is equal to the total value of the following assets:

| 2016                                  | Rated<br>R'000 | Non-rated<br>R'000 | Total<br>R'000 |
|---------------------------------------|----------------|--------------------|----------------|
| Cash and cash equivalents             | 7 960          | -                  | 7 960          |
| Receivable from exchange transactions | 141            | -                  | 141            |
|                                       | <b>8 101</b>   | <b>-</b>           | <b>8 101</b>   |
| <b>2015</b>                           |                |                    |                |
| Cash and cash equivalents             | 10 463         | -                  | 10 463         |
| Receivable from exchange transactions | 141            | -                  | 141            |
|                                       | <b>10 604</b>  | <b>-</b>           | <b>10 604</b>  |

**Liquidity risk**

The QCTO manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves and liquid resources are also maintained.

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements****12. Financial instruments disclosure (continued)**

Forecast liquidity reserve as of 31 March 2016 is as follows:

|                                       | 2017     | 2018      | 2019      |
|---------------------------------------|----------|-----------|-----------|
|                                       | R '000   | R '000    | R '000    |
| Opening balance for the period        | 7 960    | -         | -         |
| Operating proceeds                    | 83 808   | 124 842   | 158 249   |
| Operating outflow                     | (91 768) | (124 842) | (158 249) |
| <b>Closing balance for the period</b> | <b>-</b> | <b>-</b>  | <b>-</b>  |

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

|                                     | Less than 1 year        | Total         |
|-------------------------------------|-------------------------|---------------|
|                                     | R '000                  | R '000        |
| <b>31 March 2016</b>                |                         |               |
| Payables from exchange transactions | 5 294                   | 5 294         |
|                                     | <b>Less than 1 year</b> | <b>Total</b>  |
|                                     | <b>R '000</b>           | <b>R '000</b> |
| <b>31 March 2015</b>                |                         |               |
| Payables from exchange transactions | 1 699                   | 1 699         |

**13. Contingencies**

The following contingent liabilities exist:

|  |              |               |
|--|--------------|---------------|
| Retention of accumulated surplus funds | <b>7 960</b> | <b>10 463</b> |
|--|--------------|---------------|

The QCTO applied for the retention of the accumulated surplus funds for the 2015/16 financial year in terms of section 53 (3) of the PFMA from National Treasury during the first quarter of the 2016/17 financial year.

Subsequently approval was granted for the retention of accumulated cash surplus on the 30th of June 2016. The approval to retain 2014/15 accumulated surplus funds was obtained from the National Treasury on the 11th August 2015.

## Notes to the Annual Financial Statements

### 14. Related parties

All related party transactions that occurred during the financial year were in the normal course of business, in accordance with the mandate of the QCTO.

Relationships

Department

Entities under the department

- Department of Higher Education and Training (DHET)
- National Skills Fund (NSF)
- Agriculture Sector Education and Training Authority (AGRISSETA)
- Banking Sector Education and Training Authority (BANKSETA)
- Culture, Arts, Tourism, Hospitality and Sports Educational and Training Authority (CATHSSETA)
- Chemical Industries Education and Training Authority (CHIETA)
- Construction Education and Training Authority (CETA)
- Education, Training and Development Practices (ETDP-SETA)
- Energy Sector Education and Training Authority (EWSETA)
- Financial and Accounting Services Sector Education and Training Authority (FASSET)
- Food and Beverages Manufacturing Industry Sector Education and Training Authority (FOODBEV)
- Fibre Processing Manufacturing Sector Education and Training Authority (FP&M SETA)
- Health and Welfare Sector Education and Training Authority (HWSETA)
- Insurance Sector Education and Training Authority (INSETA)
- Local Government Sector Education and Training Authority (LGSETA)
- Media, Advertising, Information and Communication Technologies Sector Education and Training Authority (MICT)
- Mining Qualifications Authority (MQA)
- Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA)
- Public Service Sector Education and Training Authority (PSETA)
- Safety and Security Sector Education and Training Authority (SASSETA)
- Services Sector Education and Training Authority (ServicesSETA)
- Transport Education and Training Authority (TETA)
- Wholesale and Retail Sector Education and Training Authority (W&RSETA)
- South African Qualifications Authority (SAQA)



## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements****14. Related parties (Continued)****Key management information**

Refer to pages 65 to 68 of the AFS.

**Related party balances**

Amounts included in Receivable from non-exchange transactions (Payables from exchange transactions) regarding related parties

|     | R '000 | R '000 |
|-----|--------|--------|
| NSF | -      | 302    |

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements**

|  | 2016          | 2015          |
|--|---------------|---------------|
|  | R '000        | R '000        |
| <b>14. Related parties (continued)</b>                           |               |               |
| <b>Related party transactions</b>                                |               |               |
| <b>Grants received from SETAs</b>                                |               |               |
| AGRISETA   | 1 065         | 702           |
| ETDP SETA  | 1 334         | 936           |
| MERSETA  | 4 762         | 3 236         |
| EWSETA   | 805           | 656           |
| FASSET   | 1 689         | 1 109         |
| W&RSETA  | 3 151         | 2 228         |
| FP&MSETA   | 1 125         | 844           |
| TETA   | 2 164         | 1 577         |
| FOODBEV SETA   | 1 010         | 709           |
| Services SETA  | 5 118         | 3 299         |
| MICT SETA  | 2 444         | 1 712         |
| CATHSETA   | 1 040         | 693           |
| HWSETA   | 1 214         | 897           |
| MQA  | 3 627         | 2 505         |
| CETA   | 1 928         | 1 404         |
| INSETA   | 1 365         | 958           |
| SASSETA  | 864           | 614           |
| CHIETA   | 1 629         | 1 220         |
| LGSETA   | 1 656         | 1 173         |
| BankSETA   | 2 010         | 2 029         |
|  | <b>40 000</b> | <b>28 501</b> |
| <b>Transfer from Department of Higher Education and Training</b> |               |               |
| DHET   | 21 848        | 23 167        |
| Total Government grants and subsidies received                   | <b>61 848</b> | <b>51 668</b> |
| <b>Other Transfer</b>  |               |               |
| NSF  | 356           | 500           |

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements**

|  | 2016   | 2015   |
|--|--------|--------|
|  | R '000 | R '000 |

**15. Defined contribution plan**

The QCTO provides for retirement benefits for all of its permanent employees through a defined contribution scheme to the Government Employees Pension Fund (GEPF) that is subjected to the Pension Funds Act, 1956 as amended. In terms of the Pension Funds Act, the fund is not required to be actuarially valued.

The QCTO's liability is limited to its contributions made. There are 59 employees who are members of the GEPF in which the QCTO's contribution is 13% of pensionable emoluments.

|  |       |       |
|--|-------|-------|
| Contributions for the year included in employee cost | 2 670 | 2 315 |
|--|-------|-------|

**16. Irregular expenditure****Reconciliation of irregular expenditure**

|  |            |           |
|--|------------|-----------|
| Opening balance                              | 26         | 328       |
| Add: Irregular Expenditure - current year    | 187        | 26        |
| Less: Amounts condoned                       | (26)       | (328)     |
| Less: Amounts recoverable (not condoned)     | -          | -         |
| Less: Amounts not recoverable (not condoned) | -          | -         |
|  | <b>187</b> | <b>26</b> |

**Analysis of expenditure awaiting condonation per age classification**

|              |            |           |
|--------------|------------|-----------|
| Current year | 187        | 26        |
| Prior years  | -          | -         |
|              | <b>187</b> | <b>26</b> |

**Details of irregular expenditure – current year****Irregular Expenditure incurred:**

Current year irregular expenditure of R187 456 consists of expenditure incurred in contravention of the supply chain procurement processes and procedures related to training where no market analysis was performed when the training was single sourced.

**Condonement of irregular expenditure:**

The Council granted the condonement of R187 456 on the 21st of June 2016.

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements**

|                                | 2016          | 2015          |
|--------------------------------|---------------|---------------|
|                                | R '000        | R '000        |
| <b>17. Revenue</b>             |               |               |
| Rendering of services          | 178           | -             |
| Other income**                 | 998           | 18            |
| Interest received - investment | 1 377         | 1 375         |
| Government grants & subsidies  | 61 848        | 51 668        |
| Conditional Grant (NSF)        | 356           | 500           |
|                                | <b>64 757</b> | <b>53 561</b> |

\*\*Included in the Other Income is an amount of R796 000 received from the landlord towards the refurbishment of the additional building acquired in 01 June 2015. The money was used as part of repairs and maintenance before the property was occupied.

**The amount included in revenue arising from exchanges of goods or services are as follows:**

|                                |              |              |
|--------------------------------|--------------|--------------|
| Rendering of services          | 178          | -            |
| Other income                   | 998          | 18           |
| Interest received - investment | 1 377        | 1 375        |
|                                | <b>2 553</b> | <b>1 393</b> |

**The amount included in revenue arising from non-exchange transactions is as follows:**

**Transfer revenue**

|                               |               |               |
|-------------------------------|---------------|---------------|
| Government grants & subsidies | 61 848        | 51 668        |
| Conditional grant (NSF)       | 356           | 500           |
|                               | <b>62 204</b> | <b>52 168</b> |

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements**

|  | 2016   | 2015   |
|--|--------|--------|
|  | R '000 | R '000 |
| <b>18. Administrative</b>                  |        |        |
| Advertising                                | 331    | 502    |
| Audit fees - Internal                      | 553    | 1 108  |
| Audit fees - External                      | 811    | 688    |
| Bank charges                               | 21     | 16     |
| Cleaning                                   | 283    | 264    |
| Consulting and professional fees**         | 8 104  | 4 095  |
| Consumables                                | -      | 16     |
| Office Plants                              | 131    | 74     |
| Gifts                                      | -      | 38     |
| Insurance                                  | 146    | 46     |
| Conferences and workshops                  | 1 481  | 1 402  |
| IT expenses                                | 2 860  | 1 795  |
| Lease rentals on operating lease           | 6 964  | 5 505  |
| Motor vehicle expenses                     | 1      | 7      |
| Loss on scrapping of assets                | -      | 25     |
| Legal fees                                 | 382    | 536    |
| Postage and courier                        | 38     | 44     |
| Printing and stationery                    | 1 362  | 2 367  |
| Secretarial fees                           | 136    | 146    |
| Security Expenses                          | 28     | 44     |
| Software expenses                          | -      | 45     |
| Staff welfare and refreshments             | 51     | 33     |
| Subscriptions and membership fees          | 7      | 65     |
| Telephone, internet and fax                | 216    | 720    |
| Training                                   | 295    | 198    |
| Travel, subsistence and accomodation Local | 4 370  | 5 148  |

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

**Notes to the Annual Financial Statements**

|                                       | 2016          | 2015          |
|---------------------------------------|---------------|---------------|
|                                       | R '000        | R '000        |
| <b>18. Administrative (Continued)</b> |               |               |
| Electricity                           | 1 503         | 1 147         |
| Council & Committees Remuneration     | 717           | 448           |
| Repairs and maintenance               | 1 342         | 113           |
| Recruitment costs and temporary staff | 581           | 401           |
| Other expenses                        | 59            | 3             |
|                                       | <b>32 772</b> | <b>27 038</b> |

\*\* Included in the current year Consulting and professional fees is an amount of R4 639 647 for capacity building project that was approved by the Council.

**19. Personnel**

|                                     |               |               |
|-------------------------------------|---------------|---------------|
| <b>Salaries and wages</b>           | <b>35 544</b> | <b>28 628</b> |
| Basic                               | 25 385        | 21 180        |
| UIF                                 | 141           | 67            |
| SDL                                 | 329           | 151           |
| Defined contribution plans          | 2 670         | 2 315         |
| Overtime payments                   | -             | 22            |
| Housing benefits and allowances     | 307           | 220           |
| Bargaining council                  | -             | 2             |
| Medical aid - company contributions | 440           | 190           |
| Other benefits                      | 6 272         | 4 481         |
| <b>Non-cash items</b>               | <b>2 896</b>  | <b>2 212</b>  |
| Provision for bonus                 | 2 096         | 1 703         |
| Leave pay provision                 | 800           | 509           |
|                                     | <b>38 440</b> | <b>30 840</b> |

## Notes to the Annual Financial Statements

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Figures in Rand thousand

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### 20. Budget differences

#### Differences between budget and actual amounts basis of preparation and presentation

The budget/cash and the accrual accounting bases of preparation and presentation of the Annual Financial Statements differ. The Annual Financial Statements of the entity are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The Annual Financial Statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

In addition, adjustments to amounts in the Annual Financial Statements for timing differences associated with the continuing appropriation and differences in the entity were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the Statement of Comparison of Budget and Actual Amounts.

### 21. Operating lease liability

|                           | 2016   | 2017   |
|---------------------------|--------|--------|
|                           | R '000 | R '000 |
| Operating lease liability | 1 348  | 893    |

The operating lease accrual was a result of the difference between the payments made up to 31 March 2016 on a straightline basis calculated over the lease period and actual payments made.

### 22. Conditional grants and receipts

The NSF conditional grant was awarded to QCTO to train QDFs so that the cohort group of the QDFs is representative of all the races of the country. Due to insufficient capacity within QCTO the project could not be completed as envisaged. The project implementation timelines were completed in the 2015/16 financial year.



## Notes to the Annual Financial Statements

### 22. Conditional grants and receipts (Continued)

Conditional grants and receipts comprises of:

#### Movement during the year

|                                      | R '000 | R '000 |
|--------------------------------------|--------|--------|
| Balance at the beginning of the year | (302)  | 198    |
| Additions during the year            | 658    | -      |
| Income recognition during the year   | (356)  | (500)  |
| Balance at the end of the year       | -      | (302)  |

### 23. Deficit for the year

The deficit was a result of non-cash items of depreciation and provisions (note 6 & 9) which were not included in the approved cash budget. Furthermore the final budget included a roll-over of accumulated surplus of R9, 403 million which practically in accounting terms cannot be realised as revenue and can only be spent by reduction of accumulated surplus, hence the deficit.

### 24. Change in estimate

#### Infrastructure, plant and equipment

The useful life of certain computer equipment and computer software were estimated in 2012 and 2014 to be 3 years and 2 years respectively. In the current period management have revised their estimates to 5 years for computer equipment and 4 years for computer software. The effect of this revision has reduced the current year depreciation and increased the depreciation for the future periods by R 6 024 for computer equipment and R 3 949 for computer software.

Notes:

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Notes:

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