

UMALUSI



Council for Quality Assurance in  
General and Further Education and Training



# ANNUAL REPORT 2015/16

IMPROVING THE QUALITY  
OF SOUTH AFRICAN EDUCATION

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# PART A

## GENERAL INFORMATION



# 1. GENERAL INFORMATION

<b>REGISTERED NAME</b>	Umalusi
<b>PHYSICAL ADDRESS</b>	37 General van Ryneveld Street Persequor Technopark Pretoria 0121
<b>POSTAL ADDRESS</b>	PO Box 151 Persequor Technopark Pretoria 0020
<b>TELEPHONE NUMBER</b>	+27 (12) 349 1510
<b>FAX NUMBER</b>	+27 (12) 349 1511
<b>EMAIL ADDRESS</b>	info@umalusi.org.za
<b>WEBSITE ADDRESS</b>	www.umalusi.org.za
<b>EXTERNAL AUDITORS</b>	SizweNtsalubaGobodo Inc.
<b>BANKERS</b>	ABSA Bank
<b>ACTING COUNCIL SECRETARY</b>	Mr Thabo Ncapodi

## 2.LIST OF ABBREVIATIONS/ACRONYMS

<b>ABET</b>	Adult Basic Education and Training
<b>ACC</b>	Accreditation Committee of Council
<b>AEAA</b>	Association for Educational Assessment in Africa
<b>AIPF</b>	Associated Institutions Pension Fund
<b>ASC</b>	Assessment Standards Committee
<b>BA</b>	Bachelor of Arts
<b>BSc</b>	Bachelor of Science
<b>CEO</b>	Chief Executive Officer
<b>CETC</b>	Community Education and Training Centres
<b>CFO</b>	Chief Financial Officer
<b>CHE</b>	Council on Higher Education
<b>CPD</b>	Corporation for Public Deposits
<b>DBE</b>	Department of Basic Education
<b>D Ed</b>	Doctor of Education
<b>DHET</b>	Department of Higher Education and Training
<b>DPSA</b>	Department of Public Service and Administration
<b>DUT</b>	Durban University of Technology
<b>E&amp;A</b>	Evaluation and Accreditation
<b>EE</b>	Employment Equity
<b>EOR</b>	Examinations on Request
<b>EXCO</b>	Executive Committee
<b>F&amp;SCM</b>	Finance and Supply Chain Management
<b>FET</b>	Further Education and Training
<b>GENFETQA</b>	General and Further Education and Training Quality Assurance
<b>GETCA</b>	General Education and Training Certificate for Adults
<b>GETC</b>	General Education and Training Certificate
<b>GFET</b>	General and Further Education and Training
<b>GOCEO</b>	Governance and Office of the Chief Executive Officer
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>HE</b>	Higher Education
<b>HRM&amp;D</b>	Human Resource Management and Development
<b>IAEA</b>	International Association for Educational Assessment
<b>IEB</b>	Independent Examinations Board
<b>ICT</b>	Information Communication Technology
<b>ICTO</b>	Information Communication Technology Oversight
<b>IT</b>	Information Technology
<b>MA</b>	Master of Arts
<b>MPhil</b>	Master of Philosophy
<b>N/A</b>	Not Applicable
<b>NASCA</b>	National Senior Certificate for Adults
<b>NC(V)</b>	National Certificate Vocational
<b>NGO</b>	Non-Governmental Organisation

<b>NQF</b>	National Qualifications Framework
<b>NSC</b>	National Senior Certificate
<b>PED</b>	Provincial Education Department
<b>PFMA</b>	Public Finance Management Act
<b>PhD</b>	Doctor of Philosophy
<b>PMDS</b>	Performance Management and Development System
<b>PR</b>	Public Relations
<b>QA</b>	Quality Assurance
<b>QAA</b>	Quality Assurance of Assessment
<b>QCC</b>	Qualifications, Curriculum and Certification
<b>QCTO</b>	Quality Council for Trades and Occupations
<b>QSC</b>	Qualifications Standards Committee
<b>SA</b>	South Africa
<b>SAAEA</b>	Southern Africa Association for Educational Assessment
<b>SACAI</b>	South African Comprehensive Assessment Institute
<b>SAQA</b>	South African Qualifications Authority
<b>SASA</b>	South African Schools Act
<b>SBA</b>	Site Based Assessment
<b>SCM</b>	Supply Chain Management
<b>SIR</b>	Statistical Information and Research
<b>SITA</b>	State Information Technology Agency
<b>TVET</b>	Technical and Vocational Education and Training
<b>UCM</b>	Umalusi Council Meeting
<b>UIF</b>	Unemployment Insurance Fund
<b>VUT</b>	Vaal University of Technology



### 3. FOREWORD BY THE CHAIRPERSON

Professor John Volmink

I am pleased to present to you this Annual Report on the work of Umalusi for the 2015/2016 financial year. I am particularly pleased that in the year under review Umalusi has once again delivered on its mandate as the Council for Quality Assurance in General Further Education and Training. I am also delighted to announce that Umalusi has made enormous strides in meeting its legislative, governance and financial mandate as a public entity. Failure to achieve our goals in these three critical areas would have made it impossible for Council to discharge its fiduciary duty as commissioned by the Honourable Minister of Basic Education.

The Annual Report affords an organisation like Umalusi the opportunity to cast a critical eye on its vision, mission, strategic imperatives, plans, achievements and challenges in the year under review; and to make determinations about possible improvements in the medium to long term. Therefore, it seems quite appropriate – in my estimation – to start this report with some of Umalusi's significant achievements during the year. Umalusi's accomplishments serve in part as testimony to the collegial and synergistic relationship between the Council and staff. In carrying out its duties and responsibilities, Council relies on the competency and proficiency of Umalusi staff to ensure a smooth execution of daily organisational activities.

It is at this time that the role and mandate of Council also comes into sharp focus as there is no doubt that in giving direction to management, the Council needs to be clear on what constitutes the effectiveness of its mission and to decide, explicitly, how it will evaluate the organisation's effectiveness. In short, the role of Council is to discharge its fiduciary duties and monitor Umalusi's organisational performance, its governance and its financial management.

In appraising the work of Umalusi for the year under review, it is worth noting that the current Council has already served two years of its four year tenure, thus making it the ideal time for Council to reflect on the work done at this 'half-way' mark. The term of office of the current Council started on 7 June 2014 and will officially end on 7 June 2018.

Umalusi has, during this time, achieved numerous milestones.

The General and Further Education and Training Qualifications Sub-framework (GFETQSF) was successfully launched in May. The new qualification, called the General Education and Training Certificate for Adults (GETCA), was gazetted in September and registered by the South African Qualifications Authority (SAQA) in November.

Umalusi supported the Department of Higher Education and Training (DHET) in finalising the curricula for the newly developed National Senior Certificate for Adults (NASCA) and delivered an appraisal of the curricula in record time. Furthermore, the Qualifications, Curriculum and Certification (QCC) Unit undertook an appraisal of the curricula for the Senior Certificate (as amended) and reported on its findings to the Assessment Standards Committee (ASC) of Council.

The organisation has played a key role in supporting the DHET in addressing a backlog of certificates to candidates for the National Certificate Vocational (NC(V)).

Umalusi was granted the rights to host the 42nd Annual Conference of the International Association for Educational Assessment (IAEA), to be held from 21 to 26 August 2016, in Cape Town. I am glad to report that plans to host this prestigious event have begun in earnest.



*“Umalusi’s accomplishments  
serve in part as testimony to  
the collegial and synergistic  
relationship between the Council  
and staff.”*



I am also delighted to report that Umalusi Council has once again obtained an unqualified audit report. Credit should be given to the leadership of Umalusi management and the diligent and meticulous work of the Audit and Risk Committee, under the chairpersonship of Ms Lorraine Rossouw.

Regrettably, during the year under review we lost the services of two of our highly qualified and highly experienced members of Council, namely Professor Coert Look and Mr Mathanzima Mweli. I want to convey my sincere gratitude for their sterling work during their tenure as members of Council. I wish them well in their future endeavours.

The Council is in regular communication with the Portfolio Committee on Basic Education and has fulfilled its commitment to the Department of Basic Education (DBE), and the DHET, in maintaining the standards of general and further education and training in the country. By maintaining high standards in basic education, Umalusi seeks to ensure that our nation’s children and young adults have access to the education and training that is as good as the best in the world.

In conclusion, I would like to express our sincere thanks and appreciation to:

- All members of Umalusi Council who have given so freely and so generously of their time, energy and wisdom to ensure that Umalusi remains true to its mission.
- The Honourable Minister of Basic Education, Mrs Angie Motshekga, MP; the Honourable Minister of Higher Education and Training, Dr Blade Nzimande, MP; the Director-General of Basic Education, Mr Mathanzima Mweli; and the Director-General of Higher Education and Training, Mr Gwebinkundla Qonde. Their support for the work of Umalusi is a source of inspiration and strength.

- Mesdames Nomalungelo Gina and Yvonne Phosa, chairpersons of the Portfolio Committees on Basic Education and Higher Education and Training respectively, as well as members of both Portfolio Committees, for their unwavering support and guidance to Umalusi Council.
- All members of Council committees for their excellent contribution to the work of Umalusi.
- All staff of Umalusi – cleaning staff, receptionist, secretaries, personal assistants, administrative staff, managers and senior managers – for their continued dedication, loyalty, professionalism and hard work. Their commitment to service excellence and dedication fill us with pride.
- Umalusi’s Chief Executive Officer, Dr Mafu Rakometsi; Executive Manager, Quality Assurance and Monitoring, Ms Zodwa Modimakwane and Acting Executive Manager, Qualifications and Research, Mr Emmanuel Sibanda; for providing steady, dynamic and visionary leadership for Umalusi.



**Professor John Volmink**

Chairperson Umalusi Council



## 4. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

Dr MS Rakometsi

**T**he 2015/16 financial year has been a very busy period at Umalusi. The year under review has given staff the opportunity to deliver on the mandate of the organisation. Umalusi continues to approach its quality assurance mandate with rigour. This has been made possible by the steadfast support of the Chairperson of Council, Professor John Volmink, and the members of Council who continue to lead and give direction to the organisation through regular Council and committee meetings.

The members of Council serve on the Assessment Standards Committee (ASC), Accreditation Committee of Council (ACC) and the Qualifications Standards Committee (QSC), all of which have made valuable inputs to the work of the organisation. The Research Forum and the Audit and Risk Committee have also enhanced the work of Umalusi.

Umalusi Council has received regular reports from the management of the organisation and from the committees named above. Such comprehensive reporting has ensured that the organisation runs in an effective, efficient and economic manner, as postulated in the Public Finance Management Act (PFMA).

Umalusi continues to grow as propounded by its founding Act, the General and Further Education and Training Quality Assurance (GENFETQA) Act, which states: “The Council, with the approval of the Minister, may assume its functions progressively, depending on its capacity.” The growth of the organisation has necessitated internal reorganisation. At the beginning of the financial year the work of the organisation was

divided into three branches, headed by executive managers and the Chief Financial Officer. Growth, however, compelled the creation of four additional senior manager positions and this new dispensation has brought about greater efficiency in Umalusi’s functioning. We successfully recruited key personnel at executive and senior management levels, which has benefited the organisation immensely. Success in this area will go a long way to stabilise and strengthen the organisation.

Umalusi manages and develops the General and Further Education and Training Qualifications Sub-Framework (GFETQSF). The launch of the sub-framework of qualifications in May 2016 has contributed much in regulating qualifications in South Africa.

The organisation has managed to minimise the number of serious examination irregularities by introducing stringent quality assurance measures. Umalusi has monitored all assessment bodies to ensure that their systems are ready to execute examinations according to policies, directives and guidelines issued by both Umalusi and the assessment bodies. As a result, Umalusi Council was able to pronounce that it was satisfied that nothing compromised the integrity or credibility of the 2015 examinations process, and that examinations run by the different assessment bodies were fair, valid and credible.

Umalusi continues to fulfil its mandate of evaluating and accrediting independent schools, technical and vocational education and training (TVET) colleges and adult centres, as well as private assessment bodies. Umalusi has increased its staff capacity to ensure that it meets these obligations.

*"Umalusi continues to approach  
its quality assurance mandate  
with rigour."*



Umalusi conducts and commissions research projects to enhance its systems and processes of quality assurance, and to inform its strategic direction. Umalusi has embarked on groundbreaking research in the following areas: post-exam analyses, moderators' and examiners' manuals, National Senior Certificate (NSC) as a predictor of success, home language construct, review of moderation instrument for NSC, and the impact of practical and oral components on final learner marks. Umalusi organises seminars, conferences and public events to enhance public debate on key educational matters, to share our research findings in important areas, and to contribute to a growing understanding of the complexities of quality in education in South Africa.

Umalusi will be hosting the 2016 International Association for Educational Assessment (IAEA) Conference in Cape Town. It has been involved in high level discussions with the Board of Trustees of the IAEA and arrangements for hosting the conference, in August 2016, are on track.

Umalusi continues to maintain sound professional relationships with the Department of Basic Education (DBE), Department of Higher Education and Training (DHET), the Higher Education sector, the South African Qualifications Authority (SAQA), the Quality Council for Trades and Occupations (QCTO) and the Council on Higher Education (CHE), through regular meetings on issues of mutual strategic benefit to our organisations. Umalusi has established strong links with assessment and quality assurance bodies through its active membership of the Southern Africa Association for Educational Assessment (SAAEA), the Association for Educational Assessment in Africa (AEAA) and the IAEA.

Umalusi's success in the period under review can be attributed to the support of the Honourable Minister of Basic Education, Mrs Angie Motshekga; the Director General of the DBE, Mr Mathanzima Mwel; Umalusi Council, under the leadership of Professor John Volmink; members of the different committees of Council; and Umalusi staff.



**Dr MS Rakometsi**

Chief Executive Officer: Umalusi Council

## 5. STATEMENT OF RESPONSIBILITY

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

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in the Annual Report is consistent with the Annual Financial Statements audited by the external auditors.

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with Umalusi standards applicable to the public entity.

The accounting authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

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

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2016.

Yours faithfully



**Dr Mafu S Rakometsi**  
Chief Executive Officer  
29 July 2016



**Professor J Volmink**  
Chairperson of Council  
29 July 2016

## 6. STRATEGIC OVERVIEW

### 6.1 VISION

A trusted authority in quality assurance of education provision, recognized locally and internationally.

### 6.2 MISSION

To meet educational and societal needs, we shall assure the provision of valid, reliable and equitable examinations and a range of assessment services in a professional, innovative, efficient and effective manner; this will be done through;

- Developing and managing a sub-framework of qualifications for general and further education and training that is benchmarked internationally;
- Quality assuring qualifications and curricula;
- Confirming that assessment is fair, valid and reliable;
- Quality-assuring the provision of education and training, assessment providers; and
- Grounding its work in research to ensure informed positions and approaches.

### 6.3 VALUES

As an organisation, we are guided by the following values which are important to us:

Value	Behaviour
Leadership	Umalusi values leadership in directing the performance of others in the sector and leading the way.
Decisiveness	Umalusi is decisive in making decisions that are firm and beyond doubt, leading to conclusiveness.
Diversity	Umalusi embraces difference, variety and innovation within the various services in the sector.
Transparency/ Fairness	Umalusi programmes and services are easy to access and understand. Our decisions and actions are clear, reasonable and open to examination.
Professionalism	Umalusi employees are professionals; we are trained in our specialties, committed to service excellence, and dedicated to the successful accomplishments of our mission.
Quality	Umalusi constantly seeks opportunities to improve our services and products. Quality and continuous improvements are an integral part of our daily operations.
Teamwork	Employees work as a team and value the contributions of each individual. We know that our people are our most important resource.
Integrity	Umalusi strives to be honest in its operations, conduct and discipline in the organisation's actions that have integrity.
Equity	Umalusi commits to treat all its stakeholders equally in an equitable way.

## 7. LEGISLATIVE AND OTHER MANDATES

### CONSTITUTIONAL MANDATES

- The Constitution of the Republic of South Africa (Act No. 108 of 1996).

### LEGISLATIVE MANDATES

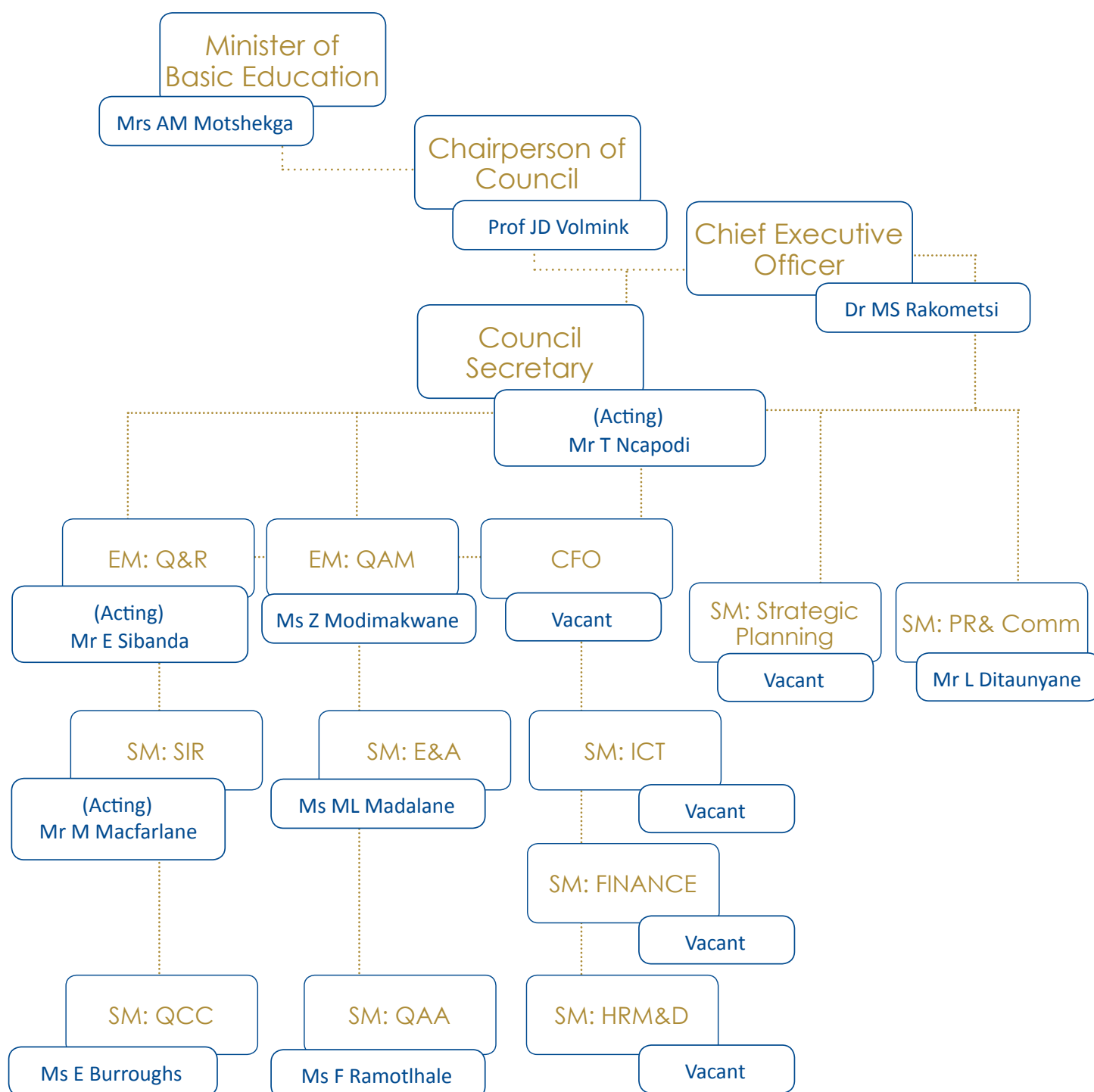
- The South African Schools Act (SASA) (Act No. 84 of 1996);
- The National Qualifications Framework (NQF) (Act No. 67 of 2008);
- The General and Further Education and Training Quality Assurance (GENFETQA); (Act No. 58 of 2001) as amended;
- The FET Colleges Act, Act No. 16 of 2006 (as amended in 2010); and
- The ABET Act, Act No. 52 of 2000 as amended in 2010.

### POLICIES

- The National policies governing existing qualifications (including their assessment) currently certificated by Umalusi;
- The guidelines on Strategy and priorities for the NQF 2011/2012 (Minister of HET);
- The General and Further Education and Training Qualifications Sub-framework 2014;
- Standard Setting and Quality Assurance of the General and Further Education and Training Qualifications Sub-framework: Umalusi, 2014;

- Policy documents and guidelines pertaining to the National Senior Certificate and the National Curriculum Statements; and any other qualification on the General and Further Education and Training Qualifications Sub-framework as applicable;
- Other related legislation as appropriate to the various education and training sectors Umalusi is mandated to work in;
- Council policies and directives on the conduct, administration and management of the assessments for the qualifications on The General and Further Education and Training Qualifications Sub-framework;
- The regulations pertaining to qualifications on The General and Further Education and Training Qualifications Sub-framework that are developed by the Departments of Basic and Higher Education and gazetted by the Minister of Basic Education on assessment and certification including those that are promulgated by provincial legislatures: and
- Any other relevant policies and directives issued by the Council.

## 8. ORGANISATIONAL STRUCTURE (as at 31 March 2016)





# PART B

## PERFORMANCE INFORMATION





# PERFORMANCE INFORMATION

## 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The external auditor 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 pages 60 and 61 of the Report of the Auditor's Report, published as Part E: Financial Information.

## 2. SITUATIONAL ANALYSIS

### 2.1 SERVICE DELIVERY ENVIRONMENT

Umalusi is the Council for quality assurance in general and further education and training of the National Qualifications Framework (NQF). The Council was established by an Act of Parliament in 2001, the General and Further Education and Training Quality Assurance Act (GENFETQA Act), (No 58 of 2001, as amended, 2008). Furthermore, Umalusi derives its mandate from the NQF Act, No. 67 of 2008, which outlines the functions of quality councils (QCs).

The Council ensures, *inter alia*, that the providers of education and training have the capacity to deliver and assess qualifications and learning programmes and are doing so to expected standards of quality.

In carrying out its mandate during the 2015-16 financial year, Umalusi achieved the following milestones:

- The new qualification, the GETCA, was gazetted in September 2015 and registered by SAQA in November 2015.
- Umalusi supported the DHET in finalising the curricula for the newly developed NASCA and delivered an appraisal of the curricula in record time.
- Furthermore, the QCC Unit undertook an appraisal of the curricula for the Senior Certificate (as amended).
- The QAA Unit successfully carried out its mandate by assuring the quality of all assessment processes in all the examinations by various assessment bodies, both public and independent.

- Umalusi also formally launched its Sub-Framework in May 2016, thereby formally taking up its role as a QC.

Most of the challenges experienced by the organisation during the year under review were related to assessment. These included paper leakages in Limpopo, Gauteng and Mpumalanga, as well as a few cases of group copying in KwaZulu- Natal in terms of the NSC examinations. Umalusi managed to work with all the affected assessment bodies in trying to resolve these issues before examination results were finalised.

### 2.2 ORGANISATIONAL ENVIRONMENT

In an endeavour to conduct its business according to all the relevant prescripts, Umalusi has expanded its organizational structure in the year under review. Four senior management positions were created to strengthen administration in the organization. These are in the areas of ICT, Strategic Planning and Reporting, Finance and Supply Chain Management, and Human Resources Management and Development.

Towards the close of the financial year, however, the organization also experienced some loss of senior and executive managers due to resignations and retirement. Despite these challenges, Umalusi has remained resolute in working hard to conduct its business of ensuring that the nation received credible results.

### 2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

No changes were made to the key legislative pieces, namely the GENFETQA Act, No. 58 of 2001, as amended, 2008; and the NQF Act, No 67 of 2008.

The new qualification, the GETCA, was gazetted in September and registered by SAQA in November 2015.

Umalusi also gazetted its policy for credit accumulation, recognition and transfer in Government Gazette of 15 June 2015.

### 2.4 STRATEGIC OUTCOME ORIENTED GOALS

Strategic Outcome Oriented Goal 1: Improved organisational management, governance and financial viability to ensure high quality, effective and efficient delivery of Umalusi's mandate.

#### Progress made:

- Compliance with policies has been managed through the evaluation of the Risk Management Plan on a quarterly basis. By managing risks regularly, the organisation is on a trajectory to improve its efficiency in the different administration functions.

## 2. SITUATIONAL ANALYSIS (CONTINUED)

- Quarterly performance and financial reports were used to track how well the organisation had performed in improving administration and governance.
- Umalusi strategies and plans were aligned to broad government mandates as stated in the National Development Plan, the Medium Term Strategic Framework 2014-2019, and the Basic Education Sector Plan: Towards Schooling 2030.
- Four senior management posts falling under Programme 1 were created and filled during the year. Incumbents reported for duty on 1 April 2016. The new skills will strengthen compliance with administrative legislation.
- Organisational performance standards were improved and strengthened by putting in place systems for individual performance assessment and development. The organisation has conducted quarterly performance reviews towards facilitating more effective accountability, and enabling management to track progress and identify areas for improvement.
- Umalusi's new online e-recruitment system has proved useful in improving efficiency in human resource planning and management; and in fast-tracking recruitment processes.

Strategic Outcome Oriented Goal 2: Improved assessment and quality assurance that is relevant, internationally benchmarked and that supports the nation's strategic interests for a highly skilled workforce and well-qualified citizens.

### Progress Made:

In the Quality Assurance of Assessment area, the following progress has been made in improving the quality and credibility of examination results and assessment processes through:

- Moderation of question papers: Moderation of question papers was done for all assessment bodies for the different qualifications.
- Moderation of school-based assessment (SBA): Umalusi provided constructive, qualitative feedback per subject verified, to DBE, DHET, PEDs, districts and schools. This feedback is used for the improvement of teaching and learning.
- Monitoring of irregularities: Irregularities were monitored for all qualifications across all assessment bodies. This is done to maintain the credibility of the final learner results.
- Monitoring of examinations: Umalusi monitored the conduct of writing of the NSC, NC(V), GETC and Amended Senior Certificate examinations nationally to assess general compliance with examinations regulations across assessment bodies. Feedback on areas requiring improvement was given to schools for the management of credible examinations that are free of irregularities.
- Verification of marking: Marking done by the PEDs was verified and constructive feedback was given to the DBE to ensure that marking was conducted consistently and that marks were awarded and captured accurately, without disadvantaging/ advantaging candidates.
- Standardisation and resulting: Standardisation was conducted for the April, August and November 2015 NATED N2-N3 examinations, GETC June and November 2015 examinations, SC July 2015, NSC and NC(V) November 2015 examinations, and monthly for the 10 examinations on request (EORs).

In the area of Evaluation and Accreditation, Umalusi was able to accredit private institutions that applied, within a specific period. The entity conducted quality promotions in all nine provinces where potential applicants were guided on the accreditation processes. This is a means of inculcating a culture of internal quality initiatives in the institutions so that accreditation becomes a confirmation of internal quality assurance within the accredited institutions.

Umalusi has done the following to increase access and success in programmes that lead to intermediate and higher learning:

- Supported the DHET's qualifications development for staff in community education and training centres (CETCs) and TVET colleges.
- Launched its sub-framework of qualifications for use in post-schooling.
- Gazetted and registered the General and Further Education and Training Certificate for Adults (GETCA) – ID 97519 – on the NQF.
- Started reviewing the NC(V) qualification, which will provide minimum requirements for the accreditation of colleges to offer the various programmes.

## 3. PERFORMANCE INFORMATION BY PROGRAMME

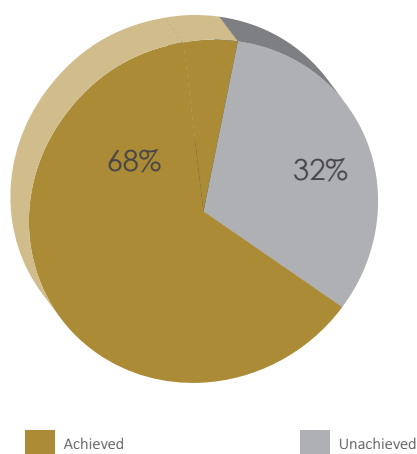
### 3.1 DISCLOSURE

The 2015/16 Annual Report is based on a revised Strategic Plan 2015/16-2019/20 and an Annual Performance Plan 2015/16. Umalusi submitted an activity-based Annual Performance Plan to the DBE in January 2015 for approval and tabling. The plans were tabled in March 2015. In July 2015, the entity submitted its first quarterly report to DBE for analysis and the feedback from the Minister indicated that the entity did not comply with the requirements of the National Treasury and the Department of Performance Monitoring and Evaluation, hence Umalusi revised its plans based on the National Treasury Framework for Strategic Plans.

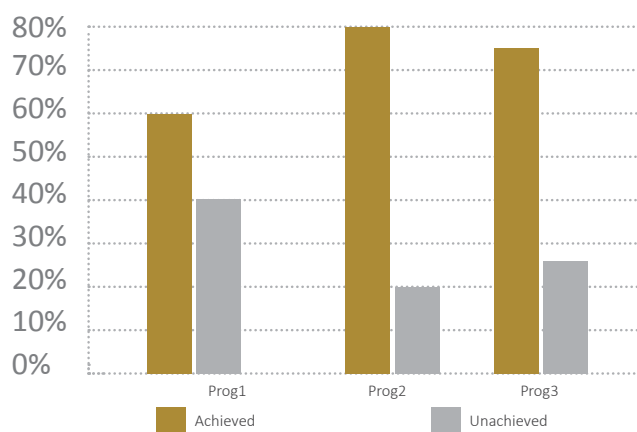
The revised Strategic Plan and APP were submitted to DBE in November 2015, with a re-submission of the performance report for the first quarter as requested by the Minister. Feedback was not received from DBE on these plans but the entity has been reporting against the revised plan since the second quarter, and the outcome of the internal audit process is also based on the revised plans.

### 3.2 SUMMARY OF OVERALL PERFORMANCE

OVERALL STATUS OF ACHIEVEMENT



STATUS OF ACHIEVEMENT OF TARGETS PER PROGRAMME



### 3.3 PROGRAMME 1: ADMINISTRATION

**Programme Purpose:** Provide management, strategic and administrative support services to ensure effective delivery of learning programmes, skills planning, research, monitoring and evaluation. The programme is aimed at accelerating delivery of programmes in 2015/16.

This programme is comprised of five sub-programmes:

- |                                                         |            |
|---------------------------------------------------------|------------|
| 1.1 Governance and Office of the Chief Executive Office | (GOCEO)    |
| 1.2 Public Relations and Communications                 | (PR&COMMS) |
| 1.3 Information and Communication Technology            | (ICT)      |
| 1.4 Finance and Supply Chain Management                 | (F&SCM)    |
| 1.5 Human Resource Management and Development           | (HRM&D)    |



## GOVERNANCE AND OFFICE OF THE CHIEF EXECUTIVE OFFICER

Back row left to right: Thabo Ncapodi, Lesley Frost, Nompumelelo Phungula, Estella Michael, Stella Mosimege, Lucky Ditaunyane  
Front row left to right: Zodwa Modimakwane, Mafu Rakometsi, Emmanuel Sibanda, Jacomien Rousseau

## SUB-PROGRAMME 1.1: GOVERNANCE AND OFFICE OF THE CHIEF EXECUTIVE OFFICER

### Purpose

Provides good corporate governance of the organisation and supports the functions of the Council; reports on performance against the strategic and APP targets, and evaluates both organisational performance and programmes.

### ACHIEVEMENT OF PERFORMANCE INDICATORS

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Output 2015/16)	Deviation from Planned Target	Comment on Deviations
<b>Strategic Objective 2: To increase understanding key internal and external stakeholders of Umalusi mandate and function as a Quality Council</b>					
1. Percentage compliance to the legal and regulatory requirements in timely fashion	100%	100%	50%	-50%	Lack of internal capacity to manage compliance issues raised by internal audit for the entire organisation

### Commentary on achievement of strategic objectives

Achieving this indicator was hindered by a lack of internal capacity to manage compliance issues raised by internal audit relating to the entire organisation. Addressing internal audit non-compliance issues raised, in a timely fashion, will enable the organisation to improve the effectiveness of corporate governance.

### Strategy to overcome areas of under-performance

The entity has appointed a senior manager for Finance and Supply Chain Management and a senior manager for Strategic Planning and Reporting who will oversee the enforcement of compliance to legal and regulatory requirements.

Management is considering preparing a compliance framework to measure compliance with all key legislation. It would use internal audit to verify that controls have been implemented and compliance achieved.

### Changes to planned targets

Targets were not changed during the year.



## PUBLIC RELATIONS AND COMMUNICATIONS UNIT

Row left to right: Sphiwe Mtshali, Makoena Zikhali, Kgaugelo Sekokotla, Lucky Ditaunyane



## SUB-PROGRAMME 1.2: PUBLIC RELATIONS AND COMMUNICATIONS

### Purpose

This programme ensures that Umalusi's mandate and the sub-framework is understood by both internal and external stakeholders.

### ACHIEVEMENT OF PERFORMANCE INDICATORS

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Output 2015/16)	Deviation from Planned Target	Comment on Deviations
<b>Strategic Objective 2: To increase understanding key internal and external stakeholders of Umalusi mandate and function as a Quality Council</b>					
2.Number of stakeholders receiving information on the GFET Sub-Framework	5	5	5	0	None

### Commentary on achievement of strategic objectives

The 2015/16 financial year saw Umalusi embarking on various advocacy campaigns in an attempt to communicate crucial messages to the following five clusters of key stakeholders whose business intersects on different levels with Umalusi's core mandate:

- Policymakers: The two Ministers of Basic Education and Higher Education and Training, the Portfolio Committees of Basic Education and Higher Education and Training.
- Policy Implementers: Quality Councils, DBE, DHET, PEDs, assessment bodies, schools, TVET colleges, adult education centres, universities and educational NGOs.
- Policy Beneficiaries: Learners, parents, guardians, unemployed youth and rural communities.
- Umalusi Staff: All levels of Umalusi staff.
- South African Public: General public with a vested interest in Education.

In order to maximise its efforts, PR used different modes and channels of communication, such as the quarterly newsletter Makoya, social media platforms, the website, exhibitions with a focus on youth and rural development, roadshows by the Chief Executive Officer, collaboration in coordinating stakeholder events with other units, such as the 42nd conference of the International Association of Educational Assessment (IAEA), as well as print and electronic media. Queries from the public regarding the work of Umalusi have been responded to throughout the year.

### Strategy to overcome areas of under-performance

There is no under-performance in this sub-programme.

### Changes to planned targets

Targets were not changed during the year.



## INFORMATION AND COMMUNICATION TECHNOLOGY

Back row left to right: Zander Coetzee, Gerrit Jansen van Vuuren, Jacques Bouwer, Du toit Le Roux, Neo Thobejane

Front row left to right: Joas Mogale, Ignatius Makgoka, Ulrike Bardenhorst, Archie Ntim



## SUB-PROGRAMME 1.3: INFORMATION AND COMMUNICATION TECHNOLOGY

### Purpose

Provides for the information and communication technology needs and requirements of Umalusi.

### ACHIEVEMENT OF PERFORMANCE INDICATORS

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Output 2015/16)	Deviation from Planned Target	Comment on Deviations
<b>Strategic Objective 3: To improve ICT governance</b>					
3. Percentage alignment of ICT requirements with ICT governance roadmap	70%	80%	71%	-9%	The target was not reached because of a lack of internal capacity
<b>Strategic Objective 4: To increase ICT integration to meet Umalusi's business imperatives</b>					
4. Percentage of ICT systems implemented on time that meet the requirements of business	75%	80%	93%	+13%	There was a high demand for ICT systems to support business and these demands were attended to according to the priority and urgency of the requests, hence the target was exceeded

### Commentary on achievement of strategic objectives

The implementation of the Corporate Governance of Information Technology and Communication Policy Framework (DPSACGICTPF), as published by the DPSA, was adhered to. Significant progress has been made with the implementation of this framework and the programme is reaching its completion. The maintenance and continuous improvement of the governance of ICT will now be focused on.

Stringent systems were developed for the quality assurance of the resulting process before the assessment bodies were given permission to release the results after the national examinations. These systemic processes improved the verification and quality assurance of the computerised processes within the assessment bodies.

The computerised certification systems produce certificates printed after data and the resulting processes have again been verified against the certification directives, to ensure that the learner qualifies and complies with the requirements for the qualification. The verification processes are continuously reviewed and enhanced to deliver improved service to the public.

### Strategy to overcome areas of under-performance

The appointment of a Senior Manager: ICT from 1 April 2016 ensures that internal audit recommendations from are implemented and adhered to, that ICT governance is improved and that ICT systems meet the required business needs. An implementation plan has still to be developed, approved and monitored.

### Changes to planned targets

Targets were not changed during the year.



## FINANCE AND SUPPLY CHAIN MANAGEMENT

Back row left to right: Lebohang Tsotetsi, Jacqueline Chaka, Alfred Mashaba, Rabelani Maombe, Ebriem Fillis, Sam Gohla  
Pinky Pule, Thato Boleke, Sebongile Mkhathswa, Adelaide Cholo, Elton Chirowamhangu  
Front row from left to right: Kgabo Mmola, Simon Mosaka, Louisa Nomatye, Stephina Munyai

## SUB-PROGRAMME 1.4: FINANCE AND SUPPLY CHAIN MANAGEMENT

### Purpose

This sub-programme renders economic, effective and efficient financial management and administrative support to Umalusi and ensures management of the flow of goods and services. In addition, it safeguards and ensures that all SCM regulations are adhered to and that there is no fruitless and wasteful expenditure.

### ACHIEVEMENT OF PERFORMANCE INDICATORS

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Output 2015/16)	Deviation from Planned Target	Comment on Deviations
<b>Strategic Objective 5: To increase accuracy of financial and non-financial data by operational units</b>					
5. Percentage alignment of financial information reported in the Annual Report	100%	100%	100%	0	N/A
6. Audit status	Unqualified audit	Unqualified audit	Unqualified audit	0	N/A
7. Percentage of audit findings addressed	80%	70%	63%	-7%	Progress was made on findings raised, but this progress was not sufficient to fully address the findings in the current year due to capacity constraints.
<b>Strategic Objective 6: To reduce deviations from SCM requirements</b>					
8. Percentage of suppliers and service providers paid within 30 days	100%	100%	92%	-8%	Suppliers and service providers are paid within 30 days except where queries are raised due to outstanding information.

### Commentary on achievement of strategic objectives

Umalusi is in the process of updating policies and processes to be more effective and efficient. Compliance with legislation and good corporate governance will increase the organisational performance standard and strengthen the accountability of Umalusi.

### Strategy to overcome areas of under-performance

Policies will be revised to address the remaining audit findings. Improving internal processes to align with legislation and good corporate governance will help to address under-performance in the above indicators.

### Changes to planned targets

Targets were not changed during the year.



## HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

Row left to right: Dineo Mokholwane, Shakuntla Khatri, Ansie Enslin, Tsakane Ngobeni, Irene Thobejane,  
Olga Matlala, Letseba Tosa, Gumani Makwarela

## SUB-PROGRAMME 1.5: HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

### Purpose

The human resource management and development functions ensure optimum and efficient utilisation and development of human capital. The sub-unit provides an advisory service on matters pertaining to organisational effectiveness and development, individual performance management, sound employee relations, employee health and wellness, as well as effective and efficient recruitment, selection and placement services. This also includes research, development and implementation of human resources policies and practices.

### ACHIEVEMENT OF PERFORMANCE INDICATORS

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Output 2015/16)	Deviation from Planned Target	Comment on Deviations
<b>Strategic Objective 7: To improve staff competence</b>					
9. Percentage of staff meeting Level 3 and above of their performance targets	97%	98%	98%	0	None
10. Records management system automated by the target date	N/A	N/A	N/A	N/A	N/A: Target date is March 2017

### Commentary on achievement of strategic objectives

The competency levels of staff were improved through capacity building programmes and skills development programmes. These interventions will assist in the sustainability of Umalusi.

### Strategy to overcome areas of under-performance

There is no under-performance in this sub-programme.

### Changes to planned targets

Targets were not changed during the year.





## SUB-PROGRAMME 1.6: PLANNING, MONITORING, EVALUATION, REPORTING AND KNOWLEDGE MANAGEMENT

### Purpose

Institutionalisation of the results-based planning, monitoring, evaluation and reporting approach across Umalusi.

### ACHIEVEMENT OF PERFORMANCE INDICATORS

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Output 2015/16	Deviation from Planned Target	Comment on Deviations
<b>Strategic Objective 8: To institutionalise results-based planning, budgeting, monitoring and evaluation and reporting (MER) across Umalusi</b>					
11. Percentage of MER activities implemented for 2015/16	20%	30%	40%	+10	Two out of five of the statutory monitoring and evaluation activities were done without fail
12. Percentage of APP targets achieved	80%	80%	68% (13 out of 19 targets achieved)	- 12%	Reasons are stated per indicator. There was no diligent monitoring of performance against set targets
<b>Strategic Objective 9: To increase efficacy and easily connect to information required by the organisation</b>					
13. Knowledge management strategy developed by target date	N/A	N/A	N/A	N/A	N/A: The target has been set for March 2017

### Commentary on achievement of strategic objectives

Of the five compulsory monitoring and evaluation activities planned (performance reporting, financial reporting, quarterly reviews, risk monitoring and monitoring of audit issues), Umalusi has produced all statutory quarterly financial and performance reports, which were sent to the DBE for analysis.

### Strategy to overcome areas of under-performance

Quarterly performance reviews will be held with each branch to focus on targets that are not met. Remedial actions per unit will be monitored to foster improvement in each area of performance.

### Changes to planned targets

Targets were not changed during the year.

### 3.4 PROGRAMME 2: QUALIFICATIONS AND RESEARCH

**Programme Purpose:** Improved assessment and quality assurance that is relevant and internationally benchmarked and supports the nation's strategic interests for a highly skilled workforce and well-qualified citizens.

**This programme consists of the following sub-programmes:**

- Qualifications, Curriculum and Certification QCC
- Statistical Information and Research SIR



## QUALIFICATIONS, CURRICULUM AND CERTIFICATION

Back row left to right: Dennis Twala, Duma Sithebe, Salphina Magoro, Tebogo Mashilo, Dr Celia Boooyse, Liligirl Bodila,  
Renè Diergaardt, Hlezi Molefi

Front row left to right: Anne McCallum, Zolile Hlabeni, Shannon Doolings, Tello Motloi



## SUB-PROGRAMME 2.1: QUALIFICATIONS, CURRICULUM AND CERTIFICATION

### Purpose

- Ensuring and enhancing the status and quality of qualifications on the sub-framework that Umalusi develops, manages and reviews.
- Evaluating curricula to ensure that they are of acceptable quality.
- The certification of learner performance for all the qualifications on the GFETQSF.
- Verifying all qualifications that Umalusi and its predecessor, SAFCERT, have issued since 1992.

### ACHIEVEMENT OF PERFORMANCE INDICATORS

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Output 2015/16)	Deviation from Planned Target	Comment on Deviations
<b>Strategic Objective 10: To improve management of the General and Further Education and Training Qualifications Sub-framework</b>					
14. Number of new qualifications registered by target date	The National Senior Certificate for Adults (NASCA) regulated Government Gazette No. 37659, 2 September 2014	1 new qualification (GETCA) finalised, gazetted and registered	1 GETCA was gazetted in September 2015 and registered with SAQA in November 2015	0	None
15. Number of existing qualifications reviewed by target date	31 March 2015: 1 qualification reworked and registered (amended Senior Certificate)	1 existing qualification reviewed- NC(V); advice to Ministers of DBE and DHET on qualifications	1 The review has been done according to the project plan	0	None
16. Percentage of reliable learner records submitted certified	100%	100%	100%	0	None
17. Percentage of verifications of learner achievement completed within the specified turnaround time	100%	100%	100%	0	None

### Achievement of strategic objectives

Umalusi has certified all the records of learner achievement which conformed to the directives for certification of the various qualifications. Furthermore, it has extensively supported both the DHET and SITA in the process of eliminating the backlog of certificates for the NC(V), a process that has dragged on for an unsatisfactorily long time.

### Strategy to overcome areas of under-performance

The unachieved output is likely to be achieved by end of September 2016.

### Changes to planned targets

Targets were not changed during the year.



## STATISTICAL INFORMATION AND RESEARCH

Row left to right: Marco MacFarlane, Tsephang Mzamane, Sisanda Loni, Doctor Phokwani, Bridget Mthembu, Agnes Mohale

## SUB-PROGRAMME 2.2: STATISTICAL INFORMATION AND RESEARCH

### Purpose

Umalusi conducts research and analysis and reports on quality within the general and further education and training sub-framework. The mandate is to:

- Conduct research that is informed by the emerging needs of the education system so as to engage stakeholders towards innovative thinking
- Report on the key indicators of quality and standards in general and further education and training
- Establish and maintain databases
- Lead research and analysis and provide statistical support and information across Umalusi.

### ACHIEVEMENT OF PERFORMANCE INDICATORS

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Output 2015/16)	Deviation from Planned Target	Comment on Deviations
<b>Strategic Objective 11: To increase responsiveness of the research agenda to the emerging needs in the GENFET sector</b>					
18. Number of research reports published	5	6	4	-2	In one research project the lead researcher was hospitalised resulting in delays in visits to the selected adult learning centres to collect data  In the second project on the moderation instrument, the targeted group of moderators and examiners were not trained on the tool, a pre-requisite for approval of the final report

### Commentary on the achievement of strategic objectives

The entity met its strategic objective of publishing research, both for internal use and the public domain, and using that research to guide Umalusi's strategic direction. The responsiveness of the research was maintained and strengthened by timely publication of research that is also reactive to the needs of the sector. The research published during this financial year includes the following items:

- NSC Indicators Report: This is a longitudinal study of performance, enrolment and retention trends in the NSC between 2008 and 2013. It provides an overview and critique of the performance of the system in this qualification and is a valuable reference document for understanding the qualification.
- Three Post-Examination Analysis reports: These reports provide detailed analyses of the 2015 NSC examinations in a selection of key subjects. Each report focuses on an assessment body (DBE, IEB, and SACAI (South African Comprehensive Assessment Institute)). The reports are used during the standardisation of the NSC examinations, and are provided to the assessment bodies as feedback.

### Strategy to overcome areas of under-performance

The strategy to improve under-performance will include:

- Strengthening existing research teams and encouraging greater cross-unit collocation;
- Organising progress and report back meetings more often than has been the case;
- Developing research capacity through targeted recruitment of researchers / consultants.

### Changes to planned targets

Targets were not changed during the year.

## 3.5 PROGRAMME 3: QUALITY ASSURANCE AND MONITORING

### Programme Purpose

To ensure that education and training providers have the capacity to deliver and assess qualifications and learning programmes; and are doing so to expected standards of quality.

This programme consists of the following sub-programmes:

- Quality Assurance of Assessment: QAA
- Evaluation and Accreditation: E&A



## QUALITY ASSURANCE OF ASSESSMENT

Back row left to right: Tinyiko Khosa, Clifford Hlungwani, Ishmael Kungwane, Marble Shirelele, William Chauke, Frank Chinyamakobvu

Centre row left to right: Wilma Uys, Andy Thulo, Helen Koorzen, Marisa du Toit

Front row left to right: Nthabiseng Matsobane, Nkele Mahlangu, Regina Kupa, Lizeka Zimase.

## SUB-PROGRAMME 3.1: QUALITY ASSURANCE OF ASSESSMENT

### Purpose

Standards of assessment established, quality assured, maintained and improved: this function entails establishing, maintaining and improving standards and quality in assessment at exit points in general and further education and training. To fulfil this function Umalusi uses six key processes:

- External moderation of question papers
- External moderation of continuous assessment
- Verification of monitoring of assessment systems, conduct administration and management of assessment and examinations processes
- Management of concessions and examination irregularities
- External moderation of marking processes
- Moderation of assessment results.

### ACHIEVEMENT OF PERFORMANCE INDICATORS

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Output 2015/16)	Deviation from Planned Target	Comment on Deviations
<b>Strategic Objective 12: To improve the quality and credibility of examination results and assessment processes</b>					
19. Number of examination papers meeting quality assurance (QA) requirements	1035	1035	954	-81	Some assessment bodies submitted their question papers, which were included in the 1035 target, only after March 2016
20. Percentage of assessment bodies that complied with the QA policies and directives in a consistent manner (internal assessment, conduct of writing, marking, and verification of marking)	N/A	50%	80%	+30%	The assessment bodies exceeded the expected targets in meeting requirements because: <ul style="list-style-type: none"> <li>• SBA moderation improved: there were fewer cases of non-compliance</li> <li>• The marking improved in some of the provinces for the DBE, as well as SACAI and IEB</li> <li>• Assessment bodies improved in monitoring of their examinations</li> <li>• There was a reduction in the number of examination irregularities across assessment bodies</li> </ul>

### Commentary on achievement of strategic objectives:

The objective on the moderation of question papers was not achieved as intended because of unplanned changes instituted by assessment bodies in the timing of their submission of question papers to Umalusi for moderation. In terms of compliance to QA policies, the objective was achieved as a result of general improvement by assessment bodies in the different compliance areas. However, more work needs to be done to improve the level of compliance by all assessment bodies in all qualifications.

### Strategy to overcome areas of under-performance:

Umalusi will ensure that all assessment bodies submit a complete list of question papers intended for moderation by November each year for inclusion in the second draft Annual Performance Plan for the ensuing year. Internally, controls will be strengthened where all approved question papers will be classified according to qualification per assessment body and stored appropriately, on a quarterly basis.

### Changes to planned targets

Targets were not changed during the year.





## EVALUATION AND ACCREDITATION

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Back row left to right: Phumla Molusi, Vani Chatty, Klaus Lettau, Tsholofelo Mokonoto, Suritha Kaminsky,  
Winile Ndebele, Sandra Kruger, Grace Nhlapho, Lawrence Ndou, Anushka Moodley,  
Sibahle Mbatha, Reabetswe Mathebe, Dawie Oberholster, Takalani Tshivhenga

Front row left to right: Meiva Theko, Gugu Chili, Mary-Louise Madalane, Kholofelo Rabotho

## SUB-PROGRAMME 3.2: EVALUATION AND ACCREDITATION

### Purpose

The Evaluation and Accreditation Unit assures educational standards through the quality assurance of provision. The key mechanism used to achieve this is by enhancing the quality of provision by means of accreditation of private educational institutions (independent schools; private FET colleges and adult learning centres) and private assessment bodies to offer and assess qualifications on the General and Further Education and Training Sub-Framework, and the evaluation and monitoring of the national assessment system.

### ACHIEVEMENT OF PERFORMANCE INDICATORS

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Output 2015/16	Deviation from Planned Target	Comment on Deviations
<b>Strategic Objective 13: To improve education provisioning in the GFETQSF by private education providers</b>					
21. Percentage of private education and training institutions who met accreditation requirements within the specified period	N/A	50%	73%	+23%	The entity received more requests for accreditation, and these were achieved within the financial year
21. Number of private assessment bodies who met accreditation requirements within the specified period	N/A	1	1 (IEB)	0	none

### Commentary on achievement of strategic objectives

The unit engaged in a review of the accreditation strategy and milestones were set in the review process. The following measures were put in place to improve the accreditation system:

- The policy for the accreditation and monitoring of independent schools and assessment bodies was reviewed and submitted to the Minister of Basic Education for her approval and publication. The policy was previously not regulated. The unit also developed regulations for that policy and they were also submitted for the Minister's approval.
- The accreditation application fee structure was reworked. In the new fee structure, applicants will pay for the application per step. Previously they were expected to pay for the application in two tranches, which was unaffordable in some cases.
- The revised process has also addressed the turnaround time of the outcome of the application. The steps that were found to be duplicated were replaced, the quality factor of the process was retained and the whole process is effective, efficient and cost effective.

### Strategy to overcome areas of under-performance

There is no under-performance in this sub-programme.

### Changes to planned targets

Targets were not changed during the year.

# PART C

## GOVERNANCE





## 1. INTRODUCTION

The implementation of effective governance processes and systems has ensured that Umalusi and its employees are directed, controlled and held to account. These structures are supported by Umalusi's Strategic and Annual Performance Plan.

Umalusi is responsible for establishing its own operating procedures.

Council, which is the accounting authority of Umalusi, is responsible for corporate governance. Council fulfills this responsibility by approving and implementing the necessary policies and directives to ensure that Umalusi adheres not only to the legislative requirements as set out in the Public Finance Management Act (PFMA), but also to the principles in the Protocol on Corporate Governance, encapsulating the principles of the King Report on corporate governance.

## 2. PORTFOLIO COMMITTEES

The Portfolio Committee of the Department of Basic Education (DBE) exercises its role through evaluating the performance of Umalusi by considering its Annual Financial Statements, which, together with other documents, must be tabled from time to time. Umalusi also reports to the Portfolio Committee on Higher Education and Training on matters relating to qualifications offered by DHET.

Umalusi met with the Portfolio Committees four times during the 2015/16 financial year.

- **3 June 2015:** Portfolio Committee on Higher Education and Training – quality assurance of the 2014 examination results of the following assessment bodies:

- a. Department of Higher Education and Training (DHET) National Certificate Vocational (NC(V))
- b. General Education and Training Certificate (GETC): Adult Basic Education and Training (ABET) Level 4
  - DHET,
  - Nated N1 to N3 Independent Examination Board (IEB), and
  - Benchmark.

- **14 October 2015:** Portfolio Committee on Basic Education – Presentation of Annual Report
- **3 February 2016:** Portfolio Committee on Higher Education and Training – quality assurance of the 2015 examination results of the DHET
- **22-24 March 2016:** Portfolio Committee on Basic Education – Strategic Planning Workshop

## 3. EXECUTIVE AUTHORITY

Umalusi is a Schedule 3A public entity reporting administratively to the Minister of Basic Education, with the DBE as the executive authority. Umalusi also engages the Department of Higher Education and Training (DHET) in respect of all matters relating to the development and maintenance of the National Qualifications Framework (NQF), i.e., Umalusi's sub-framework of qualifications. Quarterly reports were submitted to the Executive Authority within the timeframes as follows:

- 31 July 2015
- 31 October 2015
- 31 January 2016
- 30 April 2016

Following the advice of the Minister of Basic Education to comply with the reporting requirements of the National Treasury and the Department of Planning, Monitoring and Evaluation, a revised Quarter One report was submitted with the Quarter Two report in October 2015.

## 4. THE ACCOUNTING AUTHORITY / COUNCIL

### Introduction

The Council, for the period 8 June 2014 to 7 June 2018, consists of 15 members appointed by the Minister of Basic Education and the CEOs of the Council on Higher Education (CHE); Quality Council for Trades and Occupations (QCTO); and the South African Qualifications Authority (SAQA). The Minister also appoints one of the members as chairperson. The Council is responsible for policy and overall governance, with the day-to-day management delegated to the CEO.

In accordance with the General and Further Education and Training Quality Assurance Act (No 58 of 2001, as amended), the Council is appointed for a period of four years. Council members can be appointed for a second term after public nominations, but cannot serve more than two consecutive terms in office.

The role of Council is to:

- Effectively discharge its fiduciary duties
- Monitor organisational performance of Umalusi
- Monitor the governance and financial management of Umalusi
- Oversee the appointment of the Chief Executive Officer of the organisation.

Council is also broadly responsible for promoting transparency in, and effective financial management of, revenue, expenditure, assets and liabilities in the public sector.

To ensure that Council maintains its integrity and fulfils its accountability responsibility, it has delegated some of its functions to the Executive Committee (EXCO) to assist with the effective performance of its functions.

The Executive Committee (EXCO) currently consists of the Chairperson and five other Council members. Delegated functions include:

- Formulating, monitoring and reviewing the Strategic Plan, major plans of action and risk policies for recommendation to Council.
- Monitoring the operations of Umalusi, as delegated to the CEO, to ensure that the organisation complies with all applicable laws, regulations and other government policies.
- Monitoring the implementation and ongoing compliance with approved policies and strategies.
- Monitoring compliance with the delegation of authority to the CEO.
- Considering and recommending the budget to Council for approval.
- Monitoring Umalusi's actual performance against the approved budget, through the review of management reports.
- Ensuring the timely preparation of Annual Financial Statements and their submission to Council, as required in legislation and through other prescripts.

- Considering and recommending action to Council in resolving internal and external audit findings.
- Managing potential conflicts of interest; and reporting of such to Council, where appropriate.
- Reviewing the materiality and significance framework annually and recommending amendments to Council.
- Monitoring the secretariat's performance against the approved work programme.
- Considering remuneration and incentive awards for employees, recommending their approval to Council and overseeing compliance with human resource policies.

The Table that follows on page 41 contains the names of Council members, their qualifications, expertise and the number of Council meetings attended.

Name	Designation (in terms of the public entity structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board / Ministerial Task Team	Other Committees or Task Teams (e.g. Audit Committee)	No. of Meetings Attended
<b>Prof JD Volmink</b>	Chairperson	8 June 2014	N/A	PhD	Mathematics Education	Durban University of Technology (DUT)  Juta & Co (Pty) Ltd  Towerstone (Pty) Ltd	Executive Committee (EXCO)	4 / 4
<b>Prof ND Kgwadi</b>	Deputy Chairperson	8 June 2014	N/A	PhD	Physics Education	Council and Senate of North-West University	EXCO	0 / 4
<b>Dr MS Rakometsi</b>	Chief Executive Officer	8 June 2014	N/A	PhD	Education	Helderberg College Council  South African Qualifications Authority (SAQA)  Council on Higher Education (CHE)  Quality Council for Trades and Occupations (QCTO)  Board member of Pretoria Boys High  Vaal University of Technology (VUT)	Ex-officio member of all Council committees	4 / 4
<b>Prof N Bajjnath*</b>	Member	1 October 2015	N/A	PhD	Higher Education Policy, Planning and Educational Change	CHE QCTO SAQA		2 / 4
<b>Dr L Becker</b>	Member	8 June 2014	N/A	PhD	Education	None	Accreditation Committee of Council (ACC)	4 / 4
<b>Prof PAD Beets</b>	Member	8 June 2014	N/A	PhD	Curriculum Studies	None	Research Forum	3 / 4
<b>Ms F Dada</b>	Member	8 June 2014	N/A	BA	Education Policy Development	Africa Ignite Rural Development Trust  Media in Education Trust  Pearson South Africa  Oasis Asset Management	EXCO	3 / 4
<b>Mr MHW Ehrenreich</b>	Member	8 June 2014	N/A	BA Hons	English Literature	South African Principals Association (SAPA)	Information and Communication Technology Oversight Committee (ICTOC)	4 / 4

Name	Designation (in terms of the public entity structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board / Ministerial Task Team	Other Committees or Task Teams (e.g. Audit Committee)	No. of Meetings Attended
<b>Mr NT Johnstone</b>	Member	1 September 2015	N/A	BSc	Physiology	Catholic Institute of Education (CIE)  Independent Examination Board (IEB)  JET Education Services  National Student Financial Aid Scheme (NSFAS)	Audit and Risk Committee	2 / 4
<b>Prof CF Look</b>	Member	8 June 2014	10 December 2015	PhD	Educational Management	None	EXCO  Assessment Standards Committee (ASC)	2 / 4
<b>Dr EB Mahlobo</b>	Member	8 June 2014	N/A	D Ed	Applied Linguistics	None	None	2 / 4
<b>Prof MG Mahlomaholo</b>	Member	8 June 2014	N/A	D Ed	Cognitive Education	None	None	1 / 4
<b>Prof L Makalela</b>	Member	8 June 2014	N/A	PhD	English Studies, Literacy, and Linguistics	None	Qualifications Standards Committee (QSC)  EXCO	3 / 4
<b>Dr MR Mampane</b>	Member	8 June 2014	N/A	PhD	Educational Psychology	None	ASC	3 / 4
<b>Ms GJ Mashabela</b>	Member	8 June 2014	N/A	MA	Teaching and Administration	CHE QCTO SAQA	None	4 / 4
<b>Prof MLE Monnapula-Mapesela</b>	Member	8 June 2014	N/A	PhD	Higher Education	Council of Central University of Technology (CUT)	EXCO	4 / 4
<b>Mr HM Mweli</b>	Member	8 June 2014	August 2015	MA	Development and Management	None	None	0 / 4
<b>Mr JS Samuels</b>	Member	8 June 2014	N/A	MPhil	Adult Education	CHE QCTO SAQA	None	2 / 4
<b>Dr SNP Sishi</b>	Member	8 June 2014	N/A	PhD	Curriculum and Educational Assessment Policy	None	None	2 / 4

(\*) Appointed Chief Executive Officer (CEO) of the Council on Higher Education (CHE) on 1 October 2015 replacing Dr D Webbstock who had been acting CEO of CHE- 1 March 2015 to 30 September 2015

## COUNCIL COMMITTEES

Committee	No. of meetings held	No. of members	Name of members
Accreditation Committee of Council (ACC)	12	13	Dr L Becker (Chairperson and member of Umalusi Council) Mr B Phillips Ms D Mampuru Ms E Erasmus Dr J Sithole Mr J Scarrott Mr K Naidu Ms K Janssens Mr M Netshandama Ms N Young Mr R Petit Mr T Basjan Ms M Cilliers
Assessment Standards Committee (ASC)	6	14	Prof CF Lookock (*) Dr R Mampane (Chairperson and member of Umalusi Council) Prof M Moodley Dr N Mrwetyana Dr M Nthangeni Prof P Sepeng Mr B Schreuder Prof S Howie Dr S Hansraj Prof P Fatti Dr P Rule Prof L Jita Prof D North Dr B Mofolo-Mbokane
Audit and Risk Committee	4	5	Ms LE Rousseau (Chairperson – Independent) Mr MHW Ehrenreich (Member of Umalusi Council)** Mr NT Johnstone (Member of Umalusi Council)*** Ms N Molalekoa Mr FS Petersen Mr S Zungu
Executive Committee (EXCO)	3	7	Prof JD Volmink (Chairperson of Umalusi Council) Prof ND Kgwadi (Deputy Chairperson of Umalusi Council) Dr MS Rakometsi (CEO) Ms F Dada Prof MLE Monnapula-Mapesela Dr MR Mampane Prof L Makalela
Information and Communication Technology Oversight Committee (ICTOC)	4	3	Mr MHW Ehrenreich (Chairperson and Member of Umalusi Council) Mr S Zungu Mr C Baxter

Committee	No. of meetings held	No. of members	Name of members
Qualifications Standards Committee (QSC)	5	9	Prof L Makalela (Chairperson and member of Umalusi Council) Ms H Brown Dr V Toni-Penxa Ms A Oberholzer Prof C Long Ms S Carthy Mr T McBride Ms M Madileng Mr H Amooore
Quality Promotion Forum (****)	0	10	Prof Chiloane-Tsoka Prof RH du Pré Prof. IDJ van der Merwe Dr GA Niebuhr Dr SP Goshier Dr Z Sosibo Mr MA Khalo Mr MC Greef Mr P Masilo Ms S Blignaut
Research Forum	2	14	Dr J Gamble (Chairperson – Independent) Prof PAD Beets (Member of Umalusi Council) Dr A Badroodien Dr P Rule Prof M Maistry Dr U Hoadley Dr V Wedekind Prof C Foxcroft Prof A Mji Prof N Yeld Prof D Daniels Dr J Papier Mr V Schöer Mr D Makhado

(\*) Professor Loock resigned as a member of Umalusi Council in December 2015

(\*\*) Mr MHW Ehrenreich resigned as member of the Audit and Risk Committee

(\*\*\*)Mr NT Johnstone was appointed as member of the Audit and Risk Committee

(\*\*\*\*)The Quality Promotion Forum was dissolved in December 2015 by a decision of Umalusi Council Meeting



### Remuneration of Council Members

The table below indicates the remuneration paid to each Council member, the Council members who were not remunerated; and other expenses i.e. travel, that were reimbursed.

Council Member	Remuneration R	Other allowance R	Other reimbursements R	Total R
Prof JD Volmink	180,184	-	8,374	188,558
Prof ND Kgwadi	-	-	-	-
Dr MS Rakometsi	-	-	-	-
Prof N Baijnath	-	-	-	-
Dr L Becker	51,296	-	5,060	56,356
Prof PAD Beets	-	-	1,692	1,692
Ms F Dada	35,692	-	1,017	36,709
Mr MHW Ehrenreich	-	-	-	-
Mr NT Johnstone	9,184	-	1,496	10,680
Prof CF Looock	44,265	-	17,059	61,324
Dr EB Mahlobo	-	-	-	-
Prof MG Mahlomaholo	13,374	-	382	13,756
Prof L Makalela	36,200	-	5,150	41,350
Dr MR Mampane	80,738	-	1,871	82,609
Ms GJ Mashabela	-	-	-	-
Prof MLE Monnapula-Mapesela	51,284	-	1,568	52,852
Mr HM Mweli	-	-	-	-
Mr JS Samuels	-	-	-	-
Dr SNP Sishi	-	-	-	-



## 5. RISK MANAGEMENT

Risk management at Umalusi is viewed as a critical component for the successful delivery of the public entity's obligations as a quality council. It worth noting that Umalusi has institutionalised risk management in its management processes. Managing risk on a daily basis in all its areas of operation is slowly becoming a culture of the public entity.

Umalusi has a Risk Management Policy and a Risk Management Framework. These were subjected to an annual review process in 2015/16. Umalusi has a comprehensive risk register, which has a combination of strategic and operational risks that cut across all units.

### Risk Management Process

Umalusi executes its risk management process with the oversight of the CEO. In the year under review, the public entity executed the following activities as part of the risk management process:

- Risk identification/review: The 2014/15 risks were reviewed and monitored every quarter.
- Risk owners: Umalusi identified risk owners per unit. These individuals have been trained on risk management and their responsibilities.
- Risk assessment: A risk assessment tool, which allows managers to rate inherent impact and likelihood plus residual impact and likelihood, has been developed and utilised throughout the year. Internal auditors analysed progress every quarter.
- Risk mitigation: All units compiled mitigation plans and suggestions for improvement were updated in assessment instruments every quarter.
- Monitoring: Quarterly risk reports are a standard agenda item at Audit and Risk Committee meetings, held quarterly.

In terms of the above, Umalusi has conducted quarterly risk assessments throughout the last financial year. All risk registers were updated every quarter and submitted to the internal auditors for analysis and feedback.

Umalusi's Risk Management Committee met every quarter to study the organisation's risk management performance. Risk assessment output was communicated to staff members to attend to areas requiring improvement.

The Audit and Risk Committee has been a useful oversight structure in the management of risk. Its recommendations have been taken seriously, for implementation in the 2017/18 financial year.

Umalusi appreciates the value-add associated with ongoing risk management. Emphasising the concerted effort to be applied to this function, in the new year, senior and executive managers' performance agreements will contain a key result area on risk management.

## 6. INTERNAL AUDIT

The internal audit function of Umalusi is established and carried out by an outsourced internal audit service provider, by approval of the accounting authority (Council).

The primary objective of the internal audit function is to provide a comprehensive service to ensure adequate measures and procedures are in place for sound economic, effective and efficient management as required by the PFMA. Internal audit conducts audits to assist management in the effectiveness of the organisation's system of internal controls and performance.

The role of the internal audit function is to provide management and the Audit and Risk Committee with independent and objective assurance, designed to add value and improve the Council's operations. It is, furthermore, aimed at assisting the Council to accomplish its objectives by establishing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and control processes.

The internal audit function operates with skilled personnel and functions as required by the Treasury Regulations and the PFMA. An audit plan was developed from the risk assessment conducted by Umalusi, and was approved by the Audit and Risk Committee.

The main activities of the internal audit function include:

- Compiling a Rolling Three Year Strategic Internal Audit Plan;
- Compiling an Internal Audit Plan for the first year of the Rolling Three Year Strategic Internal Audit Plan;
- Designing plans and detailing the scope of each audit in the Internal Audit Plan; and
- Reporting to management and the Audit and Risk Committee.

During the period under review, internal audit provided assurance through the execution of various activities against the approved Internal Audit Plan, including additional audit requests.

During the period under review, the following internal audit engagements were performed, in accordance with the approved Internal Audit Plan:

- Performance information
- Evaluation and Accreditation
- Qualifications, Curriculum and Certification
- Quality Assurance of Assessments
- IT governance review
- Supply chain and expenditure management
- Financial discipline review
- Follow up on findings raised by external audit
- Follow up on findings raised by internal audit
- Fixed asset management
- Governance and compliance
- Statistical Information and Research
- Public Relations
- Human capital management.

The following additional reviews were also carried out by internal audit, based on specific requests with the required approval:

- Supply chain management – tender compliance
- Review of accuracy and completeness of cell phone data contracts
- Review of 2016/2017 Strategic and Annual Performance Plan
- Review of information to support unaudited 2015/2016 annual performance information.

## 7. AUDIT AND RISK COMMITTEE

The role of the committee is to provide independent assurance and assistance to Council on control, governance and risk management. However, it does not assume any management responsibilities or perform any management functions. The Audit and Risk Committee makes decisions on matters relating to the scope of its responsibilities and presents such decisions to the Council for ratification.

The Audit and Risk Committee is tasked with assisting the Council in discharging its duties relating to:

- The safeguarding of assets;
- Council's compliance with legal and regulatory requirements;
- The external auditors' independence; performance of the entity's internal and external auditor functions;
- Preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards; and
- Overseeing the quality, integrity and reliability of Umalusi's risk management.

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

Umalusi has established and implemented various policies to consider compliance with the applicable laws and regulations on a regular basis.

Umalusi assessed its compliance to the following specific pieces of legislation:

- Public Finance Management Act No 1 of 1999, as amended by Public Finance Management Amendment Act No 29 of 1999
- Basic Conditions of Employment Act No 75 of 1997, as amended by Basic Conditions of Employment Amendment Act of 2002
- Compensation for Occupational Injuries and Diseases Act No 130 of 1993
- Labour Relations Act No 66 of 1995
- Employment Equity Act No 55 of 1998
- Unemployment Insurance Contributions Act No 4 of 2002
- Occupational Health and Safety Act No 85 of 1993
- Preferential Procurement Policy Framework Act No 5 of 2000
- Preferential Procurement Regulations, 2011
- Broad-Based Black Economic Empowerment Act No 53 of 2003
- Promotion of Access to Information Act No 2 of 2000
- Promotion of Administrative Justice Act No 3 of 2000
- National Qualifications Framework Act No 67 of 2008
- General and Further Education and Training Quality Assurance Act No 58 of 2001.

## 9. FRAUD AND CORRUPTION

Umalusi introduced a fraud and ethics hotline in 2014 with the aim of creating an open platform for the South African public including stakeholders in education to report incidents of fraud. The toll-free hotline service is accessible to the public all the time including weekends and holidays.

The number of the hotline is 0800 000 889. In the year under review only 12 valid reports were received via the hotline and Umalusi conducted various investigations to confirm all allegations made. Reports and allegations of fraud are submitted to relevant units for further investigation and the outcome is then tabled at a meeting of the executive management of Umalusi.

## 10. MINIMISING CONFLICT OF INTEREST

Council and staff members must avoid any material conflict between their own interests and the interests of the Council and, in particular:

- Must not derive any personal economic benefits to which they are not entitled; and
- Must notify the Council at the earliest possible opportunity in the circumstances, of the nature and extent of any direct or indirect material conflict of interest which they may have in any dealings with the Council.

A member who foresees a conflict of interest at a meeting must not participate in any decision making process that could affect his or her personal interests.

The member must recuse himself or herself from the deliberations and the Council / Committee must take a decision that furthers the interests of the Council or Committee. The recusal must be recorded. There were no conflicts of interest identified during the financial year.

## 11. MATERIALITY AND SIGNIFICANCE FRAMEWORK

Treasury Regulations require that the Council develop and agree on a materiality and significance framework, appropriate to the organisation's size and circumstances, as approved by the Minister of Basic Education.

## 12. CODE OF CONDUCT / ETHICS

The Council and employees are required to observe the highest ethical standards and ensure that business practices are conducted in a manner that is beyond reproach. These principles are incorporated in the approved and implemented Code of Ethics and Service Standards. These provide clear guidelines regarding the expected behaviour of all employees.

## 13. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The Council considers that reasonable precautions are taken to ensure a safe working environment. Umalusi conducts its business with due regard for environmental concerns.

## 14. SOCIAL RESPONSIBILITY

Due to cost containment measures introduced by the Department of Treasury in 2014, Umalusi does not allocate a budget for corporate social investment. However, the organisation has formed a crucial partnership with a charity organisation based in Pretoria with the aim of participating in the annual activities of Mandela Day on 18 July. On this day, Umalusi staff donates clothes, food, and money towards the upliftment of impoverished communities in and around Pretoria.

## 15. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2016.

### Audit and Risk Committee members and attendance

The Audit and Risk Committee consists of the members listed hereunder and should meet at least four times per annum as per its approved terms of reference. During the year under review four meetings were held.

Name of member	Number of meetings attended
<b>Non-executive members</b>	
Ms L Rossouw (Chairperson)	3
Ms N Molalekoa	3
Ms L Gani	3
Mr FS Petersen	3
<b>Members of Council</b>	
Mr MHW Ehrenreich (Resigned 11/11/2015)	2
Mr NT Johnstone (Appointed 11/11/2015)	1

### 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 PFMA 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 Umalusi over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King III Report on Corporate Governance 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 external auditor, SizweNtsalubaGobodo Inc, it was noted that no matters were reported that indicated 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 efficient and effective.

Internal audit identified some weaknesses during the year and these were reported to the Audit and Risk Committee. These items were added to the Audit Action Plan for continuous follow up by executive management and internal audit as their regular field work. The committee also considered the risk register and ensured that this informed the Internal Audit Plan. Ongoing monitoring of progress against the risk register was conducted quarterly.

### 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 approved external auditor, SizweNtsalubaGobodo Inc.
- Reviewed the external auditor'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.
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the auditor's report of the Annual Financial Statements, and are of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the auditor, SizweNtsalubaGobodo Inc.

### Internal audit

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

### External audit

The Audit and Risk Committee has met with the external auditor to ensure that there are no unresolved issues.



Ms L Rossouw

Chairperson of the Audit and Risk Committee

Date: 29 July 2016



# PART D

## HUMAN RESOURCES MANAGEMENT



## 1. INTRODUCTION

The Human Resource Management and Development (HRM&D) Unit strives to:

- Ensure effective and efficient practices and standards are in place to manage and develop human resources.
- Comply with all labour legislation prescripts.
- Use human capital well by focusing on staff recruitment, development and performance assessment.

In the last financial year Umalusi placed emphasis on ensuring that all policies were reviewed, approved and implemented.

The Umalusi staff establishment was extended with an additional 14 positions, a result of its mandate being expanded. This had an impact on the vacancy rate.

At the end of the 2015/16 financial year, Umalusi had 144 funded posts, of which 110 (76%) were filled. The vacancy rate was 24%, or 34 posts.

In the 12 months from 1 April 2015 to 31 March 2016, Umalusi experienced a 23% turnover rate. The main reasons for employee exits were retirement, promotion and pursuing other career opportunities. Umalusi has an approved succession and retention policy that will be implemented to address the turnover rate. The concept of salary broad-banding has been introduced as a remedial measure to reduce staff turnover.

The Performance Management and Development System (PMDS) was reviewed, to align individual performance plans with annual performance plans.

The following were priorities for HRM&D during the year under review:

- Ensuring that all vacant funded posts were advertised and 21 posts were filled.
- Providing employees with the relevant skills and competencies required by the Workplace Skills Plan.
- Reviews of all HRM&D policies.

Umalusi's Wellness Programme contributed to the health of staff through Wellness Days. This concept plays a role in improving

the overall health of employees and, consequently, the quality of work produced by staff.

### HIGHLIGHT OF ACHIEVEMENTS

- Staff underwent training and development in line with the Workplace Skills Plan.
- Performance assessments for 2015/16 were concluded.
- All policies were reviewed, approved and implemented.

The following remain challenges related to human resources:

- High rate of vacancies and unavailability of suitable candidates for appointment in critical posts.
- Lack of succession and retention plan to ensure the retention of critical skills when employees retire or resign from the organisation.

These challenges will be prioritised in the 2016/17 financial year.

Future human resource plans/goals

- To reduce the vacancy rate and fill posts within 90 days of advertising; and ensure the vacancy rate is maintained at 10% or less.
- Ensure compliance with PMDS.
- Develop and implement a succession and retention plan.
- Maintain sound labour relations.
- Set employment equity (EE) targets for people living with disabilities.

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

The following tables summarise final, audited personnel-related expenditure by programme and salary band. It indicates the amount spent on salaries, performance rewards and training.

### PERSONNEL COST BY PROGRAMME/ ACTIVITY/ OBJECTIVE

Programme/activity/objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Governance of Chief Executive Officer	11 065	7 729	5%	14	552
Corporate Services	41 589	12 117	9%	27	449
Qualifications, Curriculum and Certification	14 449	6 479	5%	17	381
Statistical Information and Research	12 345	4 519	3%	7	646
Evaluation and Accreditation	25 829	13 398	9%	38	353
Quality Assurance of Assessment	35 783	9 706	7%	22	441
<b>TOTAL</b>	<b>141 302</b>	<b>53 948</b>	<b>38%</b>	<b>125</b>	<b>432</b>

### PERSONNEL COST BY SALARY LEVEL

Salary Level	Personnel expenditure (R'000)	%of Personnel exp. to total personnel cost (R'000)	No of employees	Average personnel cost per employee (R'000)
Top management	4 553	8%	3	1 799
Senior management	4 833	9%	5	932
Professional qualified	27 815	52%	60	482
Skilled	7 586	14%	18	421
Semi-skilled	7 386	14%	36	205
Unskilled	1 775	3%	3	592
<b>TOTAL</b>	<b>53 948</b>	<b>100%</b>	<b>125</b>	<b>432</b>

## PERFORMANCE REWARDS

Salary Level	Performance rewards	Personnel expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top management	167	4 553	0.31%
Senior management	126	4 833	0.24%
Professional qualified	770	27 815	1.43%
Skilled	118	7 586	0.22%
Semi-skilled	212	7 386	0.39%
Unskilled	2	1 775	0%
<b>TOTAL</b>	<b>1 395</b>	<b>53 948</b>	<b>2,59%</b>

## TRAINING COSTS

Programme/activity/objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training exp. as a % of personnel cost	No. of employees	Average training cost per employee (R'000)
Governance of Chief Executive Officer	7 729	210	3%	14	15
Corporate Services	12 117	911	8%	27	34
Qualifications, Curriculum and Certification	6 479	63	1%	17	4
Statistical Information and Research	4 519	24	1%	7	3
Evaluation and Accreditation	13 398	173	1%	38	5
Quality Assurance of Assessment	9 706	80	1%	22	4
<b>TOTAL</b>	<b>53 948</b>	<b>1 461</b>	<b>3%</b>	<b>125</b>	<b>12</b>

## EMPLOYMENT AND VACANCIES

Programme/activity/objective	2014/2015 No. of Employees	2015/2016 Approved Posts	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Governance of Chief Executive Officer	12	19	11	8	42%
Corporate Services	27	37	25	12	32%
Qualifications, Curriculum and Certification	14	20	15	5	25%
Statistical Information and Research	7	9	7	2	22%
Evaluation and Accreditation	36	37	34	3	8%
Quality Assurance of Assessment	18	22	18	4	18%
<b>TOTAL</b>	<b>114</b>	<b>144</b>	<b>110</b>	<b>34</b>	<b>24%</b>

Salary Level	2014/2015 No. of Employees	2015/2016 Approved Posts	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Top management	4	4	2	2	50%
Senior management	5	9	5	4	44%
Professional qualified	56	71	53	15	21%
Skilled	13	17	15	4	24%
Semi-skilled	33	38	32	7	18%
Unskilled	3	5	3	2	40%
<b>TOTAL</b>	<b>114</b>	<b>144</b>	<b>110</b>	<b>34</b>	<b>24%</b>

During the year under review there were 5 newly created positions on senior management level and the process of filling 4 of the 5 positions has already been finalised and 8 Staff members were promoted.

### EMPLOYMENT CHANGES

In the 12 months from 1 April 2015 to 31 March 2016 Umalusi experienced a 23% turnover rate. The main reasons for the exits were retirement, promotion and resignation to pursue other career opportunities.

During the year under review 13 employees were recruited externally and 8 employees were recruited internally.

Salary Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	4	0	2	2
Senior management	5	1	1	5
Professional qualified	56	16	19	53
Skilled	13	2	0	15
Semi-skilled	33	2	3	32
Unskilled	3	0	0	3
<b>TOTAL</b>	<b>114</b>	<b>21</b>	<b>25</b>	<b>110</b>

### REASONS FOR STAFF LEAVING

Reason	Number	% of total no. of staff leaving
Death	1	7%
Resignation	17	67%
Dismissal	2	13%
Retirement	5	13%
Ill-health	0	0%
Expiry of contract	0	0%
Other	0	0%
<b>TOTAL</b>	<b>25</b>	<b>100%</b>



Staff turnover was comprised of 17 resignations, 5 retirements, 2 employee relations terminations and 1 death. Umalusi has developed an approved succession and retention policy, which will be implemented to address turnover. The concept of salary broad-banding has been introduced as a remedial measure to reduce staff turnover.

#### LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary Action	Number
Verbal warning	0
Written warning	0
Final written warning	0
Dismissal	2

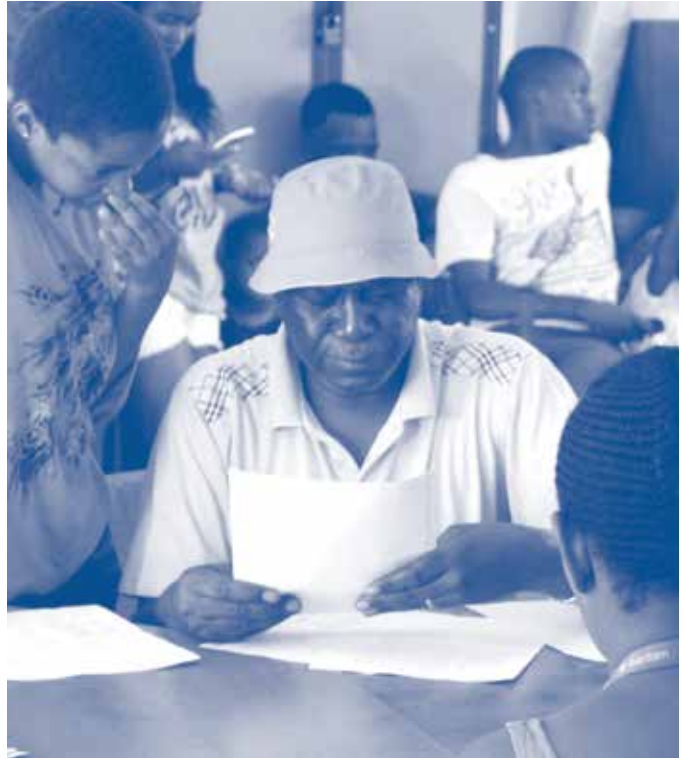
#### EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Umalusi strives to prioritise EE and to achieve annual equity targets for race and gender among staff. The table below indicates the EE profile of the Umalusi workforce across its various occupational levels

Levels	MALE									
	African		Coloured		Indian		White		TOTAL	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	1	0	0	0	0	1	2
Senior management	2	3	0	0	0	0	0	1	2	4
Professional qualified	25	33	2	3	0	1	5	5	32	42
Skilled	3	4	0	0	1	1	0	1	4	6
Semi-skilled	8	9	0	1	0	1	0	1	8	12
Unskilled	1	2	0	0	0	0	0	0	1	2
<b>TOTAL</b>	<b>40</b>	<b>52</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>8</b>	<b>48</b>	<b>68</b>

Levels	FEMALE									
	African		Coloured		Indian		White		TOTAL	
	Current	Target	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	1	0	0	0	0	0	1	1	2
Senior management	2	3	0	1	0	0	0	0	2	4
Professional qualified	12	17	2	2	2	2	8	9	24	30
Skilled	6	7	0	1	2	2	2	2	10	12
Semi-skilled	22	22	0	1	1	1	0	2	23	26
Unskilled	2	2	0	0	0	0	0	0	2	2
<b>TOTAL</b>	<b>45</b>	<b>52</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>14</b>	<b>62</b>	<b>76</b>

Salary Levels	DISABLED STAFF			
	MALE		FEMALE	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	0	0	0	1
Skilled	0	0	0	0
Semi-skilled	0	0	0	2
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>



# PART E

## FINANCIAL INFORMATION





# 1. REPORT OF THE EXTERNAL AUDITOR

## **Independent auditor's report to Parliament on Umalusi (Council for Quality Assurance in General and Further Education and Training)**

### **Report on the financial statements**

#### **Introduction**

We have audited the financial statements of Umalusi (Council for Quality Assurance in General and Further Education and Training) set out on pages 66 to 94, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, cash flow statement, the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

#### **Accounting authority's responsibility for the financial statements**

The Council, which constitutes the accounting authority of Umalusi, is responsible for the preparation and fair presentation of these financial statements in accordance with Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa, and for such internal control as the accounting authority determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

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

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 controls 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 annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Umalusi (Council for Quality Assurance in General and Further Education and Training) as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with Standards of Generally Recognized Accounting Practice and the requirements of the Public Finance Management Act of South Africa.

#### **Other matter**

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

#### **Supplementary information**

The supplementary information set out on pages 95 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and, accordingly, we do not report on it.

#### **Report on other legal and regulatory requirements**

In accordance with the Public Audit Act of South Africa, 2004 (Act 25 of 2004) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives for the selected programs or objectives presented in the annual report, non-compliance with legislation and internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly we do not express an opinion or conclusion on these matters.

#### **Predetermined objectives**

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of Umalusi (Council for Quality Assurance in General and Further Education and Training) for the year ended 31 March 2016:

- Program :Administration, Sub-program 1.4 :- Finance and Supply Chain Management set out on pages 25;
- Program 2: Qualifications and Research set out on pages 30 to 33; and



- Program 3: Quality Assurance and Monitoring set out on pages 34 to 37.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's Annual Reporting principles and whether the reported performance was consistent with the planned objectives. We 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 program performance information (FMPPi).

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

#### Usefulness of performance information

The material findings in respect of the selected objectives were as follows:

- Program 1: Administration
- Program 2: Qualifications and Research
- Program 3: Quality Assurance and Monitoring

#### Changes to indicators and targets not approved

- Treasury Regulation 30.1.1 requires the executive authority to approve the annual performance plan. Therefore, if this plan is changed in the year, the executive authority must also approve the updated plan. Material changes were made to 100% important indicators and targets reported in the annual performance report without the necessary approval.

#### Reliability of reported performance information

We did not identify any material findings on the reliability of the reported performance information for the following programmes:

- Program 1: Administration
- Program 2: Qualifications and Research
- Program 3: Quality Assurance and Monitoring

#### Compliance and Legislation

We performed procedures to obtain evidence that the public entity had complied with legislation regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

#### Internal control

We considered internal controls relevant to our audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report included in this report

#### Leadership

The accounting authority did not ensure that an adequately skilled and dedicated resource was in place to manage performance reporting and related internal controls.



**SizweNtsalubaGobodo Inc.**

**Per: Mxolisi Mthimkhulu**

**Registered Auditor**

**29 July 2016**

**Sizwe  
Ntsaluba  
Gobodo**



AUDIT • ADVISORY • FORENSICS

## 2. COUNCIL'S RESPONSIBILITIES AND APPROVAL

The Council is required by the Public Finance Management Act (Act 1 of 1999) to maintain adequate accounting records and is 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).

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

The Council acknowledges that it is 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, it 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.

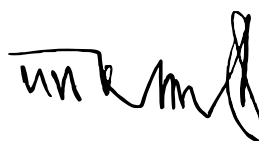
The Council is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial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

The Council has reviewed the entity's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, it is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Council is primarily responsible for the financial affairs of the entity, it is supported by the entity's internal auditors.



**Professor JD Volmink**  
Chairperson: Umalusi Council  
29 July 2016



**Dr MS Rakometsi**  
Chief Executive Officer: Umalusi  
29 July 2016

## 3. REPORT OF THE COUNCIL

The Council submits its report for the year ended 31 March 2016.

### 1. INCORPORATION

Umalusi is listed as a national public entity in terms of Schedule 3A of the Public Finance Management Act (PFMA) of 1999, as amended. Umalusi was established in accordance with the General And Further Education and Training Quality Assurance Act (GENFETQA) of 2001.

### 2. REVIEW OF ACTIVITIES

#### Main business and operations

Umalusi, Council for Quality Assurance in General and Further Education and Training, is the quality council, identified by the NQF Act, Act 67 of 2008, as responsible for the management of the General and Further Education and Training Qualifications Sub-framework of the NQF. The Council acts as an external and independent assurance body, mandated to set and maintain standards in general and further education and training through the development of general and further education and training qualifications sub-frameworks.

The operating results and state of affairs of the entity are fully set out in the attached Annual Financial Statements and do not, in our opinion, require any further comment.

Net surplus of the entity was R 4,734,045 (2015: surplus R5,753,022).

### 3. SUBSEQUENT EVENTS

The Council is not aware of any matter or circumstance which has arisen between the end of the financial year and the date of approval of the financial statements that would require an adjustment of the financial statements.

### 4. PENDING COURT CASE / CONTINGENCY

Council is aware of a pending court case regarding the 2014 group copying incident in KwaZulu-Natal where the results of the implicated candidates were withheld. Umalusi is the fourth respondent in the case and there is uncertainty as to the possible outcome and any financial impact to Umalusi.

### 5. INTERNAL CONTROLS

In accordance with the PFMA, Council is accountable for internal controls. The Council has the responsibility of maintaining a sound system of internal controls that supports achievements of Umalusi's objectives in reviewing the system's effectiveness.

### 6. LOSSES THROUGH FRAUD, FRUITLESS AND WASTEFUL EXPENDITURE AND IRREGULAR EXPENDITURE

The Council has considered the PFMA provisions relating to fruitless and wasteful expenditure. In terms of the materiality framework, as agreed with the Executive Authority Section 55 (1)(d) of the PFMA, any material losses due to criminal conduct of irregular or fruitless and wasteful expenditure must be reported in the Annual Financial Statements. No losses through fraud or fruitless and wasteful expenditure were incurred during the period under review. Refer to note 24 regarding irregular expenditure identified during the current period.

### 7. COUNCIL MEMBERS

The members of the Council of Umalusi at the date of this report are as follows:

Prof JD Volmink (Chairperson)  
Prof ND Kgwadi (Deputy Chairperson)  
Dr MS Rakometsi (CEO)  
Prof MLE Monnapula-Mapasela  
Prof N Baijnath  
Prof PAD Beets  
Dr EB Mahlobo  
Prof MG Mahlomaholo  
Ms GJ Mashabela  
Prof CF Loock  
Mr MHW Ehrenreich  
Dr MR Mampane  
Mr HM Mweli  
Dr NSP Sishi  
Dr LR Becker  
Prof L Makalela  
Ms F Dada  
Mr NT Johnstone  
Mr JS Samuels

## 8. SECRETARY

Mr EP du Plooy resigned as secretary of the entity on 31 December 2015 and Mr T Ncapodi was appointed acting secretary on 01 January 2016.

### Business address

37 General van Reyneveld Street Persekor TechnoPark  
Pretoria, 0121

### Postal address

PO Box 151, Persekor Technopark, Pretoria, 0020

## 9. AUDITORS

SizweNtsalubaGobodo Inc will be recommended to continue in office for the next financial period in accordance with Section 25(2) of the Public Audit Act.

## 10. COUNCIL AND EXECUTIVE MANAGEMENT EMOLUMENTS

NON-EXECUTIVE MEMBERS: COUNCIL MEMBERS	Salary or fee	Performance bonuses	Retirement Fund contributions	Medical	Termination leave	Total package 2016	Total package 2015
Prof JD Volmink- Chairperson	188,558	-	-	-	-	188,558	143,383
Prof ND Kgwadi- Deputy Chairperson	-	-	-	-	-	-	8,959
Prof MLE Monnapula-Mapasela	52,852	-	-	-	-	52,852	24,672
Prof PAD Beets	1,692	-	-	-	-	1,692	5,867
Prof MG Mahlomaholo	13,756	-	-	-	-	13,756	-
Prof CF Looek	61,324	-	-	-	-	61,324	76,351
Dr MR Mampane	82,609	-	-	-	-	82,609	42,012
Dr LR Becker	56,356	-	-	-	-	56,356	27,288
Prof L Makalela	41,350	-	-	-	-	41,350	26,297
Ms F Dada	36,709	-	-	-	-	36,709	55,875
Mr NT Johnstone	10,680	-	-	-	-	10,680	-
Prof SSG Mabizela #	-	-	-	-	-	-	505
Prof TT Dunne #	-	-	-	-	-	-	12,590
Ms L Mlanjana #	-	-	-	-	-	-	17,651
Mr A Mocke #	-	-	-	-	-	-	2,427
Dr ZC Sosibo #	-	-	-	-	-	-	17,831
# Term ended 07 June 2014	<b>545,886</b>	-	-	-	-	<b>545,886</b>	<b>461,708</b>

#### 10. COUNCIL AND EXECUTIVE MANAGEMENT EMOLUMENTS (CONTINUED)

EXECUTIVE MEMBERS	Salary or fee	Performance bonuses	Retirement Fund contributions	Medical	Termination leave	Total package 2016	Total package 2015
Chief Executive Officer- Dr MS Rakometsi	1,850,439	116,601	171,960	12,168	-	2,151,168	2,235,188
Chief Operations Officer- Mrs E Rabe- Retired 31 March 2015	-	-	-	-	-	-	1,403,794
Chief Financial Officer- Mr JR Thomas- Retired 29 February 2016	1,082,637	50,314	101,043	11,154	149,585	1,394,733	1,290,024
Executive Manager- Quality Assurance and Monitoring -Ms Z Modimakwane- Appointed 1 March 2015	918,540	-	88,222	-	-	1,006,762	77,542
Senior Manager- Statistical information and Research - Mr E Sibanda	877,437	36,947	80,906	-	-	995,290	984,019
Senior Manager – Qualifications, Curriculum and Certification-Ms EM Burroughs	909,171	18,182	82,120	-	-	1,009,473	1,016,317
Senior Manager- PR & Communications- Mr SE Ditaunyane	838,070	35,333	77,373	-	-	950,776	886,072
Senior Manager- Quality Assurance of Assessment-Ms EF Ramothale- Appointed 1 August 2015	779,754	-	73,132	12,168	-	865,054	562,011
Senior Manager- Evaluation and Accreditation -Mr CJ Makaleng- Resigned 31August 2015	327,097	35,333	32,463	-	143,585	538,478	1,038,228
Senior Manager-Evaluation and Accreditation -Ms ML Madalane- Appointed 1November 2015	423,335	-	43,474	7,098	-	473,907	-
	<b>8,006,480</b>	<b>292,710</b>	<b>750,693</b>	<b>42,588</b>	<b>293,170</b>	<b>9,385,641</b>	<b>9,493,195</b>
	<b>8,552,366</b>	<b>292,710</b>	<b>750,693</b>	<b>42,588</b>	<b>293,170</b>	<b>9,931,527</b>	<b>9,954,903</b>

## 4. ANNUAL FINANCIAL STATEMENTS

### Statement of FINANCIAL POSITION

as at 31 March 2016

	NOTE(S)	2016 R	2015* restated R
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	56,040,887	50,832,675
Receivables from exchange transactions	5	5,700,417	7,716,370
		<b>61,741,304</b>	<b>58,549,045</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	35,475,312	37,313,877
Intangible Assets	7	43,117	87,817
Operating lease asset	8	98,821	30,173
		<b>35,617,250</b>	<b>37,431,867</b>
<b>Total Assets</b>		<b>97,358,554</b>	<b>95,980,912</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	9	12,894,012	16,538,054
<b>Total Liabilities</b>		<b>12,894,012</b>	<b>16,538,054</b>
<b>Net Assets</b>		<b>84,464,542</b>	<b>79,442,858</b>
<b>Reserves</b>			
Revaluation reserve	10	8,484,261	8,196,622
Accumulated surplus		75,980,281	71,246,236
<b>Total Net Assets</b>		<b>84,464,542</b>	<b>79,442,858</b>

\* See note 3



# Statement of FINANCIAL PERFORMANCE

for the year ended 31 March 2016

	NOTE(S)	2016 R	2015* restated R
Revenue	11	140,199,305	132,452,948
Other income	12	2,072,145	2,066,382
Operating expenses		(83,866,144)	(79,215,233)
Depreciation and amortisation		(3,487,175)	(3,012,171)
Personnel costs		(53,948,292)	(49,949,940)
<b>Operating surplus</b>	13	<b>969,839</b>	<b>2,341,986</b>
Investment revenue	15	3,764,206	3,411,036
<b>Surplus for the period</b>		<b>4,734,045</b>	<b>5,753,022</b>

\* See note 3

# Statement of CHANGES IN NET ASSETS

for the year ended 31 March 2016

	Revaluation reserve R	Accumulated surplus R	Total net assets R
<b>Balance at 01 April 2014</b>	<b>8,196,622</b>	<b>65,493,214</b>	<b>73,689,836</b>
<i>Changes in net assets</i>			
Surplus for the period	-	5,753,022	5,753,022
<b>Total changes</b>	<b>-</b>	<b>5,753,022</b>	<b>5,753,022</b>
Opening balance as previously reported	8,196,622	71,216,063	79,412,685
<i>Adjustments</i>			
Change in accounting policy	-	30,173	30,173
<b>Balance at 01 April 2015 as restated*</b>	<b>8,196,622</b>	<b>71,246,236</b>	<b>79,442,858</b>
<i>Changes in net assets</i>			
Surplus for the period	-	4,734,045	4,734,045
Revaluation of buildings	287,639	-	287,639
<b>Total changes</b>	<b>287,639</b>	<b>4,734,045</b>	<b>5,021,684</b>
<b>Balance at 31 March 2016</b>	<b>8,484,261</b>	<b>75,980,281</b>	<b>84,464,542</b>

Note

10

\* See note 3

# CASH FLOW STATEMENT

for the year ended 31 March 2016

	NOTE(S)	2016 R	2015* restated R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
From exchange transactions		29,566,450	21,417,936
Grant : Department of Basic Education		112,705,000	107,354,000
Investment income		3,764,206	3,411,036
		<b>146,035,656</b>	<b>132,182,972</b>
<b>Payments</b>			
Employee costs		(53,948,292)	(49,949,940)
Suppliers		(85,454,502)	(75,362,320)
		<b>(139,402,794)</b>	<b>(125,312,260)</b>
<b>Net cash flows from operating activities</b>	18	<b>6,632,862</b>	<b>6,870,712</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(1,426,953)	(2,779,862)
Proceeds from sale of property, plant and equipment	6	2,303	4,119
<b>Net cash flows from investing activities</b>		<b>(1,424,650)</b>	<b>(2,775,743)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,208,212</b>	<b>4,094,969</b>
Cash and cash equivalents at the beginning of the year		50,832,675	46,737,706
<b>Cash and cash equivalents at the end of the year</b>	4	<b>56,040,887</b>	<b>50,832,675</b>

\* See note 3

# Statement of Comparison of BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2016

Budget on Cash Basis	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Accreditation fees	8,789,631	-	8,789,631	12,311,218	3,521,587	1
Certification fees	3,312,000	-	3,312,000	5,296,626	1,984,626	2
Verification fees	9,200,000	-	9,200,000	9,886,461	686,461	
Rental income	-	-	-	2,022,124	2,022,124	3
Sundry revenue	-	-	-	50,021	50,021	
Interest received - investment	632,500	-	632,500	3,764,206	3,131,706	4
Reserves	-	50,832,675	50,832,675	-	(50,832,675)	5
<b>Total revenue from exchange transactions</b>	<b>21,934,131</b>	<b>50,832,675</b>	<b>72,766,806</b>	<b>33,330,656</b>	<b>(39,436,150)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grant : Department of Basic Education	112,705,000	-	112,705,000	112,705,000	-	
<b>Total revenue</b>	<b>134,639,131</b>	<b>50,832,675</b>	<b>185,471,806</b>	<b>146,035,656</b>	<b>(39,436,150)</b>	
<b>Expenditure</b>						
Personnel costs	(60,443,322)	-	(60,443,322)	(53,948,292)	6,495,030	6
Depreciation and amortisation expense	(3,500,000)	-	(3,500,000)	(3,487,174)	12,826	
Debt impairment	-	-	-	102,668	102,668	
Moderator and verifier costs	(22,939,327)	-	(22,939,327)	(28,779,095)	(5,839,768)	7
Repairs and maintenance	(1,712,700)	-	(1,712,700)	(1,078,838)	633,862	
Administrative expenses	(46,043,782)	(10,044,445)	(56,088,227)	(54,002,500)	2,085,727	8
Contingent and capital approved project related- expenses	-	(40,788,230)	(40,788,230)	-	40,788,230	5
<b>Total expenditure</b>	<b>(134,639,131)</b>	<b>(50,832,675)</b>	<b>(185,471,806)</b>	<b>(141,193,231)</b>	<b>44,278,575</b>	
Operating surplus	-	-	-	4,842,425	4,842,425	
Loss on disposal of assets	-	-	-	(108,380)	(108,380)	
<b>Surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,734,045</b>	<b>4,734,045</b>	
<b>Actual amount on comparable basis as presented in the budget and actual comparative statement</b>	<b>-</b>		<b>-</b>	<b>4,734,045</b>	<b>4,734,045</b>	

# Statement of Comparison of BUDGET AND ACTUAL AMOUNTS

for the year ended 31 March 2016 (continued)

## COMMENTS

1. Full accreditation for private providers commenced in 2013/14. Since then the demand for the accreditation services has continued to exceed the organisation's expected volume.
2. Certification income for private assessment bodies above expectation.
3. Rental income is received from the adjacent property that was supposed to be renovated in the current year. Rental income had not been budgeted for as it was expected that the tenants would vacate the building during the renovations. Due to unforeseen circumstances the renovation project did not take place. Project expected to commence and be completed in the next financial year.
4. In addition to point 3 above, more interest was realised from the reserve funds invested at the Reserve Bank,(Corporation for Public Deposits).
5. Bulk of the reserve funds not utilised. Refer to note 4 of the financial statements.The reserves are invested with CPD.
6. This is due to some vacant posts not filled during the year.
7. The increased mandate of the organisation in ensuring quality assurance in general and further education resulted in the organisation engaging more moderators around the country. This is also in line with the mitigating controls around the exam irregularities.
8. In line with the cost containment measures and guidelines given by the National Treasury, the Council and Executive Management of Umalusi remains serious about ensuring effective and efficient monitoring and controls to reduce the organisation's costs.

# ACCOUNTING POLICIES

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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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 the historical cost convention, except for the cash flow statement, which was prepared on a cash basis, and land and buildings, which are measured according to fair value, 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 Annual Financial Statements are presented in South African Rand, which is the functional currency of the entity.

### 1.2 GOING CONCERN ASSUMPTION

These Annual Financial Statements have been prepared based on the going concern basis. In assessing whether Umalusi is a going concern, the Council has considered the fact that Umalusi receives state contributions from voted funds which is sufficient to classify Umalusi as a going concern for at least the next 12 months.

### 1.3 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the Annual Financial Statements. Significant judgements include:

#### 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.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### 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 - Provisions.



## 1.4 PROPERTY, PLANT AND EQUIPMENT

Property, 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 property, plant and equipment is recognised as an asset when:

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

The cost of an item of property, 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.

Where an item of property, 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, its deemed cost is the carrying amount of the asset(s) given up.

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

Costs include costs incurred initially to acquire or construct an item of property, 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 property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

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

# ACCOUNTING POLICIES

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Land	Straight line	Indefinite
Buildings	Straight line	20 Years
Plant and machinery	Straight line	5 years
Furniture and fixtures	Straight line	4-6 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Other equipment	Straight line	5 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.

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 property, 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 property, 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 property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sells as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

## 1.5 INTANGIBLE ASSET

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.

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

## 1.6 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.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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.

# ACCOUNTING POLICIES

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 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.

## Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

CLASS	CATEGORY
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

CLASS	CATEGORY
Payables from exchange transactions	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

### **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.

## **1.7 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 elements of both land and buildings, the entity assesses the classification of each element separately.

### **Finance leases - lessor**

The entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease.

### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in the statement of financial performance.

### **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 is recognised as an operating lease asset or liability.

# ACCOUNTING POLICIES

## 1.8 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 and 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.

## 1.9 EMPLOYEE BENEFITS

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

### Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service.

### Post-employment benefits

Post-employment benefits are employee benefits which are payable after the completion of employment.

Post-employment benefit plans are formal arrangements under which an entity provides post-employment benefits for one or more employees.



### Defined contribution plans

Umalusi contributes to the Associated Institutions Pension Funds (AIPF), classified as a defined contribution plan for its employees and is not liable for any actuarial loss sustained by the fund. Accordingly, no provision has been made for any such losses and contributions paid are expensed.

### 1.10 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.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

### 1.11 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

# ACCOUNTING POLICIES

gives approximately 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, net of trade discounts and volume rebates.

## Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

## 1.12 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.

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.

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.

## 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.

## Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

### 1.13 INVESTMENT INCOME

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

### 1.14 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.15 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.

### 1.16 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 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 accounting

# ACCOUNTING POLICIES

authority may write off the 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 entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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 2015/04/01 to 2016/03/31.

The budget for the economic entity includes all the entity's approved budgets under its control.

The Annual Financial Statements are on an accrual basis and the budget is on a cash basis of accounting, therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

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 has been included in the Annual Financial Statements.

## 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 EVENTS AFTER REPORTING DATE

Events after 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. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event has occurred.

The entity will disclose the nature of the event and an estimate of its financial effect, or a statement that such estimate cannot be made, in respect of all material non-adjusting events where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 STANDARDS AND INTERPRETATIONS EARLY ADOPTED

The entity has chosen to early adopt the following standards and interpretations:

STANDARD/ INTERPRETATION	EFFECTIVE DATE: YEARS BEGINNING ON	
	OR AFTER	EXPECTED IMPACT
GRAP 20: Related parties	01 April 2017	The impact of the amendment is not material.
GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact of the amendment is not material.
GRAP 21 (as amended 2015): Impairment of non-cash- generating assets	01 April 2017	The impact of the amendment is not material.
Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

### 2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE OR RELEVANT

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2016 or later periods but are not relevant to its operations:

STANDARD/ INTERPRETATION	EFFECTIVE DATE: YEARS BEGINNING ON	
	OR AFTER	EXPECTED IMPACT
GRAP 18: Segment Reporting	01 April 2017	No impact
GRAP 108: Statutory Receivables	01 April 2016	No impact

## 3. CHANGES IN ACCOUNTING POLICY

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year, except for the adoption of the following new or revised standards.

### GRAP 25 : Employee benefits

During the year, the entity changed its accounting policy with respect to the treatment of provisions regarding employee benefits, in order to conform with the benchmark treatment of GRAP25. Both provisions were reclassified to Payroll Accruals and Leave Pay Liability under note 9.



### 3. CHANGES IN ACCOUNTING POLICY (CONTINUED)

#### GRAP 13 : Leases

During the year, the entity changed its accounting policy with respect to the treatment of leases. In order to conform with the benchmark treatment of GRAP13 regarding the recognition of revenue on a straight-line basis over the lease term. Due to the change in accounting policy, prior period adjustments were made.

The aggregate effect of the changes in accounting policy on the Annual Financial Statements for the year ended 31 March 2015 is as follows:

	2016 R	2015 R
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>Operating lease asset</b>		
Adjustment	-	30,173
<b>Opening retained earnings</b>		
Previously stated	-	71,216,063
Adjustment	-	30,173
	-	<b>71,246,236</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>		
<b>Other revenue</b>		
Previously stated	-	2,036,209
Adjustment	-	30,173
	-	<b>2,066,382</b>

### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	1,880	2,495
Bank balances	3,863,848	7,355,628
Short-term deposits	52,175,159	43,474,552
	<b>56,040,887</b>	<b>50,832,675</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2016 R	2015 R
Trade receivables	4,372,707	6,388,660
City of Tshwane	520	520
IAEA 2016 Conference	1,327,190	1,327,190
	<b>5,700,417</b>	<b>7,716,370</b>

Umalusi is hosting the International Association for Educational Assessment (IAEA) conference in August 2016. The amount above relates to the deposit paid to secure the conference venue in Cape Town, in line with the IAEA conference handbook for the hosting country. Conference registration fees will reimburse Umalusi for this expenditure.

### Trade receivables analysis

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

Current	2,661,906	3,631,051
Past due 31-60 days	1,333,919	1,114,269
Past due 61-90 days	376,882	480,897
Past due 91-120 days	85,831	250,761
Past due > 120 days	3,032,167	4,132,348
	<b>7,490,705</b>	<b>9,609,326</b>

### Reconciliation of provision for impairment of trade and other receivables

Opening balance	3,220,666	1,300,046
Provision for impairment	-	1,920,620
Unused amounts reversed	(102,668)	-
	<b>3,117,998</b>	<b>3,220,666</b>

The provision for bad debts relates to the debtors whose debts are more than 90 days overdue. With the approval of both the Council and the Department of Basic Education, Umalusi blocks debtors with long outstanding debt and certification services will not be rendered. Future services will be provided only after the debt has been settled.

## 6. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost /Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R	Cost /Valuation R	Accumulated depreciation and accumulated impairment R	Carrying value R
Land	5,800,000	-	5,800,000	5,850,000	-	5,850,000
Buildings	32,061,736	(5,961,736)	26,100,000	31,724,097	(4,181,634)	27,542,463
Plant and equipment	605,349	(525,414)	79,935	605,349	(502,725)	102,624
Furniture and fixtures	1,957,052	(1,093,179)	863,873	1,907,663	(1,366,200)	541,463
Office equipment	1,510,173	(753,053)	757,120	1,419,154	(820,358)	598,796
Computer equipment	5,822,523	(4,005,744)	1,816,779	6,540,608	(3,958,229)	2,582,379
Other fixed assets	409,240	(351,635)	57,605	504,284	(408,132)	96,152
<b>Total</b>	<b>48,166,073</b>	<b>(12,690,761)</b>	<b>35,475,312</b>	<b>48,551,155</b>	<b>(11,237,278)</b>	<b>37,313,877</b>

### Reconciliation of property, plant and equipment - 2016

	Opening balance R	Additions R	Disposals R	Revaluations R	Depreciation R	Total R
Land	5,850,000	-	-	(50,000)	-	5,800,000
Buildings	27,542,463	-	-	337,639	(1,780,102)	26,100,000
Plant and equipment	102,624	-	-	-	(22,689)	79,935
Furniture and fixtures	541,463	470,024	-	-	(147,614)	863,873
Office equipment	598,796	322,054	-	-	(163,730)	757,120
Computer equipment	2,582,379	634,875	(110,683)	-	(1,289,792)	1,816,779
Other fixed assets	96,152	-	-	-	(38,547)	57,605
	<b>37,313,877</b>	<b>1,426,953</b>	<b>(110,683)</b>	<b>287,639</b>	<b>(3,442,474)</b>	<b>35,475,312</b>

### Reconciliation of property, plant and equipment - 2015

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Land	5,850,000	-	-	-	5,850,000
Buildings	29,412,675	(90,000)	-	(1,780,212)	27,542,463
Plant and equipment	-	113,600	-	(10,976)	102,624
Furniture and fixtures	422,814	206,150	-	(87,501)	541,463
Office equipment	285,579	484,062	-	(170,846)	598,795
Computer equipment	1,370,160	2,066,050	(6,494)	(847,336)	2,582,380
Other fixed assets	143,899	-	-	(47,747)	96,152
	<b>37,485,127</b>	<b>2,779,862</b>	<b>(6,494)</b>	<b>(2,944,618)</b>	<b>37,313,877</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Revaluations

The effective date of the revaluations was 01 May 2016. Revaluations were performed by independent valuers, Mr PT Schnetler [registered professional valuer (SA) Reg. No. 2374, member of the Professional Valuers Association Reg. No. 201202 and member of the South African Institute of Valuers], of Mahoney Schnetler Valuers. Mahoney Schnetler Valuers is not connected to the entity.

Land and buildings are re-valued independently every 4 years.

The valuation was performed using the income approach to determine the current market value of the building. The approach considers the income an asset will generate over its remaining useful life and estimates value through a capitalisation process.

The land and buildings acquired in June 2007, described as Van Ryneveld Street 37, Portion 2 of Erf 2, Persequor Township, Gauteng and measuring 5,721 square metres, has been valued at R20,200,000. It is owner occupied.

Land and buildings acquired in January 2014, described as Van Ryneveld Street 41, Portion 1 of Erf 2, Persequor Township, Gauteng and measuring 5,879 square metres, has been valued at R11,700,00 and is partially occupied.

## 7. INTANGIBLE ASSETS

	2016			2015		
	Cost / valuation R	Accumulated amortisation and accumulated impairment R	Carrying value R	Cost / valuation R	Accumulated amortisation and accumulated impairment R	Carrying value R
Computer software	180,788	(137,671)	43,117	2,000,732	(1,912,915)	87,817

### Reconciliation of intangible assets - 2016

	Opening Balance R	Amortisation R	Total R
Computer software	87,817	(44,700)	43,117

### Reconciliation of intangible assets - 2015

	Opening balance R	Amortisation R	Total R
Computer software	155,370	(67,553)	87,817

#### 8. OPERATING LEASE RECEIVABLE

##### Minimum lease receipts due

- not later than one year
- later than one year and not later than five years
- later than five years

##### Present value of minimum lease receipts

##### Non-current asset

2016 R	2015 R
1,294,500	974,381
1,760,057	1,164,636
166,077	-
<b>3,220,634</b>	<b>2,139,017</b>
<b>98,821</b>	<b>30,173</b>

The entity is leasing a portion of the building (Portion 1 of Erf 2) described in note 6 above, on a lease term ranging between 1-5 years at an average escalation of 8% per annum.

#### 9. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	3,996,567	4,253,595
Other accrued expenses	1,072,820	5,299,579
Payroll accrual	488,001	459,251
Sundry creditors	2,148,778	1,211,106
Unknown deposits	658,382	507,354
Leave pay liability	4,529,464	4,807,169
	<b>12,894,012</b>	<b>16,538,054</b>

The payroll accrual amount was in prior years classified as a provision. This amount relates to employees' 13th cheque amount scheduled to be paid in the next financial year.

The leave pay liability was in prior years classified as a provision and has been reclassified in the current year.

#### 10. REVALUATION RESERVE

Revaluation surplus relating to property, plant and equipment.

Opening balance	8,196,622	8,196,622
Movement in the reserve for the year	287,639	-
	<b>8,484,261</b>	<b>8,196,622</b>

The movement during the year is as a result of the revaluation of the buildings. Refer to information in note 6.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 11. REVENUE

	2016 R	2015 R
Accreditation	12,311,218	10,655,844
Certification	5,296,626	5,995,564
Verification	9,886,461	8,447,540
Grant: Department of Basic Education	112,705,000	107,354,000
	<b>140,199,305</b>	<b>132,452,948</b>

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

Accreditation	12,311,218	10,655,844
Certification	5,296,626	5,995,564
Verification	9,886,461	8,447,540
	<b>27,494,305</b>	<b>25,098,948</b>

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

### Transfer revenue

Grant: Department of Basic Education	112,705,000	107,354,000
--------------------------------------	-------------	-------------

## 12. OTHER REVENUE

Rental income	2,022,124	1,989,251
Sundry revenue	50,021	77,131
	<b>2,072,145</b>	<b>2,066,382</b>

## 13. OPERATING SURPLUS

Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
• Equipment		
• Contractual amounts	252,438	231,158
Loss on sale of property, plant and equipment	(108,380)	(2,375)
Amortisation on intangible assets	44,700	67,553
Depreciation on property, plant and equipment	3,442,474	2,944,618
Personnel costs	53,948,292	49,949,940



	2016 R	2015 R
<b>14. PERSONNEL COSTS</b>		
Basic salary	44,964,234	42,755,243
Medical aid	2,332,275	1,235,472
UIF	370,304	371,516
Pension	6,281,479	5,587,709
	<b>53,948,292</b>	<b>49,949,940</b>

#### 15. INVESTMENT REVENUE

<b>Interest revenue</b>		
CPD	3,764,206	3,411,036

#### 16. TAXATION

The entity has obtained approval for exemption from income tax in terms of Section 10(1) (cA)(i)(bb) of the Income Tax Act.

#### 17. AUDITORS' REMUNERATION

External audit fees	264,181	243,449
Internal audit fees	704,925	480,722
	<b>969,106</b>	<b>724,171</b>

#### 18. CASH GENERATED FROM OPERATIONS

Surplus for the period	4,734,045	5,753,022
<b>Adjustments for:</b>		
Depreciation and amortisation	3,487,175	3,012,171
Loss on sale of assets	108,380	2,375
Movements in operating lease assets and accruals	(68,648)	(30,173)
Movements in provisions	-	(29,903)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	2,015,952	(3,529,674)
Payables from exchange transactions	(3,644,042)	1,692,894
	<b>6,632,862</b>	<b>6,870,712</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 19. RELATED PARTIES

<b>Affiliated companies by government</b>	State Information Technology Agency (SITA)
<b>Accounting authority</b>	Department of Basic Education
<b>Associated institution</b>	AIPF
<b>Council members</b>	Refer to note 10 of the Council Report
<b>Executive management</b>	Refer to note 10 of the Council Report

### Related party balances

#### Amounts included in trade receivable / (trade payable) regarding related parties

SITA	(359,346)	(1,109,854)
Telkom	(28,984)	(31,267)

### Related party transactions

SITA	5,505,711	4,426,320
Department of Basic Education	(112,705,000)	(107,354,000)
AIPF	6,281,479	5,587,709
Non- executive members- Refer to note 10 of the Council Report	545,886	461,708
Executive management- Refer to note 10 of the Council Report	9,385,641	9,493,195

## 20. FINANCIAL INSTRUMENTS DISCLOSURE

### Categories of financial instruments

2016	At fair value R	At amortised cost R	Total R
<b>Financial assets</b>			
Trade and other receivables from exchange transactions	-	4,372,707	4,372,707
Cash and cash equivalents	56,039,007	-	56,039,007
	<b>56,039,007</b>	<b>4,372,707</b>	<b>60,411,714</b>

	At amortised cost R	Total R
<b>Financial liabilities</b>		
Trade and other payables from exchange transactions	3,996,568	3,996,568

2015	At fair value R	At amortised cost R	Total R
<b>Financial assets</b>			
Trade and other receivables from exchange transactions	-	6,388,660	6,388,660
Cash and cash equivalents	50,830,180	-	50,830,180
	<b>50,830,180</b>	<b>6,388,660</b>	<b>57,218,840</b>

	At amortised cost R	Total R
<b>Financial liabilities</b>		
Trade and other payables from exchange transactions	4,253,595	4,253,595

## 21. RISK MANAGEMENT

### Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

### Liquidity risk

The entity is only exposed to liquidity risk with regard to the payment of its payables. These payables are all due within the short term. The entity manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in investment accounts at the CPD.

The table below reflects the entity's financial liabilities, grouped according to relevant maturity based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At 31 March 2016	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
Payables from exchange transactions	12,894,012	-	-	-

At 31 March 2015	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
Payables from exchange transactions	16,538,054	-	-	-

### Credit risk

Financial assets, which potentially subject Umalusi to the risk of non-performance by counter-parties and thereby subject the organisation to concentrations of credit risk, consist mainly of cash and cash equivalents, and accounts receivable.

The bank balances are held with an AA-rated, registered banking institution and are regarded as having an insignificant credit risk.

The short-term deposit is held at the CPD, which has the same rating as the South African Reserve Bank. Cash in investment accounts are kept at a maximum in order to maximise interest earned. Rates earned on funds deposited with the CPD are higher than those earned on funds in the short-term money market account.

Credit risk with respect to accounts receivables is limited as major customers are government departments and local authorities. Trade receivables have been adequately assessed for impairment.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016 R	2015 R
Receivables from exchange transactions	5,700,417	7,716,370
Cash and cash equivalents	56,039,007	50,830,180

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 22. GOING CONCERN

2016  
R

2015  
R

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on it receiving a statutory grant. As at the time of approval of these Annual Financial Statements, in the medium-term expenditure framework published by Treasury, the Department of Basic Education had committed to funding the entity for the period 2016/17 to 2019/20.

## 23. CONTINGENCY

Council is aware of a pending court case regarding the 2014 group copying incident in KwaZulu-Natal in which the results of the implicated candidates were withheld. Umalusi is the fourth respondent in the case and there is uncertainty as to the possible outcome and any financial impact to Umalusi.

## 24. IRREGULAR EXPENDITURE

Opening balance

-

-

Irregular expenditure- current year

81,709

-

**81,709**

-

### Analysis of expenditure awaiting condonation per age classification

Current year

62,209

-

Prior years

19,500

-

**81,709**

-

### Details of irregular expenditure – current year

#### Incident

#### Disciplinary steps taken/criminal proceedings

Non-compliance with SCM regulations

Investigated. No official liable in terms of law for the irregular expenditure.

81,709

Non-compliance with SCM regulations was identified where goods and services were utilised from one (1) specific supplier without the submission of the proper SCM regulations documentation.

# DETAILED INCOME STATEMENT

	NOTE(S)	2016 R	2015 Restated* R
<b>Revenue</b>			
Accreditation		12,311,218	10,655,844
Certification		5,296,626	5,995,564
Verification		9,886,461	8,447,540
Government Grant : Department of Basic Education		112,705,000	107,354,000
		<b>140,199,305</b>	<b>132,452,948</b>
<b>Other Revenue</b>			
Rental income		2,022,124	1,989,251
Sundry revenue		50,021	77,131
Interest received	15	3,764,206	3,411,036
		<b>5,836,351</b>	<b>5,477,418</b>
<b>Operating expenses</b>			
Administrative expenses		(87,039)	(214,349)
Advertising		(562,602)	(966,987)
Audit Committee expenses		-	(7,612)
Auditors remuneration	17	(969,106)	(724,171)
Bank charges		(304,190)	(170,189)
Certification expenses		(5,001,706)	(3,630,872)
Cleaning		(472,558)	(359,189)
Communication expenses		(4,056,277)	(3,169,289)
Community development and training		(313,470)	(438,770)
Computer expenses		(2,690,146)	(1,584,478)
Conference and workshops		(3,708,629)	(6,708,723)
Consulting and professional fees		(5,361,277)	(1,978,570)
Council-related expenses		(284,885)	(200,722)
Depreciation, amortisation and impairments	6	(3,487,175)	(3,012,171)
Electricity		(1,004,813)	(943,250)
Entertainment		-	(1,515)
Insurance		(361,963)	(149,611)
Lease rentals on operating lease		(252,438)	(231,158)
Legal expenses		(397,848)	(233,698)
Levies		(585,061)	(525,515)
Loss on disposal of assets		(108,380)	(2,375)
Meeting expenses		(686,720)	(1,374,661)
Membership fees		(59,102)	(47,975)
Moderator and verifier costs		(28,779,095)	(23,726,586)
Personnel costs		(53,948,292)	(49,949,940)
Postage		(148,118)	(145,493)
Printing and stationery		(2,529,693)	(3,567,351)
Provision for bad debts movement		102,682	(1,920,620)
Repairs and maintenance		(1,078,838)	(1,858,004)
Research and development costs		(38,956)	(11,322)
Security		(1,021,672)	(611,577)
Staff welfare and refreshments		(218,681)	(172,896)
Subscriptions		(210,132)	(150,037)
Telephone and fax		(603,037)	(764,690)
Training		(1,460,964)	(1,617,701)
Travel and accommodation- local		(19,779,294)	(20,512,086)
Travel and accommodation- overseas		(832,136)	(493,191)
		<b>(141,301,611)</b>	<b>(132,177,344)</b>
<b>Surplus for the year</b>		<b>4,734,045</b>	<b>5,753,022</b>

\* See note 3

The supplementary information presented does not form part of the annual financial statements and is unaudited

## NOTES

[illegible]





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