

# ANNUAL REPORT 2016 | 17



UMALUSI



Council for Quality Assurance in  
General and Further Education and Training



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

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## PART A: GENERAL INFORMATION



## 1. GENERAL INFORMATION

<b>REGISTERED NAME:</b>	Umalusi
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<b>EXTERNAL AUDITORS</b>	SizweNtsalubaGobodo Inc.
<b>BANKERS:</b>	Absa Bank Limited
<b>COUNCIL SECRETARY:</b>	Mr Thabo Ncapodi

## 2. LIST OF ABBREVIATIONS/ACRONYMS

<b>ABET</b>	Adult Basic Education and Training
<b>AET</b>	Adult Education and Training
<b>ACC</b>	Accreditation Committee of Council
<b>ACE</b>	Accelerated Christian Education
<b>AFS</b>	Annual Financial Statements
<b>AIPF</b>	Associated Institutions Pension Fund
<b>APP</b>	Annual Performance Plan
<b>ARC</b>	Audit and Risk Committee
<b>ASB</b>	Accounting Standards Board
<b>ASC</b>	Assessment Standards Committee
<b>BA</b>	Bachelor of Arts
<b>BAA</b>	Benchmark Assessment Agency
<b>BEd Hons</b>	Bachelor of Education Honours
<b>BSc</b>	Bachelor of Science
<b>CAT</b>	Continuous Assessment Tasks
<b>CEO</b>	Chief Executive Officer
<b>CEPD</b>	Centre for Education Policy Development
<b>CFO</b>	Chief Financial Officer
<b>CHE</b>	Council on Higher Education
<b>CSD</b>	Centralised Supplier Database
<b>DBE</b>	Department of Basic Education
<b>DEd</b>	Doctor of Education
<b>DHET</b>	Department of Higher Education and Training
<b>DUT</b>	Durban University of Technology
<b>E&amp;A</b>	Evaluation and Accreditation
<b>EE</b>	Employment Equity
<b>EAP</b>	Economically Active Population
<b>ECD</b>	Early Childhood Development
<b>EGD</b>	Engineering Graphics and Design
<b>EM</b>	Executive Manager
<b>EOR</b>	Examinations on Request
<b>EXCO</b>	Executive Committee
<b>FAL</b>	First Additional Language
<b>F&amp;SCM</b>	Finance and Supply Chain Management
<b>FET</b>	Further Education and Training
<b>FMPPI</b>	Framework for Managing Programme Performance Information
<b>GDE</b>	Gauteng Department of Education

**2. LIST OF ABBREVIATIONS/ACRONYMS Cont.**

<b>GENFETQA</b>	General and Further Education and Training Quality Assurance
<b>GETC</b>	General Education and Training Certificate
<b>GETCA</b>	General Education and Training Certificate for Adults
<b>GFET</b>	General and Further Education and Training
<b>GFETQSF</b>	General and Further Education and Training Qualifications Sub-Framework
<b>GOCEO</b>	Governance and Office of the Chief Executive Officer
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>HEDCOM</b>	Heads of Education Departments Committee
<b>HoD</b>	Head of Department
<b>HRM</b>	Human Resource Management
<b>HRM&amp;D</b>	Human Resource Management and Development
<b>HSRC</b>	Human Sciences Research Council
<b>IACESA</b>	International Association for Cognitive Education in SA
<b>IAEA</b>	International Association for Educational Assessment
<b>ICT</b>	Information Communication Technology
<b>ICTOC</b>	Information and Communication Technology Oversight Committee
<b>IEB</b>	Independent Examinations Board
<b>INT</b>	International
<b>LLM</b>	Master of Laws
<b>MA</b>	Master of Arts
<b>MPhil</b>	Master of Philosophy
<b>MSc</b>	Master of Science
<b>N/A</b>	Not Applicable
<b>NATED</b>	National Education Report 191
<b>NC(V)</b>	National Certificate (Vocational)
<b>NDT</b>	National Department of Tourism
<b>NGO</b>	Non-Governmental Organisation
<b>NQF</b>	National Qualifications Framework
<b>NSC</b>	National Senior Certificate
<b>NLRD</b>	National Learners' Records Database
<b>NT</b>	National Treasury
<b>NTCE</b>	National Tourism Careers Expo
<b>OHS</b>	Occupational Health and Safety
<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 &amp; COMM</b>	Public Relations and Communications

## 2. LIST OF ABBREVIATIONS/ACRONYMS Cont.

<b>QA</b>	Quality Assurance
<b>QAA – S</b>	Quality Assurance of Assessment – Schools
<b>QAA – PS</b>	Quality Assurance of Assessment – Post-School
<b>QAM</b>	Quality Assurance and Monitoring
<b>Q&amp;R</b>	Qualifications and Research
<b>QCC</b>	Qualifications, Curriculum and Certification
<b>QCTO</b>	Quality Council for Trades and Occupations
<b>QSC</b>	Qualifications Standards Committee
<b>SAAEA</b>	Southern Africa Association for Educational Assessment
<b>SACAI</b>	South African Comprehensive Assessment Institute
<b>SADC</b>	Southern African Development Community
<b>SAFCERT</b>	South African Certification Council
<b>SAQA</b>	South African Qualifications Authority
<b>SASA</b>	South African Schools Act
<b>SASL</b>	South African Sign Language
<b>SBA</b>	Site-Based Assessment
<b>SC</b>	Senior Certificate
<b>SCM</b>	Supply Chain Management
<b>SEAB</b>	Singapore Examinations and Assessment Board
<b>SIR</b>	Statistical Information and Research
<b>SITA</b>	State Information Technology Agency
<b>SM</b>	Senior Manager
<b>TVET</b>	Technical and Vocational Education and Training
<b>VET</b>	Vocational Education and Training
<b>VUT</b>	Vaal University of Technology
<b>WCED</b>	Western Cape Education Department
<b>Wits</b>	University of the Witwatersrand
<b>WSP</b>	Workplace Skills Plan



Professor John Volmink:  
Chairperson Umalusi  
Council

### 3. FOREWORD BY THE CHAIRPERSON

It is my pleasure to present to you this Annual Report on the work of Umalusi for the 2016/2017 financial year. Most notably, I am delighted that in the year under review Umalusi has once again delivered on its mandate as the Council for Quality Assurance in General and Further Education and Training. I am also pleased to declare that Umalusi has made massive strides in meeting its legislative, governance and financial mandates 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 make determinations about possible improvements in the medium to long term. Therefore, it would be remiss of me not to start this report with some of Umalusi's significant achievements in the year 2016/2017. Umalusi's accomplishments attest in part to the collaborative and collegial spirit that exists between Council and staff. Thus 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.

There is no doubt that the work of Umalusi is in a constant state of flux, given the ever-changing landscape of our education system. This is caused by undulations in external environmental factors such as socio-cultural, political, legal, technological, economic and global influences. As a public entity and a significant player in education, Umalusi is constantly looking for ways to make itself relevant within the context in which it operates.

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, very explicitly, how it will evaluate the effectiveness of the organisation. In short, the role of Council is to discharge its fiduciary duties; and monitor organisational performance, as well as the governance and financial management of Umalusi.

In appraising the work of Umalusi for the year under review, it is also worth noting that the current Council has already served three years of its four-year tenure – thus making it the ideal time for Council to reflect on the work done so far, before it wraps up its work in the fourth year. The term of office of the current Council started on 7<sup>th</sup> June 2014 and will officially end on 7<sup>th</sup> June 2018.

Umalusi reached a few milestones in the year under review, and one of them was the successful hosting of the 42<sup>nd</sup> conference of the International Association for Educational Assessment (IAEA), which was held at the Westin Hotel on 22<sup>nd</sup>–26<sup>th</sup> August 2016. The IAEA conference is a prestigious conference that brings together educational assessment experts from all corners of the globe. I am happy to announce that ours was a well-attended conference, with 380 delegates from 45 member countries. To this day, Umalusi continues to receive accolades regarding the success and quality of papers presented at the conference.

Furthermore, Umalusi played a key role in supporting the Department of Higher Education and Training (DHET) in its efforts to address a backlog in issuing National Certificate Vocational (NC(V)) certificates to candidates. This has been a huge administrative challenge for all parties involved, but in the end all outstanding certificates were issued to deserving candidates. Lastly, Umalusi will be hosting another significant conference in May 2018, the 12<sup>th</sup> conference of the Southern Africa Association of Educational Assessment (SAAEA). SAAEA is a regional chapter of the IAEA that draws its membership from countries within the Southern African Development Community (SADC). Preparations for this conference are already underway.

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 one of our highly qualified and highly experienced members of Council, Dr Laurel Becker. I want to convey my sincere gratitude to her for her sterling work during her tenure as a member of Council. That said, Council was also fortunate to secure the services of three new members, namely Dr Mamiki Maboya, Advocate Jeremiah Merabe and Mr Duncan Hindle. These colleagues bring a wealth of experience and expertise to Council. Their valuable input at Council meetings is truly appreciated.

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, whose support for the work of Umalusi is a source of inspiration and strength;
- Mesdames Nomalungelo Gina and Cornelia September – 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 various committees of Council for their excellent contribution to the work of Umalusi;
- All staff of Umalusi – house keepers, receptionist, personal assistants, admin staff, assistant managers, managers and senior managers – for their continued dedication, loyalty, professionalism and hard work. Their commitment to service excellence and dedication fills us with pride;
- Umalusi's Chief Executive Officer (CEO): Dr Mafu Rakometsi, Executive Manager (Quality Assurance and Monitoring (QAM)): Ms Zodwa Modimakwane, Executive Manager (Qualifications and Research (Q&R)): Mr Emmanuel Sibanda and Acting Chief Financial Officer (CFO): Ms Jacomien Rousseau for providing steady, dynamic and visionary leadership for Umalusi.



Prof JD Volmink  
Chairperson of Umalusi Council  
31 July 2017



Dr Mafu Rakometsi:  
Chief Executive Officer  
Umalusi Council

#### 4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Over the past few years Umalusi has experienced tremendous growth in its work as the Council for Quality Assurance in General and Further Education and Training. The growth can be ascribed, in part, to the need for Umalusi to cover all aspects of its ever-evolving legislative mandate. While the mandate of Umalusi remains as defined in its two founding Acts, namely the General and Further Education and Training Quality Assurance Act 58 of 2001 and the National Qualifications Framework (NQF) Act 67 of 2008, the full scope of Umalusi's mandate, as encapsulated in these Acts, is yet to be fully covered.

For Umalusi to fully respond and do justice to the demands of its mandate as a Quality Council, the organisation needs to constantly transform and redefine itself within the broader educational landscape in which it operates. That said, I want to echo the Chairperson's statement that "the work of Umalusi is in a constant state of flux". The fact that all education systems around the globe currently face typical 21<sup>st</sup> century challenges in relation to curriculum models, approaches to learner assessment, teacher training, the development of appropriate qualifications and the standardisation of examination results, is a clear indication that Umalusi, like any other stakeholder in education, is not immune to its external environment.

In spite of these challenges, Umalusi continues to deliver on its mandate as pronounced in the abovementioned founding Acts; and I am cautiously optimistic that the organisation has developed an inner resilience to weather future storms and still come out on top. During the financial year 2016/2017, Umalusi reached many milestones. In the ensuing paragraphs I will try to highlight some of the organisation's achievements in 2016/2017. I also outline some of the challenges we experienced, and our plans in the medium to long term.

Umalusi successfully conducted visits to various provincial education departments to determine their state of readiness to administer the 2016 November examinations and the March supplementary examinations, across all assessment bodies. This is no mean feat considering that our basic education system is massive. The state of readiness process involves the application of rigid and robust quality assurance measures and systems to ensure the credibility of the qualifications that learners obtain at the end of the process. In simple terms, our certificates must be worth the paper they are printed on.

As part of the quality assurance of assessment, all question papers for various assessment bodies were moderated and approved; thus moderators were generally happy with the standard of the question papers and marking guidelines. Furthermore, Umalusi officials visited all provinces to monitor marker selection meetings to ensure the effective audit of marker appointments and their training.

As indicated in the Chairperson's report, Umalusi hosted a very successful 42<sup>nd</sup> conference of the International Association for Educational Assessment, which was held in Cape Town in August. I convey my heartfelt appreciation to all Umalusi staff for making it such a huge success.

After the end of year examinations, Umalusi also quality assured the conduct, administration and management of the supplementary examinations for the DHET, Independent Examinations Board (IEB), South African Comprehensive Assessment Institute (SACAI) and the DBE, and conducted approval meetings – for the first time – for all supplementary examinations. The process to review the National Certificate (Vocational) (NC(V)) began in earnest; however, the final report will only be finalised and submitted to the Minister of Higher Education in the 2017/2018 financial year.

In terms of policies, the organisation successfully reviewed the "Policy Framework for Quality Assurance of Assessment for Qualifications on the General and Further Education and Training Qualifications Sub-framework." Umalusi also developed the "Policy for the Quality Assurance of Qualifications Registered on the Sub-framework."

The Regulations in support of the "Criteria for the Quality Assurance, Accreditation and Monitoring of Independent Schools and Private Assessment Bodies" were approved by the Umalusi Council on 22 February 2017, after being promulgated for public comment by the Minister on 7 October 2016. The Regulations have since been sent to the Department of Basic Education (DBE) for submission to

the Minister for gazetting. Also, the “Policy and Criteria for the Quality Assurance, Accreditation and Monitoring of Independent Schools and Private Assessment Bodies” was reviewed and approved by the Umalusi Council on 22<sup>nd</sup> February 2017.

The organisation has had its fair share of challenges. The problem of leakage of question papers remains a serious challenge and risk to the system. In the year under review, Mathematics Paper 2 of the National Senior Certificate (NSC) was unfortunately leaked in Limpopo. It is of concern that an investigation by the Hawks was unable to identify the source/s of leakages of question papers in both 2015 and 2016. No decisive action was taken against the people who confessed to having had access to the leaked question papers, despite such access being a criminal offence. We also experienced challenges with recruiting suitably qualified and experienced external moderators. For example, very few applicants met the requirements for appointment as external moderators of, especially, the new subjects of Technical Mathematics, Technical Science and South African Sign Language (SASL).

We continue to experience challenges with regard to the requirement for private colleges to be accredited prior to being registered. Accreditation attests to the capacity of the institution to offer the qualification and private colleges may not operate prior to being registered. Umalusi is, therefore, faced with the challenge of having to evaluate an application for accreditation before the institution can offer the qualification.

Moreover, legislation requires that Umalusi accredits private education institutions registered as independent schools to offer the NSC. However, there are a number of private education institutions that offer the National Senior Certificate, or subjects within the NSC, that are not independent schools: these include repeater/rewrite centres and distance education, which fall outside the legislative mandate for accreditation.

The issue of the longstanding backlog in the issuing of the NC(V) remained a challenge for the organisation during the 2016/2017 financial year, despite the efforts made by all parties involved – Umalusi, DHET and State Information Technology Agency (SITA) – to resolve the backlog. Be that as it may, Umalusi remains committed to working with other stakeholders to resolving the backlog and to finding a lasting solution to this problem.

As we cast our eyes to the future, the organisation needs to roll out the following plans for the medium to long term: we intend to finalise the gazetting of quality assurance of assessment policies and regulations, as well as the gazetting of “Regulations in support of the Criteria for the Quality Assurance, Accreditation and Monitoring of Independent Schools and Private Assessment Bodies.” We also plan to ride the wave of the digital age through the use of Information Communication Technology (ICT) systems to ensure a more effective and secure question paper moderation process and electronic processing of data.

Other plans include a review of the “Policy for the Quality Assurance of Private Adult Centres, Further Education and Training Colleges and the Accreditation of Private Assessment Bodies”, in line with the Continuing Education and Training Act 16 of 2006, as amended. The reviewed policy will be known as the “Policy for the Quality Assurance of Private Colleges for Continuing Education and Training on the Accreditation of Private Assessment Bodies.”

Lastly, I want to thank the Chairperson of Umalusi Council, Professor John Volmink, and all members of the Council, for their unwavering support. I also thank Umalusi staff for their selfless dedication to their work.



Dr MS Rakometsi  
Chief Executive Officer of Umalusi  
31 July 2017



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

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

All information and amounts disclosed in this Annual Report are consistent with the Annual Financial Statements (AFS) audited by the external auditors.

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

This Annual Report has been prepared in accordance with the guidelines and principles pertaining to the Annual Report issued by National Treasury (NT).

The AFS (Part E) have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) applicable to Umalusi.

The accounting authority is responsible for the preparation of the AFS 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 AFS.

The external auditors are engaged to express an independent opinion on the AFS.

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<sup>st</sup> March 2017.

Prof JD Volmink  
Chairperson of Council  
31 July 2017

Dr MS Rakometsi  
Chief Executive Officer  
31 July 2017

## 6. STRATEGIC OVERVIEW

### 6.1 Vision

A trusted authority in quality assurance of education provision, recognised 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 Umalusi's work in research to ensure informed positions and approaches.

### 6.3. Values

As an organisation, we are guided by the following values:

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's 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 accomplishment of our mission.
Quality	Umalusi constantly seeks opportunities to improve our services and products. Quality and continuous improvement 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 treating all its stakeholders equally and fairly.

## 7. LEGISLATIVE AND OTHER MANDATES

### 7.1 Constitutional Mandates

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

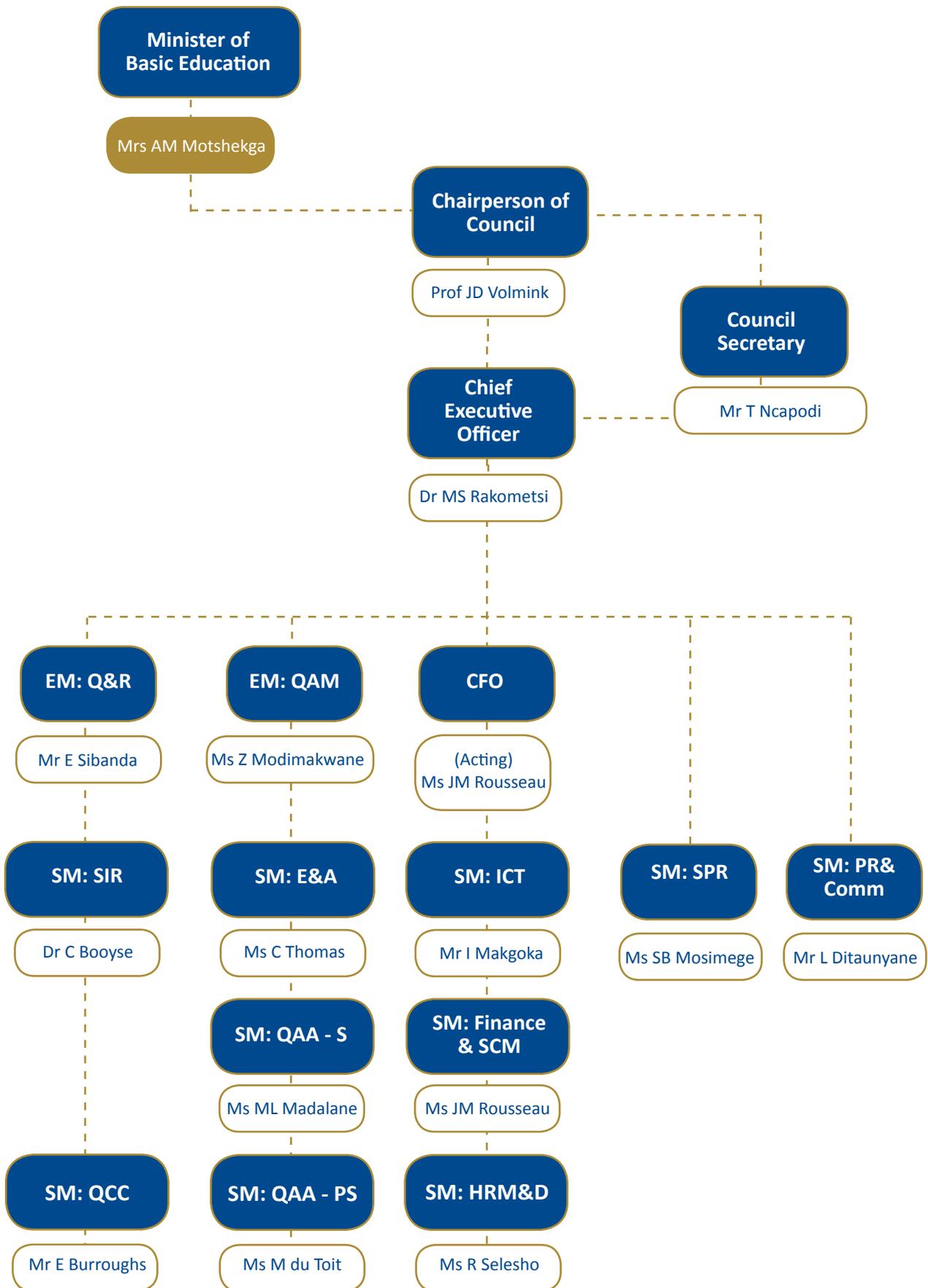
### 7.2 Legislative Mandates

- 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 Further Education and Training (FET) Colleges Act (Act No. 16 of 2006) as amended in 2010; and
- The Adult Basic Education and Training (ABET) Act (Act No. 52 of 2000) as amended in 2010.

### 7.3 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 Higher Education and Training);
- The General and Further Education and Training Qualifications Sub-framework (GFETQSF) 2014;
- Standard Setting and Quality Assurance of the GFETQSF: Umalusi, 2014;
- Policy documents and guidelines pertaining to the NSC and the National Curriculum Statements (NCS); and any other qualification on the GFETQSF as applicable;
- Other related legislation as appropriate to the various education and training sectors in which Umalusi is mandated to work;
- Council policies and directives on the conduct, administration and management of the assessments for the qualifications on the GFETQSF;
- The regulations pertaining to qualifications on the GFETQSF 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 promulgated by provincial legislatures; and
- Any other relevant policies and directives issued by the Council.

8. ORGANISATIONAL STRUCTURE (as at March 2017)





## PART B: PERFORMANCE INFORMATION



## 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The external auditor performed the necessary audit procedures on the performance information presented in the annual performance report. The external auditor evaluated the usefulness and reliability of the reported performance information to determine whether it was presented in accordance with the NT's annual reporting principles; and whether the reported performance was consistent with the planned programmes.

Furthermore, the external auditor performed tests to determine whether the indicators and targets were well defined, verifiable, specific, measurable, time-bound and relevant, as required by the NT's Framework for Managing Programme Performance Information (FMPPPI).

The audit findings on the performance against predetermined objectives is included under the heading 'Predetermined Objectives' in the report on 'Other Legal and Regulatory Requirements' of the external auditor's report.

## 2. SITUATIONAL ANALYSIS

### 2.1. Service delivery environment

#### Overall performance

Umalusi is responsible for quality assuring the GFETQSF qualifications at levels one to four of the NQF. During the year under review, Umalusi was involved in reviewing the curricula in the sub-framework. To this end, 12 evaluations were done nationally while one was benchmarked internationally. A critical milestone has been achieved in the work that Umalusi has started on South African Sign Language (SASL). The organisation is involved in a project that focuses on preparations for the assessment of the NSC Grade 12 in 2018.

Umalusi does not operate alone in undertaking qualification- and curriculum-related projects. It collaborates with the Departments of Education and South African Qualifications Authority (SAQA) – and others – to accomplish its initiatives and projects; and within Umalusi, officials from different units work together to realise the results of these intensive processes.

Members of the South African public, employers and other service providers also seek Umalusi's assistance. Services include verifying employee and potential employee qualifications on the GFETQSF. In 2016/2017, Umalusi verified more than 279 000 qualifications on request. The organisation managed to clear a backlog of NC(V) certificates requiring printing for qualifying candidates. For all other qualifications, certificates were printed for all error-free datasets, and the recipients had access to such certificates on time.

As a Quality Council, Umalusi has successfully played its role of quality assuring the examination processes for all qualifications in the sub-framework, including the standardisation of all examination papers written in 2016.

A number of research projects have been conducted during the year to inform curriculum development or amendment. The findings of these projects benefit the public in that they receive quality education through the influence of Umalusi, which safeguards the quality of the qualifications and related curriculum. The public has also benefited from Umalusi's evaluation and accreditation services to independent schools, private Adult Education and Training (AET) centres and private colleges. This has afforded the South African public a choice of institutions for their or their children's education. This service assures the public that provisioning of education and assessment processes in private institutions is of acceptable quality.

The organisation strived hard to pay service providers within 30 days, in line with the Public Finance Management Act (PFMA) and Supply Chain Management (SCM) policies and regulations, and achieved a target of 99% in this respect.

#### Challenges encountered

Qualifications and curriculum review processes need broader participation from all stakeholders, especially where there are policy implications. One challenge has been a lack of collaboration among all primary parties to debate, discuss and reach consensus on some critical issues that affect qualifications in the sub-framework. Some processes have almost reached finality without Umalusi having been requested to make inputs from a quality assurance perspective.



Policy tensions exist in the accreditation of private adult centres and colleges. Often, Umalusi has to deal with centres that are not registered with the DHET yet continue to administer Umalusi examinations. To this end, Umalusi has made a decision not to certificate adult students or learners from such institutions, starting with independent schools in 2017 and expanding the sanction to private colleges in 2018.

- Group-copying and resulting

Group-copying in 2016 was not as bad as in the two preceding years. In an effort to safeguard the qualifications in the GFETQSF, Umalusi participated in the monitoring of examination centres regarded as high-risk. Umalusi's stance is that candidates from institutions involved in group-copying will not receive certificates. It is, however, disconcerting when institutions involved in group-copying contest the decisions of Umalusi and relevant assessment bodies in court and win such cases. From a quality assurance perspective, this compromises the credibility of the qualification. In January 2017, parents in Limpopo won one such case against the Minister of Basic Education, where Umalusi was a co-respondent.

- Unregistered examination centres

This organisation has had to contend with centres that are not registered as independent schools, yet are given the status of examination centres by provincial departments. In terms of the regulations, Umalusi must accredit independent schools before they can be registered as examination centres. However, there are institutions which are not, and cannot be, registered as independent schools but are registered as examination centres; and independent schools that are not accredited but have been registered as examination centres.

- Introduction or review of the NSC: the 3-stream model

The DBE is in the process of reviewing its curriculum in the Senior and Further Education and Training phases, towards a Level 4 qualification. Umalusi has made a formal submission in the form of a position paper. Umalusi is of the view that this process should be used to articulate and rationalise how the entire system should operate between the two education departments in the area of technical and vocational programmes.

- South African Sign Language (SASL)

The DBE introduced SASL about three years ago. Umalusi has begun assessment preparations and quality assurance processes, which are proving to be conceptually difficult but worthy of the undertaking. The main challenges for Umalusi relate to time constraints and a deadline of November 2018. The organisation does not have quality assurance of assessment tools, qualified monitors, and expert deaf specialists for external moderation and school-based assessment (SBA) verification.

## 2.2. Organisational environment

The 2016/2017 financial year began on a positive note with the appointment of four senior managers in the organisation. For the first time, Umalusi appointed senior managers for Strategic Planning and Reporting (SPR), Human Resource Management and Development (HRM&D), Information and Communication Technology (ICT), and Finance and Supply Chain Management (F&SCM). These have strengthened the administrative role within the organisation. As a result, Umalusi has made much progress in implementing the ICT governance framework. The new SPR Unit has put in place systems for planning, reporting and risk management. The F&SCM Unit has revised its policies and centralised SCM for efficiency. A significant number of HRM&D policies have been reviewed and approved during the year to streamline personnel issues.

During the year the organisation experienced a loss of nine personnel on different levels. A number of middle managers left the organisation, but these positions were filled as soon as possible to ensure uninterrupted service delivery.

ICT has created systems and electronic platforms to improve service delivery. One of the new platforms makes it easier for private education institutions to register online for accreditation. Another system assists with tracking SCM procurement processes. This system was piloted in the last quarter of the year for full implementation during the 2017/2018 financial year.

Umalusi did not experience any cases of corruption during the year and there were no incidents of system failures. The only challenges were related to final NSC examinations: on the part of Umalusi, there were no challenges, but the organisation had to deal with examination irregularities identified by Umalusi monitors. Leakage of papers is under the control of the assessment bodies, but Umalusi embraces any strategy that is implemented, e.g. the monitoring of high-risk examination centres. What remains a risk for Umalusi is that paper leakages compromise the results and overall validity and credibility of an affected qualification.

## 2.3. Key policy developments and legislative changes

The "Policy and Criteria for the Quality Assurance, Accreditation and Monitoring of Independent Schools and Private Assessment Bodies" was reviewed during the financial year, and regulations developed in support of the criteria. The Minister gazetted the amended policy and regulations for public comment on 7<sup>th</sup> October 2016 (GG 40337). Comments were considered, and Umalusi Council approved the amended policy and the regulations on 22<sup>nd</sup> February 2017.

The following quality assurance of assessment documents were amended and/or approved by Council during the year:

- An internal policy and process document for the Quality Assurance of Assessment in GFET was amended on 7<sup>th</sup> November 2016 (Version 2.0);
- Council approved the "Policy Framework for Quality Assurance of Assessment for Qualifications on the GFETQSF" on 30<sup>th</sup> November 2016;



- Council approved the amended Quality Assurance of Assessment Policies, Directives, Guidelines and Requirements on 30<sup>th</sup> November 2016;
- The “Policy for Quality Assurance of Assessment for Qualifications registered on the GFETQSF” was approved by Council in February 2017.

### 2.4. Strategic outcome-oriented goals

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

During the year under review, the organisation reviewed and approved a number of policies. These included new policies put in place in Programme 1: Administration, especially in the ICT area, which have strengthened its corporate governance. The policies have been coupled with systems that help ensure efficient service delivery to the professional units.

With the appointment of a senior manager for F&SCM, positive changes were introduced to create a sustainable service delivery culture, including an electronic system for managing assets. The management of tenders has improved significantly with the introduction of Bid Evaluation and Bid Adjudication committees. The HRM&D Unit now uses an online application system, giving impetus to the recruitment process. A number of critical HRM&D policies have been reviewed, including the employee retention and succession policies, which have been separated. These policies assist with human resource planning to maintain an optimum staff complement at all times. A functional tender system ensured that the infrastructure plan to refurbish the second Umalusi building was finally concluded; a tender has been awarded to the most successful bidder. Umalusi’s acute shortage of office accommodation will finally be addressed when this project is complete.

The ICT infrastructure report showed that all systems operated optimally, at an average of 98% for the year. As a result, Umalusi was able to evaluate all certification and verification requests through the mainframe and respond to the needs of the public in a timely manner. In addition, Umalusi is now on track with the implementation of the ICT governance framework.

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

Umalusi has continued to maintain the national framework for the recognition of learner and student achievements and all such information received by Umalusi for certification has been honoured accordingly.

The organisation continuously monitors the qualifications in the GFETQSF to maintain their credibility. The standardisation process is one of Umalusi’s key deliverables in maintaining the consistency of standards. Umalusi consulted and advised the Minister on a number of issues pertaining to new developments in some qualifications in the sub-framework, e.g. the three-stream model initiative. Through benchmarking exercises undertaken by the Research Unit, South African qualifications were continuously gauged against international standards to make sure they are of acceptable quality.

While no new qualifications were developed, Umalusi was instrumental in the review of the NC(V) Curriculum, offered by the DHET. This process was completed in the year under review. Umalusi has conducted research covering, among others, the post-examination analysis of NSC and NC(V) subjects, and Early Childhood Development (ECD) exit-level outcomes; a comparative analysis of IEB and SACAI subject assessment guidelines; and the development of 28 manuals with exemplar questions, which is ongoing as dictated by needs. These research projects add value to curriculum development and delivery in the GFETQSF.

### Executive Management:



**CHIEF EXECUTIVE OFFICER**  
Dr MS Rakometsi



**CHIEF FINANCIAL OFFICER (Acting)**  
Ms JM Rousseau



**EXECUTIVE MANAGER: Q&R**  
Mr E Sibanda



**EXECUTIVE MANAGER: QAM**  
Ms Z Modimakwane



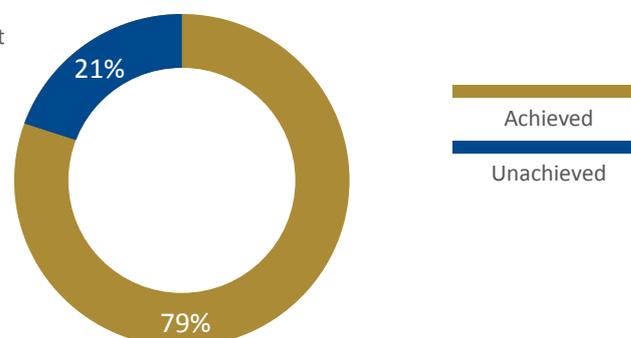
### 3. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/OBJECTIVE

#### Summary of Performance

Programme	Indicator	Target	Output	Status
1	1.1.1	Unqualified Audit	Unqualified Audit	Achieved
	1.1.2	100%	99%	Unachieved
	1.1.3	98%	99%	Achieved
	1.1.4	7	7	Achieved
	1.2.1	4 reports	4 reports	Achieved
	1.2.2	1 report	1 report	Achieved
2	2.1.1	SA: 12 Int: 1	SA: 12 Int: 1	Achieved
	2.1.2	100%	100%	Achieved
	2.1.3	None	1 290 749	Achieved
	2.1.4	336 000	280 210	Unachieved
	2.2.1	6	8	Achieved
3	3.1.1	1 159	1 081	Unachieved
	3.1.2	12	13	Achieved
	3.2.1	1 report	1 report	Achieved

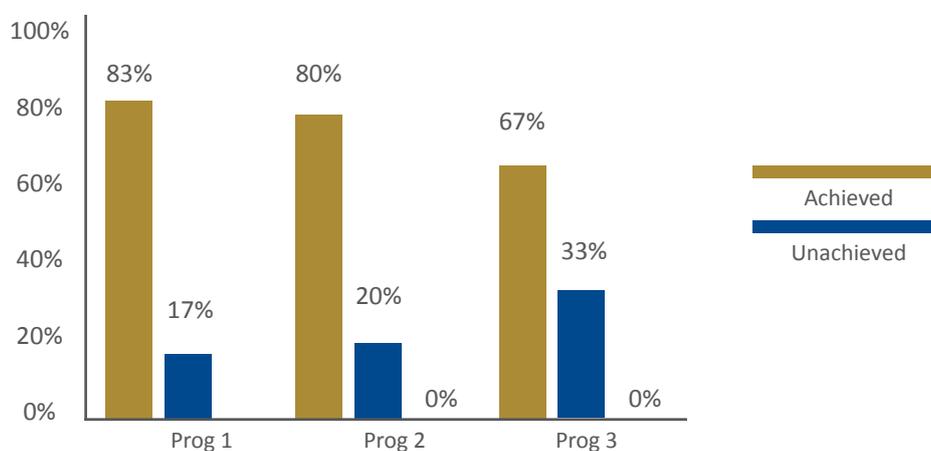
#### Overall Performance

Overall Status of Achievement



#### Performance per Programme

Status of Achievement of targets per programme





### 3.1. 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.*

This programme comprises five sub-programmes:

- |   |           |
|---|-----------|
| 1. Governance and Office of the Chief Executive Officer | GOCEO     |
| 2. Finance and Supply Chain Management                  | F&SCM     |
| 3. Human Resource Management and Development            | HRM&D     |
| 4. Public Relations and Communications                  | PR & COMM |
| 5. Information and Communication Technology             | ICT       |

#### *Sub-programme: Governance and Office of the Chief Executive Officer*



**Senior Manager:  
Strategic Planning and Reporting**  
Ms SB Mosimege

#### **Purpose**

Provides good corporate governance of the organisation and supports the functions of the Council; reports on performance against the Strategic and Annual Performance Plan (APP) targets and evaluates both organisational performance and programmes.

#### **Overview of work done**

The year started with the presentation of a revised Strategic Plan and the 2016/2017 APP to the Basic Education Portfolio Committee, in April 2016. Umalusi compiled and presented its Annual Report for auditing, and submitted 60 copies for tabling in Parliament in accordance with PFMA.

The organisation has strengthened its audit and risk management processes and strategy by establishing a coordinating committee that monitors risks at unit level. Each unit has an Audit Action Plan that is monitored through quarterly review sessions. Umalusi has made significant progress in both risk and audit management, e.g. the percentages of audit findings that have been addressed are much higher than in the 4<sup>th</sup> quarter of 2015/2016. These are the positive results of the intense internal audit processes and assessments conducted during the year. One of the key achievements of the year was the development and approval of the policy for managing performance information.

The 2017/2018 APP was developed during the year. A number of improvements were made to the strategic goals and objectives and these have been captured in the annexures of the 2017/2018 APP. The organisation complied with all draft submission dates to the NT and the DBE. As a result, the APP was tabled in Parliament in March 2017.

*Sub-programme: Finance and Supply Chain Management*

**Senior Manager: Finance and Supply Chain Management**  
Ms JM Rousseau

**Purpose**

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

**Overview of work done**

Umalusi received an unqualified audit opinion for the 2015/2016 financial year. All employees contributed to this achievement.

Action plans were put in place to address internal audit findings that were raised, and corrective measures implemented to address any internal control weaknesses. An electronic asset verification system was implemented to conduct a full asset count in the current year. The process of correcting discrepancies was ongoing, in preparation for the annual audit.

All SCM officials in the entity have access to the NT's Centralised Supplier Database (CSD). An SCM function is to continuously source quotes from the CSD, which has been implemented as Umalusi's preferred procurement database. All suppliers have been informed of the importance of registering on the central database in order to continue to provide services to Umalusi.

The online requisition system to facilitate the centralisation of the SCM function was completed during the year. A decision was taken to implement the system in the new financial year.

A SCM specialist was also appointed, on contract, during the year. The incumbent facilitated the appointment of members to the Bid Evaluation and Bid Adjudication committees, and their training by the NT. As a result of the functionality of the committees, two tenders were awarded in the current year, one for internal audit and risk management services for a period of three years; the other for a turnkey solution regarding the second building owned by Umalusi. Both projects will commence in the first quarter of 2017/2018.

**Achievement of Performance Indicators - Sub-programme: Finance and Supply Chain Management**

Performance indicator	Actual achiev. 2013/2014	Actual achiev. 2014/2015	Actual achiev. 2015/2016	Planned target 2016/2017	Actual output 2016/2017	Deviation from the planned target	Comment on Deviations
1.1.1 Achievement of a financially unqualified opinion	N/A	N/A	Unqualified Audit	Unqualified Audit	Unqualified Audit	-	N/A
1.1.2 Percentage of service providers paid within 30 days	N/A	N/A	100%	100%	99%	(10/1 246)	Payment can no longer be withheld if tax status is non-compliant on CSD. Compliance will be verified at the time of initial engagement.

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

Firstly, contract management policies will be revised to address procedures for contract renewal. Secondly, the compliance of suppliers with CSD requirements, including tax compliance, should procedurally be verified upon engagement. Standard operating procedures will be reviewed in line with advice from NT.

**Changes to planned targets**

Targets were not changed during the year.



*Sub-programme: Human Resource Management and Development*



**Senior Manager: Human Resource Management and Development**  
Ms R Selesho

**Purpose**

The HRM&D functions ensure optimum and efficient utilisation and development of human capital. It 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 includes research, development and implementation of human resources policies and practices.

**Overview of work done**

The performance management system within Umalusi has been implemented in accordance with revised policy to cater for the needs of employees to monitor performance and provide training and development where necessary. This contributed to the achievement of the organisation’s strategic objectives. To this end, mid-term assessments were done in October as scheduled, and the annual performance assessments for 2016/2017 were concluded in May 2017.

During the 2016/2017 financial year, emphasis was placed on ensuring that all HRM&D policies were updated. Consequently, 10 policies were reviewed, approved and implemented.

At the end of the 2016/2017 financial year, Umalusi had 138 funded posts of which 120 were filled, which translated into 87% filled posts. During the 2016/2017 financial year, Umalusi had a turnover rate of 7.5%. Reasons for employee exits were promotions and pursuit of other career opportunities. Umalusi has approved succession and retention plans that will be implemented to address the turnover rate. The concept of salary broad-banding was introduced as a remedial measure to reduce staff turnover at the beginning of the financial year.

Employees were provided with the relevant skills and competencies required by the Workplace Skills Plan (WSP). Hence, staff underwent training and development in line with the WSP.

Umalusi’s records management file plan was reviewed to ensure compliance with the National Archives Act. The HRM&D Unit oversees records management in the organisation to ensure compliance with the records management file plan. Under the supervision of HRM&D, all units revised their file plans with the contracted service provider. The final consolidated file plan has been submitted to the CEO for approval.

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.

One of Umalusi’s biggest human resource challenges has been an inability to attract candidates with critical and scarce skills. The organisation needs to strengthen its retention strategy for the stability of the organisation.

**Achievement of Performance Indicators - Sub-programme: Human Resource Management and Development**

Performance indicator	Actual achiev. 2013/2014	Actual achiev. 2014/2015	Actual achiev. 2015/2016	Planned target 2016/2017	Actual output 2016/2017	Deviation from the planned target	Comment on Deviations
1.1.3: Percentage of staff meeting level 3 and above of their performance target on the Performance Management and Development System (PMDS)	N/A	N/A	98%	98%	98%	-	N/A

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

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

**Changes to planned targets**

Targets were not changed during the year.



### Sub-programme: Public Relations and Communications



#### Purpose

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

#### Overview of work done

In the 2016/2017 financial year Umalusi used various communication channels and tools to communicate vital messages to the following five clusters of key stakeholders, whose business intersects on different levels with Umalusi's core mandate:

#### Senior Manager: Public Relations and Communications

Mr L Ditaunyane

- Policymakers: the 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, Provincial Education Departments (PEDs), assessment bodies, schools, Technical and Vocational Education and Training (TVET) colleges, AET centres, universities, and educational Non-Governmental Organisations (NGOs);
- Policy beneficiaries: learners/students, parents, guardians, unemployed youth and rural communities;
- Umalusi staff: at all levels;
- South African public: general public with a vested interest in education.

To achieve its objective, PR & Comm used the following channels of communication: website, social media, bulk email, newsletters, radio, promotional material and the fraud and ethics hotline, exhibitions with a focus on youth and rural development, as well as roadshows by the CEO. Furthermore, PR & Comm worked in collaboration with relevant units to facilitate the hosting of events such as the 42<sup>nd</sup> conference of the IAEA, as well as seminars and workshops. Queries from the public regarding the work of Umalusi were responded to throughout the year.

#### Achievement of Performance Indicators - Sub-programme: Public Relations and Communications

Performance indicator	Actual achiev. 2013/2014	Actual achiev. 2014/2015	Actual achiev. 2015/2016	Planned target 2016/2017	Actual output 2016/2017	Deviation from the planned target	Comment on Deviations
1.1.4: Number of communication platforms used by stakeholder clusters within the GFET sub-framework to access information	N/A	N/A	5	7	7	-	N/A

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

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

#### Changes to planned targets

Targets were not changed during the year.



Sub-programme: Information and Communication Technology



**Senior Manager: Information and Communication Technology**  
Mr I Makgoka

**Purpose**

This sub-unit provides all Umalusi’s information and communication technology requirements.

**Overview of work done**

An overall view of Umalusi’s ICT governance framework provides guidance about the governance, management and operation of ICT across the enterprise, in alignment with its enterprise objectives and goals. The governance framework assists Umalusi’s management to assign roles, clarify responsibilities and establish accountability for decision-making that impacts on the achievement of the enterprise’s strategic objectives. In terms of the ICT governance framework roadmap, Umalusi identified crucial deliverables for phases 1 and 2 and by the end of the financial year, the ICT Governance Framework Policy, the ICT Charter, and the Portfolio/Project Management Framework, among others, were completed and approved by Council. To date, Umalusi has made significant progress (78%) in terms of the implementation of the governance framework deliverables. Management has taken a decision to include an indicator on the monitoring of the governance framework.

A number of ICT systems have been put in place to provide a platform for the smooth operation of key Umalusi functions. An online accreditation system has been operational since 1<sup>st</sup> April 2016, and a centralised procurement tool has been under development since the beginning of the 3<sup>rd</sup> quarter. This system allows automation of the SCM procurement process, which in turn enhances SCM controls and improves efficiency.

Umalusi’s ICT infrastructure has been managed without interruption. As a result, the organisation has attained an overall 99% status on maintenance of ICT infrastructure platforms. The management of infrastructure allows for all employees to have continuous access to the network, server and storage facilities.

**Achievement of Performance Indicators - Sub-programme: Information and Communication Technology**

Performance indicator	Actual achiev. 2013/2014	Actual achiev. 2014/2015	Actual achiev. 2015/2016	Planned target 2016/2017	Actual output 2016/2017	Deviation from the planned target	Comment on Deviations
1.2.1: A report providing an executive summary of the status of the ICT Infrastructure	N/A	N/A	N/A	4 reports	4 reports	-	N/A
1.2.2: A report on the customer satisfaction survey on performance of the ICT system	N/A	N/A	N/A	1 report	1 report	-	N/A

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

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

**Changes to planned targets**

Targets were not changed during the year. However, there was an error on indicator 1.2.2: the annual table did not show the 2016/2017 target; the quarterly table showed this target. The error was corrected by writing an erratum, for approval by the Minister of Basic Education, and this was granted on 2<sup>nd</sup> February 2017.



3.2. 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 comprises the following sub-programmes:

Qualifications, Curriculum and Certification	QCC
Statistical Information and Research	SIR

Sub-programme 2.1: Qualifications, Curriculum and Certification



Senior Manager: Qualifications, Curriculum and Certification  
Ms E Burroughs

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 these are of acceptable quality;
- The certification of school learner and adult student performance for all the qualifications on the GFETQSF;
- Verifying all qualifications that it and its predecessor, the South African Certification Council (SAFCERT), have issued since 1992.

Overview of work done

The review of the NC(V) qualifications has been finalised. Umalusi has prepared an annexure that provides international comparability for the reviewed qualification. The qualification will be sent for public comment in the new financial year.

In terms of curriculum research, progress has been made in preparing for a Longitudinal Study. Digests of existing research for the three phases preceding FET have been undertaken, including international benchmarking.

A first draft position paper on the DBE's three-stream model was prepared as input to the technical subjects project (and was also used in understanding the kind of role the new NC(V) might play).

The technical subjects' project was re-conceptualised as an appraisal of six subjects, namely, Engineering Graphics and Design (EGD), Technical Mathematics, Technical Sciences, Civil Technology, Electrical Technology and Mechanical Technology. This project was undertaken in March 2017. First drafts of the reports have been submitted. The project will help examiners and moderators understand the curriculum before starting to set final papers.

The Mathematical Literacy book ought to have been finalised and published in this quarter but the process was not completed because of pressure of work. Its findings were, nevertheless, disseminated at a lively seminar in March; the book should follow early in the new financial year.

Work on the ECD project has been transferred to the Research Unit; however, the Curriculum sub-unit has continued to contribute to the thinking for the project and the development of a site-visit instrument, and has participated in external meetings related to the project.

The Language investigation, which has grown out of the English Home Language and English First Additional Language (FAL) reports, has been contracted out. Umalusi has been part of a team that is working on the implementation and assessment of the SASL. This fieldwork has been completed. Initial guidance regarding the complexities associated with the assessment of SASL was offered to the Quality Assurance of Assessment (QAA) Unit at a constructive meeting in March 2017.



## PART B: PERFORMANCE INFORMATION

In terms of disseminating curriculum research findings, Umalusi was invited to participate in the National Department of Tourism's (NDT) research project. This was run by the Human Sciences Research Council (HSRC) for NDT's strategy and skills audit review. The National Tourism Careers Expo (NTCE) seminar for teachers, held in Bloemfontein, was largely presented by Umalusi staff or its researchers in the Tourism and Hospitality fields. Further, the NDT invited Umalusi to a well-attended workshop with industry stakeholders, where Umalusi shared the findings of the research on services subjects. A workshop on assessment was conducted with teachers of Tourism in Limpopo during the Annual Marula Festival, held in February/March 2017.

Certification and verification remain critical functions in the organisation. Certification officials have continued to work steadily with the DHET regarding the NC(V) backlog project, which remains ongoing although it was scheduled to end in June 2016. Consolidating candidates' records over multiple examination sittings remains problematic and is of concern. Umalusi has had to report to the Portfolio Committee on Higher Education and Training in the past year regarding the backlog. It has been able to assure Parliament that it has certified all correct candidate records submitted by the DHET.

### Strategy to overcome areas of under-performance

#### Achievement of Performance Indicators - Sub-programme 2.1: Qualifications, Curriculum and Certification

Performance indicator	Actual achiev. 2013/2014	Actual achiev. 2014/2015	Actual achiev. 2015/2016	Planned target 2016/2017	Actual output 2016/2017	Deviation from the planned target	Comment on Deviations
2.1.1: Number of curricula evaluated annually	N/A	N/A	N/A	SA: 12 Int: 1	SA: 12 Int: 1	- -	N/A
2.1.2: Percentage of learner records evaluated per qualification in terms of certification requirements	N/A	N/A	N/A	100%	100%	-	N/A
2.1.3: Number of certificates issued per qualification annually				SC NSC ASC NC(V) 2 NC(V) 3 NC(V) 4 N3 GETC ABET	41 596 770 629 66 255 84 189 91 970 61 462 118 274 56 292 82	100%	Specific targets will be set for the indicator.
2.1.4: Number of verifications completed annually	275 621	303 049	N/A	336 000	280 210	55 790	Verification clients submitted fewer verification requests than anticipated. SAQA terminated their contract with Umalusi and started verifying learner achievement against the National Learners' Records Database (NLRD).

The SAQA verification of qualifications through Umalusi is not guaranteed; however negotiations and engagements between the two organisations are ongoing to agree on an amicable way forward for the verification of qualifications.

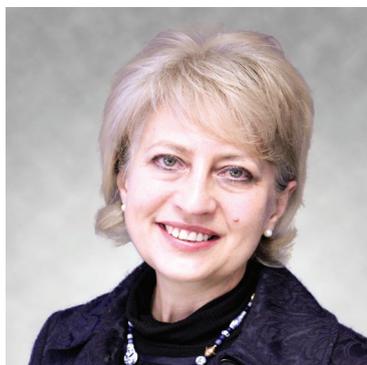
Secondly, on the matter of Umalusi receiving fewer verification requests, Umalusi has opted to change the way the indicator is formulated. In 2017/2018 the verification indicator is worded as a percentage of verifications completed within two working days.

### Changes to planned targets

Targets were changed during the year; however, there was an error in the quarterly table for indicators 2.1.1 and 2.1.2. For indicator 2.1.1, there should have been only one target in the 4<sup>th</sup> quarter because the period for reporting is captured as "annual". For indicator 2.1.2, the reporting period should have been captured as "quarterly". The error was corrected by writing an erratum letter to the Minister of Basic Education for approval, and this was granted on 2<sup>nd</sup> February 2017.



### Sub-programme 2.2: Statistical Information and Research



**Senior Manager: Statistical Information and Research**  
Dr C Booysse

#### Purpose

Umalusi conducts research and analysis and reports on quality within the GFETQSF.

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; and
- Lead research and analysis and provide statistical support and information across Umalusi.

#### Overview of work done

One of the highlights of the 2016/2017 financial year was the hosting of the 42<sup>nd</sup> IAEA Conference in Cape Town. The conference gathered approximately 380 educational specialists from around the world to share innovative ideas on educational assessment and assessing the achievement of curriculum standards. Another highlight was the Umalusi-sponsored pre-conference workshop on international best practice on the framework for thinking about test-item demand and the psychological processes of judging test-item demand. Representatives from the Singapore Examinations and Assessment Board (SEAB) facilitated the workshop. The workshop generated discussion and interest in new areas of research to deepen the dialogue on test-item demand.

The conference theme was “Assessing the Achievement of Curriculum Standards – An Ongoing Dialogue.” Two very well-attended and stimulating workshops on assessment for learning and analysing alignment between curriculum standards and assessment set the tone for the conference. The presentations delivered by delegates from around 45 countries focused on different aspects of the assessment debate. The main shift in the thinking about assessment was towards the alignment of intended qualification outcomes with intended curriculum standards and the assessed curriculum. Presentations linked to the alignment of curriculum and assessment standards included assessing integrated learning through context-dependent item sets, benchmarking for assessing deeper learning, and determining levels of productive thinking. The shift in focus to assessment for learning and the inclusion of the affective domain, mediation of learning and emotional intelligence was a clear move towards a more humane form of assessment.

The SIR Unit also furthered the investigation on the missing script formula and finding a feasible way to statistically moderate subjects with practical and oral components, in collaboration with the Botswana Examinations Council.

The General Education and Training Certificate (GETC) standardisation meetings were arranged; the document on requirements and specifications for standardisation was updated, as were the statistical moderation and resulting documents; and the SIR Unit embarked on a state of readiness with the QAA Unit. The SIR Unit was responsible for monitoring the registration, capturing and resulting of plans for the 2016 November NSC examinations.

Standardisation processes for the 2016 November examinations for the NSC, NC(V), National Education Report 191 (NATED) and GETC, as well as the October and December Examinations on Request (EORs), were processed, verified and approved. The processes included standardisation, statistical moderation and final resulting. The results were released in January 2017. Several datasets for remarks, supplementary examinations and rechecks were also processed and approved.

At the end of November 2016, the SIR Unit led teams of subject and assessment specialists in conducting a post-examination analysis on 10 NSC subjects and two NC(V) subjects. The subject reports that emanated from the investigation were consolidated in reports per assessment body, and the findings were presented as qualitative input in the standardisation processes.

Research that seeks to investigate intended exit-level outcomes of ECD provision in South Africa was conducted. The research also aims to inform the preparation of ECD educators and to further foster a close working relationship with the ECD Directorate in the Curriculum Branch at DBE, and the Research, Monitoring and Evaluation Directorate in the Office of the Director-General.

The following projects were finalised and reported on. The reports met the expected targets set in the APP:

- Findings from the post-examination analysis on 10 NSC subjects were consolidated in reports per assessment body and were presented as qualitative input in the standardisation processes. The reports are ready for dissemination;



## PART B: PERFORMANCE INFORMATION

- Findings from the post-examination analysis on two NC(V) subjects were consolidated in reports per assessment body. The findings were presented as qualitative input in the standardisation processes and at a moderator guidance session;
- An executive summary and individual reports on the comparative analysis of the IEB and SACAI Subject Assessment Guidelines in relation to that of the DBE were compiled;
- The conceptual framing for the reviewed instruments for the evaluation and accreditation processes has been compiled into a comprehensive report;
- A reflection report on the work of the 42<sup>nd</sup> IAEA abstract committee also refers to the application of a Likert-type instrument for judging the quality of abstract and conference papers;
- After a rigorous peer-review process, seven articles have been accepted for publication in the Perspectives in Education journal. This was published in January 2017 and the unit received 100 copies, of which 40 were distributed to Council members, at the International Association for Cognitive Education in Southern Africa (IACESA) conference and at the Umalusi/Wits/Centre for Education Policy Development (CEPD) seminar;
- The unit was engaged in a project to compile handbooks that provide guidelines for examiners and moderators to achieve shared understanding of cognitive demands and levels of difficulty of examination questions. In the first phase of this project handbooks for English Home Language, as well as gateway and non-gateway subjects, were compiled. The 28 handbooks, with exemplar questions that represent various cognitive demands on different levels of difficulty, have been finalised and will be included in a dissemination strategy during 2017;
- In terms of external strategic support, research questions were developed for the NQF impact study and presented at a joint meeting with SAQA, the DHET and other quality councils. Umalusi's research questions pointed to how Umalusi's NQF-aligned policy development had shaped the NQF and what impact its implementation had on the system and its stakeholders.

A project commissioned by the SAAEA Research Forum to investigate ways of cross-mapping qualifications in the SADC region was presented at the Forum meeting in Lusaka, Zambia. A document on linking curriculum and assessment standards to qualifications, compiled from the Senior and FET exit-level outcomes reports, provided guidance in how underpinning curriculum and assessment standards enable qualification mapping.

### Achievement of Performance Indicators - Sub-programme 2.2: Statistical Information and Research

Performance	Actual achiev. 2013/2014	Actual achiev. 2014/2015	Actual achiev. 2015/2016	Planned target 2016/2017	Actual output 2016/2017	Deviation from the planned target	Comment on Deviations
2.2.1: Number of research reports published	N/A	N/A	4	6	8	+2	The additional two reports were not finalised in the 2015/2016 financial year.

### Strategy to overcome areas of under-performance

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

### Changes to planned targets

Targets were not changed during the year.



3.3. Programme 3: Quality Assurance and Monitoring

Programme Purpose: To ensure 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.

This programme consists of the following sub-programmes:

Quality Assurance of Assessment	QAA
Evaluation and Accreditation	E&A

Sub-programme 3.1: Quality Assurance of Assessment



Senior Manager: Quality Assurance of Assessment - Post School  
Ms M Du Toit



Senior Manager: Quality Assurance of Assessment - Schools  
Ms ML Madalane

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 the assessment systems, conduct, administration and management of assessment and examinations processes;
- Management of concessions and examination irregularities;
- External moderation of marking processes; and
- Moderation of assessment results.

Overview of work done

National Senior Certificate (NSC)

DBE NSC:

The annual target for moderation of question papers was 260. The DBE used two Siswati Second Additional Language question papers that were previously approved, but not written, for the 2017 March examinations. This reduced the number of question papers moderated by two (260 to 258); and submitted Continuous Assessment Tasks (CAT) Paper 1 (back-up) for March 2017 for moderation in January 2017, thus increasing the number by one to 259.

SACAI NSC:

The annual target for moderation of question papers was 93. SACAI used six question papers that were previously approved, but not written, namely: Civil Technology, Dramatic Arts, Electrical Technology, Hospitality Studies and Mechanical Technology, for the 2017 March examinations; and Civil Technology for the 2017 November examination. This reduced the number of question papers submitted for moderation and approval by six (from 93 to 87).

IEB NSC:

The annual target for moderation of question papers was 126. The number of IEB 2016/2017 examination question papers increased from 126 to 131 by the addition of the following question papers: two Advanced Programme Mathematics question papers for the 2016 November examinations; and one extra CAT Paper 2 (back-up) and two Music question papers were moderated for the 2017 March examinations.

Senior Certificate (SC)

DBE SC:

The annual target for moderation of question papers was 90. There was a deviation of 87 question papers that were moderated and approved in the 4th quarter.

General Education and Training Certificate (GETC)

The annual target for moderation was 52 question papers for DHET, 34 for IEB and two for Benchmark Assessment Agency (BAA). All question papers were moderated as per plan and per examination, although not always in the quarter planned for.



## PART B: PERFORMANCE INFORMATION

### National Certificate (Vocational) NC(V)

The DHET did not set back-up papers. This had a negative impact on the targets as Umalusi moderated only 260 instead of 390 question papers for the 2016 November and 2017 supplementary examinations. Sixty-eight of the 2016 November and 2017 supplementary question papers had been approved in the previous financial year. Three Primary Health papers received for moderation were not moderated due to a lack of capacity (no external moderator to moderate the subject). Because of the compromise of examinations, a number of the 2017 supplementary or 2017 November examination question papers were used as additional papers for the 2016 November examinations. The net effect was that Umalusi moderated an additional 27 question papers for the 2017 supplementary examination. In line with Umalusi's decision to moderate as many Level 4 question papers as possible, 84/80 and 91/80 Level 4 question papers were moderated for the 2016 November and 2017 supplementary examinations respectively. One extra Level 2 paper was moderated for the 2016 November examination, because a subject presented two papers instead of one as planned for. In total, Umalusi moderated 234 question papers for 2016/2017.

### Report 190/191 NATED: Engineering Studies N2–N3

Of a target of 112 question papers, Umalusi received 99 for external moderation during 2016/2017 as 13 papers had been approved in the previous financial year. All question papers received for moderation were externally moderated. One extra paper was moderated in the 3<sup>rd</sup> quarter for the 2016 November examination after it had been detected, and before the scheduled date of the examination, that a question paper had been leaked.

### Achievement of Performance Indicators - Sub-programme 3.1: Quality Assurance of Assessments

Performance Indicator	Actual achiev. 2013/2014	Actual achiev. 2014/2015	Actual achiev. 2015/2016	Planned target 2016/2017	Actual output 2016/2017	Deviation from the planned target	Comment on Deviations
3.1.1: Number of question papers quality assured per qualification per assessment body.	N/A	-	-	GETC DHET:52 IEB: 34 BAA: 2	52 34 2	-	N/A
	-	-	-	NSC DBE:260	263	+3	Three papers for 2017/2018 cycle were submitted for moderation in the 4 <sup>th</sup> quarter.
	-	-	-	IEB: 126	135	+9	The deviation comes from two Advanced Programme Mathematics papers; one extra CAT P2 (back-up), two Music question papers; and four papers for the November 2017 examinations.
	-	-	-	SACAI: 93	88	-5	SACAI used six question papers which were previously approved and one paper for the new examination cycle.
	-	-	-	SC DBE: 90	177	+87	The 87 papers moderated in the 4 <sup>th</sup> quarter were submitted early for the 2017/2018 year examinations.
	-	-	-	NC(V): DHET: 390	234	-156	DHET did not submit all expected back-up question papers for external moderation. Some of the question papers had been approved in the previous financial year.
	-	-	-	NATED: DHET: 112	99	-13	Thirteen papers were approved in the previous financial year.
3.1.2: Number of QAA reports per qualification, per assessment body, per examination cycle	-	-	-	GETC: 5 reports	5	-	-
	-	-	-	NSC: 3 reports	3	-	-
	-	-	-	VET: 3 reports	4	+1	The November VET report was split into two, one for the NATED qualification and the other for NC(V).
	-	-	-	SC: 1 report	1	-	-

### Strategy to overcome areas of under-performance

The target for question paper moderation was not met for some of the qualifications/programmes due to non-submission of back-up question papers for external moderation. The assessment bodies will be encouraged to set back-up papers. A substantial number of DHET question papers for, mainly, the NC(V) examinations were compromised. The DHET must improve its systems and processes to ensure accurate printing, safe distribution and storing of question papers. Umalusi will monitor processes for printing, distribution and storing of question papers closely for the 2017 examinations.

### Changes to planned targets

Targets were not changed during the year; however, there was an error in the annual table, which reflected 116 instead of 112 as reflected in the quarterly table of the APP. The error was corrected by writing an erratum for approval by the Minister of Basic Education, and this was granted on 2<sup>nd</sup> February 2017.



### Sub-programme 3.2: Evaluation and Accreditation



**Senior Manager: Evaluation and Accreditation**  
Ms C Thomas

#### Purpose

The E&A 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 GFETQSF; and the evaluation and monitoring of the national assessment system.

#### Overview of work done

Umalusi evaluated 216 independent schools' desktop applications during the 2016/2017 financial year: the target of 40 was met and an extra 176 were completed. As a result, 201 site verification visits were conducted. Umalusi presented 227 reports to the Accreditation Committee of Council (ACC) comprising 177 consolidated reports, 38 improvement reports and 12 review reports. The number of accredited schools monitored during the year was 144. Targets were exceeded in an effort to deal with the large number of independent schools that made applications in order to be compliant with Umalusi's processes and ahead of the impending non-certification of learners who write the NSC at unaccredited schools in 2017.

For private FET colleges, 77 desktop applications were evaluated while only 62 site verification visits were conducted. The target was not met because institutions can only be visited once they have paid for the site verification visit. All the institutions that had paid were visited. Eighty-two reports were presented to the ACC, comprised of 66 consolidated accreditation reports and 16 improvement reports.

Eight private adult learning centres' desktop applications were evaluated, 25 site verification visits were conducted, and 21 reports were presented to the ACC, comprised of 20 consolidated accreditation reports and one improvement report.

The ACC probed the submitted reports for 1<sup>st</sup> April 2016 – 31<sup>st</sup> March 2017 and the recommendations were as follows:

#### Achievement of Performance Indicators

Performance indicator	(7 Years) Accreditation	1 & 2 Years Provisional Accreditation	Window Period	No Accreditation	Total
Independent schools	121	65	113	3	302
Private colleges	15	49	28	10	102
AET centres	4	8	15	-	27
<b>TOTAL</b>	<b>140</b>	<b>122</b>	<b>156</b>	<b>13</b>	<b>431</b>

During the financial year, the "Policy and Criteria for the Quality Assurance, Accreditation and Monitoring of Independent Schools and Private Assessment Bodies" was amended and regulations in support of the policy were developed. The Minister of Basic Education promulgated these for public comment on 7<sup>th</sup> October 2016. Comments were taken into consideration, the policy and regulations amended, and the amended policy and regulations were approved by Umalusi Council on 22<sup>nd</sup> February 2017. The regulations have been submitted to the Minister for gazetting.

The review of the "Policy for the Quality Assurance of Private Adult Learning Centres, Private Further Education and Training Colleges and the Accreditation of Private Assessment Bodies" began during the financial year under review.

#### Achievement of Performance Indicators

Performance indicator	Actual achiev. 2013/2014	Actual achiev. 2014/2015	Actual achiev. 2015/2016	Planned target 2016/2017	Actual output 2016/2017	Deviation from the planned target	Comment on Deviations
3.2.1: A report on evaluation and accreditation of private education institutions and independent assessment bodies	N/A	N/A	N/A	1 report	1 report	-	N/A

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

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

#### Changes to planned targets

Targets were not changed during the year. The annual table did not reflect the target; however, it was reflected in the quarterly target table. The error was corrected by writing an erratum letter to the Minister of Basic Education for approval, and this was granted on 2<sup>nd</sup> February 2017.

**4. REVENUE COLLECTION**

Sources of Revenue	2015/2016			2016/2017		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Government grant	112 705	112 705	-	118 678	118 678	-
Accreditation fees	8 790	12 311	(3 521)	5 779	10 288	(4 509)
Certification fees	3 312	5 297	(1 985)	3 809	7 455	(3 646)
Verification fees	9 200	9 887	(687)	10 580	9 523	1 057
Interest received	633	3 764	(3 131)	727	4 129	(3 402)
Rental income	-	2 022	(2 022)	2 285	1 393	892
Sundry income	-	50	(50)	-	1 247	(1 247)
Reserve funds	10 044	-	10 044	13 332	-	13 332
<b>TOTAL</b>	<b>144 684</b>	<b>146 036</b>	<b>(1 352)</b>	<b>155 190</b>	<b>152 713</b>	<b>(2 477)</b>

**5. PROGRAMME EXPENDITURE**

Programme and Sub-programme Name	2015/2016			2016/2017		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
1 Administration	52 979	47 791	5 188	53 711	54 307	(596)
2.1 Qualifications, Curriculum and Certification	15 109	14 049	1 060	17 060	12 102	4 958
2.2 Statistical Information and Research	11 073	7 786	3 287	10 458	10 614	(156)
3.1 Quality Assurance of Assessments	43 250	40 458	2 792	46 662	45 585	1 077
3.2 Evaluation and Accreditation	22 273	31 218	(8 945)	27 299	24 806	2 493
<b>TOTAL</b>	<b>144 684</b>	<b>141 302</b>	<b>3 382</b>	<b>155 190</b>	<b>147 414</b>	<b>7 776</b>

**6. CAPITAL EXPENDITURE**

Capital Expenditure	2015/2016			2016/2017		
	Budget		(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Buildings	-	-	-	-	-	-
Plant and equipment	-	-	-	-	-	-
Furniture and fixtures	-	470	(470)	-	109	(109)
Office equipment	-	322	(322)	-	-	-
Computer equipment	-	635	(635)	-	1 059	(1 059)
Other fixed assets	-	-	-	-	42	(42)
Computer software	-	-	-	-	36	(36)
<b>TOTAL</b>	<b>-</b>	<b>1 427</b>	<b>(1 427)</b>	<b>-</b>	<b>1 246</b>	<b>(1 246)</b>



## 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. Umalusi's Strategic and APP support these structures.

Umalusi is responsible for establishing its own operating procedures.

The Council, which is the accounting authority of Umalusi, is responsible for corporate governance. The Council fulfils 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 PFMA, but also to the principles of openness, integrity, efficiency, accountability and compliance, as reflected in the King Code of Governance Principles 2009 (King III).

## 2. PORTFOLIO COMMITTEES

The Portfolio Committee on Basic Education exercises its role by evaluating Umalusi's performance by considering its AFS 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 the DHET.

Umalusi met with the Portfolio Committees as reflected below:

- 7<sup>th</sup> April 2016: Briefing of the Portfolio Committee on Basic Education on the Budget and APP for 2016/2017;
- 10<sup>th</sup> May 2016: tabling of the DBE 2016/2017 Budget Vote by the Minister;
- 12<sup>th</sup> October 2016: Briefing the Portfolio Committee on Basic Education on the 2015/2016 Annual Report.
- 17<sup>th</sup> February 2017: Workshop with the Portfolio Committee on Basic Education and DBE on the standardisation of examination results, process and procedures;
- 15<sup>th</sup> March 2017: Meeting to brief the Select Committee on Education and Recreation on the 2016 NSC results.

## 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 DHET in respect of all matters relating to the development and maintenance of the GFETQSF. Quarterly reports were submitted to the executive authority within the timeframes as follows:

- 29<sup>th</sup> July 2016
- 31<sup>st</sup> October 2016
- 31<sup>st</sup> January 2017
- 28<sup>th</sup> April 2017

Umalusi has received feedback from the Minister on the analysis of all quarterly reports.

## 4. THE ACCOUNTING AUTHORITY

### Introduction

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

In accordance with the GENFETQA 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.



#### 4. THE ACCOUNTING AUTHORITY cont.

The Council met on four occasions during the period under review.

The Council's role is to:

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

The following table contains the names of councillors, their qualifications, expertise and the number of meetings each attended:

##### Composition of the Council

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Quali.	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Council Meetings Attended
Prof JD Volmink	Chairperson	08/06/2014	-	PhD	Mathematics Education	<ul style="list-style-type: none"> <li>• Durban University of Technology (DUT)</li> <li>• Juta &amp; Co (Pty) Ltd</li> <li>• Towerstone (Pty) Ltd</li> </ul>	Executive Committee (EXCO)	3 / 4
Prof ND Kgwadi	Deputy Chairperson	08/06/2014	-	PhD	Physics Education	<ul style="list-style-type: none"> <li>• Council and Senate of North-West University</li> </ul>	EXCO	1 / 4
Dr MS Rakometsi	Chief Executive Officer	08/06/2014	-	PhD	Education	<ul style="list-style-type: none"> <li>• Board member of Pretoria Boys High</li> <li>• CHE</li> <li>• Helderberg College Council</li> <li>• QCTO</li> <li>• SAQA</li> <li>• Vaal University of Technology (VUT)</li> </ul>	Ex-Officio member of all Council committees	4 / 4
Prof N Baijnath	Member	01/10/2015	-	PhD	Higher Education Policy, Planning and Educational Change	<ul style="list-style-type: none"> <li>• CHE</li> <li>• QCTO</li> <li>• SAQA</li> </ul>	-	3 / 4
Dr L Becker	Member	08/06/2014	20/06/2016	PhD	Education	None	ACC	1 / 4
Prof PAD Beets	Member	08/06/2014	-	PhD	Curriculum Studies	None	Research Forum	3 / 4
Ms F Dada	Member	08/06/2014	-	BA	Education Policy Development	<ul style="list-style-type: none"> <li>• Africa Ignite Rural Development Trust</li> <li>• Media in Education Trust</li> <li>• Oasis Asset Management</li> <li>• Pearson South Africa</li> </ul>	EXCO	2 / 4
Mr MHW Ehrenreich	Member	08/06/2014	-	BA Hons	English Literature	<ul style="list-style-type: none"> <li>• South African Principals Association (SAPA)</li> </ul>	Information and Communication Technology Oversight Committee (ICTOC)	4 / 4
Mr D Hindle*	Member	15/12/2016	-	BEd Hons	Sociology & Comparative Education	-	-	1 / 4

#### 4. THE ACCOUNTING AUTHORITY cont.

##### Composition of the Council Cont.

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Quali.	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Council Meetings Attended
Mr NT Johnstone	Member	01/09/2015	-	BSc	Physiology	<ul style="list-style-type: none"> <li>• Catholic Institute of Education (CIE)</li> <li>• IEB</li> <li>• JET Education Services</li> <li>• National Student Financial Aid Scheme (NSFAS)</li> </ul>	Audit and Risk Committee (ARC)	4 / 4
Dr MJ Maboya**	Member	01/07/2016	-	PhD	Mathematics Education	None	None	2 / 4
Dr EB Mahlobo	Member	08/06/2014	-	DEd	Applied Linguistics	None	None	3 / 4
Prof MG Mahlomaholo	Member	08/06/2014	-	DEd	Cognitive Education	None	None	1 / 4
Prof L Makalela	Member	08/06/2014	-	PhD	English Studies, Literacy and Linguistics	None	Qualifications Standards Committee (QSC)	2 / 4
Dr MR Mampane	Member	08/06/2014	-	PhD	Educational Psychology	None	ASC	4 / 4
Ms GJ Mashabela	Member	08/06/2014	-	MA	Teaching and Administration	<ul style="list-style-type: none"> <li>• CHE</li> <li>• QCTO</li> <li>• SAQA</li> </ul>	None	1 / 4
Prof MLE Monnapula-Mapesela	Member	08/06/2014	-	PhD	Higher Education	<ul style="list-style-type: none"> <li>• Council of Central University of Technology (CUT)</li> </ul>	EXCO	3 / 4
Advocate MJ Merabe***	Member	15/12/2016	-	LLM	Education Law	None	None	1 / 4
Mr E Mosuwe****	Member	24/10/2016	-	MSc	Physiology	None	None	1 / 4
Mr JS Samuels	Member	08/06/2014	-	MPhil	Adult Education	<ul style="list-style-type: none"> <li>• CHE</li> <li>• QCTO</li> <li>• SAQA</li> </ul>	None	3 / 4
Dr SNP Sishi	Member	08/06/2014	24/10/2016	PhD	Curriculum and Educational Assessment Policy	None	None	0 / 4

(\*) Replaced Professor Look who resigned on 10<sup>th</sup> December 2015 as member of Council.

(\*\*) Appointed Deputy Director-General: Curriculum Policy, Support and Monitoring at the DBE and replaced Mr Mweli, Director-General: DBE in Council.

(\*\*\*) Replaced Dr L Becker who resigned on 20<sup>th</sup> June 2016 as member of Council.

(\*\*\*\*) Appointed Head of Department (HoD) of Gauteng Department of Education (GDE) and replaced Dr SNP Sishi as a representative of Heads of Education Departments Committee (HEDCOM) in Council.



#### 4. THE ACCOUNTING AUTHORITY cont.

##### Committees

Committee	No. of meetings	No. of members	Names of members
Accreditation Committee of Council (ACC)	6	13	Ms F Dada (Chairperson and member of Umalusi Council) Mr B Phillips Ms D Mampuru Ms E Erasmus Mr K Naidu Ms K Janssens Mr M Netshandama Mr R Petit Mr T Basjan Ms M Cilliers Mr S Lategan Mr J Jensen Dr S Bhikha
Assessment Standards Committee (ASC)	5	15	Dr R Mampane (Chairperson and member of Umalusi Council) Prof M Moodley Dr N Mrwetyana Dr M Nthangeni Prof P Sepeng Prof S Howie Dr S Hansraj Prof P Patti Dr P Rule Prof L Jita Prof D North Dr B Mofolo-Mbokane Mr M Snelling Dr M Naidoo* Dr MS Mosia**
Audit and Risk Committee (ARC)	5	7	Ms L Rossouw (Chairperson) Mr NT Johnstone (Member of Umalusi Council) Ms N Molalekoa Mr FS Petersen Ms D Diale Ms L Gani Mr S Zungu
Executive Committee (EXCO)	5	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)	2	3	Mr M Ehrenreich (Chairperson and Member of Umalusi Council) Mr S Zungu Mr C Baxter
Qualifications Standards Committee (QSC)	4	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

**4. THE ACCOUNTING AUTHORITY cont.****Committees Cont.**

Committee	No. of meetings	No. of members	Names of members
Research Forum	1	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

\* Replaced Professor Look who resigned on 10th December 2015 as a member of Council

\*\* Replaced Mr Brian Schroeder who was appointed as HozD of the Western Cape Education Department (WCED).

**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.

Name	Remuneration R	Other allowance R	Other reimbursement R	Total R
Prof JD Volmink	140 421	-	-	140 421
Prof PAD Beets	-	-	795	795
Ms F Dada	18 221	-	-	18 221
Mr NT Johnstone	21 542	-	-	21 542
Prof MG Mahlomaholo	15 772	-	-	15 772
Prof L Makalela	55 800	-	-	55 800
Dr MR Mampane	118 261	-	-	118 261
Prof MLE Monnapula-Mapesela	46 414	-	-	46 414
Dr SNP Sishi	-	-	-	-
Prof ND Kgwadi	-	-	-	-
Mr MHW Ehrenreich	-	-	-	-
Dr EB Mahlobo	-	-	-	-
Ms GJ Mashabela	-	-	-	-
Mr JS Samuels	-	-	-	-
Prof N Bajjnath	-	-	-	-



## 5. RISK MANAGEMENT

Umalusi carries out its mandate with a clear understanding of the possible risks that may affect its operations. Therefore the organisation has developed a risk policy and strategy that was approved by Council in 2016.

In accordance with the risk policy and strategy, the organisation conducts quarterly risk assessments. Each unit manages its own risk register and the internal auditors analyse the updated risk registers. In addition, the CEO motivated for the establishment of a small risk coordinating committee, comprised of representatives from all units. This committee has been instrumental in reviewing and updating the 2016/2017 risk registers. The senior management team, led by the CEO, monitors the risk management process on an ongoing basis.

Umalusi has established a fully functional risk management committee comprised of all senior and executive managers and chaired by the CEO. Internal auditors are also on this committee, to provide the management team with risk analysis reports. The deliberations of this committee can identify emerging risks, and it ratifies the report that serves at the quarterly ARC meetings. Risks that constantly rate as high are escalated to the Umalusi Council for advice.

The ARC is comprised of individuals who are experts in finance, ICT and performance information. Their robust interrogation of risk reports and recommendations has been vital during the year. The committee has, in addition, been responsible for ratifying the quarterly reports of the organisation before they are submitted to Council or EXCO. This is a value-add oversight function that is highly appreciated by Umalusi management.

Umalusi has made significant progress in managing risk during the year under review. Management is committed to continuing to embrace risk management as part of its operational activities. The coordinated management of risks has made an impact on the overall performance in governing Umalusi.

## 6. INTERNAL AUDIT AND AUDIT COMMITTEES

The internal audit function is contracted out as the Council does not consider it economically feasible to establish an in-house internal audit function, given the nature and size of Umalusi. However, the ARC is responsible for monitoring the internal audit function and for evaluating the effectiveness of the internal controls in place, including recommending improvements to Council where appropriate.

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 ARC makes decisions on matters relating to the scope of its responsibilities and presents such decisions to the Council for ratification.

The ARC 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; and 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.

The table below discloses relevant information on the ARC members.

Name	Qualification	Internal or external	If Internal - position in Public Entity	Date appointed	Date Resigned	No. of Meetings Attended
Ms L Rossouw (Chairperson)	<ul style="list-style-type: none"> <li>• BCompt Hons</li> <li>• MCom</li> <li>• CA (SA)</li> <li>• Certified Internal Auditor</li> </ul>	External	-	08/06/2014	-	4 / 5
Ms N Molalekoa	BCom	External	-	08/06/2014	-	4 / 5
MS L Gani	LLB	External	-	08/06/2014	24/01/2017	2 / 5
Mr FS Petersen	BCom	External	-	08/06/2014	25/10/2016	3 / 5
MR NT Johnstone	BSc	Internal	Council Member	11/11/2015	-	3 / 5
Mr S Zungu	<ul style="list-style-type: none"> <li>• National Diploma (Elec. Eng.)</li> <li>• Postgraduate Diploma (Management Practices)</li> </ul>	External	-	01/06/2015	-	4 / 5
Ms D Diale	<ul style="list-style-type: none"> <li>• BCom (Computer Science)</li> <li>• Master's in Business Leadership</li> </ul>	External	-	14/03/2017	-	1 / 5



### 7. 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; hence, compliance management is part of the performance agreements of senior and executive managers. The organisation provided confirmation of compliance to the ARC and the Council. Furthermore, the external auditors test compliance with laws and regulations during their annual audit.

### 8. 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 at all times, including weekends and holidays.

The number of the hotline is 0800 000 889. In the year under review 18 valid reports were received via the hotline and Umalusi conducted investigations to confirm all allegations made. Reports and allegations of fraud are submitted to the relevant units for further investigation, and the outcome is then tabled at a meeting of the executive management of Umalusi. Reports alleging criminal offences are usually referred to the Crime Stop Unit of the South African Police Services for further investigations.

### 9. 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 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 under review.

### 10. CODE OF CONDUCT

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. Management continuously ensures that employees abide by the Code of Ethics and the values encapsulated in the organisation's Strategic Plan.

### 11. MATERIALITY AND SIGNIFICANCE FRAMEWORK

As required by the Treasury Regulations, the Council has developed a materiality and significance framework appropriate to its size and circumstances. This is submitted annually to, and approved by, the Minister of Basic Education.

### 12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

Umalusi regards the health and safety of its employees and people affected by the entity's operations to be of vital importance. The primary objective is to achieve and maintain the highest practicable level of health and safety control. Umalusi is also cognisant of the need to ensure that the work environment is environmentally sustainable. In this regard, efforts have been made to ensure that lights and other appliances are switched off appropriately at the end of each working day and that paper is recycled. The Council is, however, aware that the actions taken to date are limited and require further development.

To prevent employees tripping and falling on the stairs, the organisation has improved the staircase by placing rubber strips appropriately on the staircases. The refurbishment plan of the second building has made provision for lifts in both buildings to improve access into the buildings for employees and visitors with physical disabilities.

Health and safety workshops were conducted to raise awareness among staff of critical safety elements that must be in place. The Facilities Assistant Manager attended a development programme on 24<sup>th</sup> November 2016 with Labour Guide, on the Occupational Health and Safety (OHS) Act and legal liability responsibilities of management. The training focused mainly on steps to prevent disasters, risk assessment, precautionary measures and training of personnel. This included the issuing of personal protective clothing.

### 13. SOCIAL RESPONSIBILITY

Owing to cost-containment measures introduced in the public service, 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<sup>th</sup> July 2016. On this day, Umalusi staff donate clothes, food and money



towards the upliftment of impoverished communities in and around Pretoria. Additionally, Umalusi staff donated towards the Casual Day campaign in September 2016, and the annual Cancer Shavathon, organised by the Cancer Association of South Africa, in March 2017.

## 14. AUDIT AND RISK COMMITTEE REPORT

The ARC is pleased to present its report for the financial year ended 31<sup>st</sup> March 2017.

### Terms of Reference

The committee 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 of its responsibilities as contained therein. The Council has approved the charter.

### Roles and Responsibilities

#### Statutory Duties

The committee's role and responsibilities include the statutory duties set out in sections 76(4) (d) and 77 of the Public Finance Management Act (PFMA) 1999 and sections 3.1 and 27.1 of the Treasury Regulations issued in terms of that Act, and further responsibilities assigned to it by the Council. The committee also executed its duties in terms of the requirements of King III.

#### External Audit

The external auditor is SizweNtsalubaGobodo Inc. The committee, in consultation with executive management, agreed to the engagement letter, audit plan and budgeted audit fees for the 2016/2017 financial year. SizweNtsalubaGobodo Inc. was not requested to provide any non-audit services.

#### 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; and
- 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.

### 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. 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 fieldwork. 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.

### Duties Assigned by the Council

In addition to the statutory duties of the committee, as reported on above, the Council determined additional functions for the committee to perform, as set out in the committee's charter. They include the following:

#### Combined Assurance

The Audit and Risk Committee ensured that a combined assurance model was applied. The combined assurance received is appropriate to address all the significant risks facing the entity and the applicable King Code on Corporate Governance.

#### Governance of Risk

The Council assigned oversight of the risk management function to the committee. The committee reviewed the risk management process, the effectiveness of risk management activities, the key risks facing the entity and responses to address them. The committee fulfilled its



oversight role regarding financial reporting risks, internal financial controls, and fraud and information technology risks as they relate to financial reporting.

**Internal Audit**

The committee ensured that the internal audit function was independent and had the necessary resources, standing and authority to enable it to discharge its duties. Furthermore, the committee oversaw cooperation between the internal and external auditors and served as the link between the Council and these functions.

The committee reviewed and approved the Internal Audit Charter and Annual Audit Plan.

The internal auditor reported to the committee. It reviewed and provided assurance on the adequacy of the internal control environment across all of Umalusi's operations. The head of the internal audit team had direct access to the committee, through its chairperson.

The committee assessed the performance of the internal audit function in the last financial year.

**Evaluation of the Expertise and Experience of the Acting Chief Financial Officer and Finance Function**

The committee satisfied itself that the Acting Chief Financial Officer had appropriate expertise and experience.

The committee satisfied itself with the appropriateness of the expertise and adequacy of resources of the finance function, and the experience of the senior members of management responsible for the finance function.

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Ms L Rossouw  
Chairperson of the Audit and Risk Committee  
Umalusi  
31 July 2017



## PART D: HUMAN RESOURCE MANAGEMENT



## 1. INTRODUCTION

The Human Resource Management and Development (HRM&D) Unit is one of the most important unit that contributes to the successful implementation of organisational strategy. Its mandate is to implement HRM&D policies, procedures and systems to attract, develop and retain the requisite skills within the organisation. Focus is on effective recruitment and selection processes and the implementation of training and development, fair and transparent performance and management systems, attractive remuneration and an effective payroll systems. The unit promotes the development of employee relations that are responsive to the needs of Umalusi.

### Highlight of Achievements

<b>HRM&amp;D priorities for the year under review and the impact of these priorities:</b>	<b>Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce:</b>
<ul style="list-style-type: none"> <li>To achieve a target of less than 10% vacancy rate in the organisational structure;</li> <li>Enhance the recruitment process by ensuring the appointment of competent staff;</li> <li>Review the process of the performance management and development system;</li> <li>Create a working environment conducive for all staff members in the organisation</li> </ul>	<ul style="list-style-type: none"> <li>The staff establishment was increased by five senior management positions, a result of the organisation's expanded mandate;</li> <li>The concept of salary broad-banding was introduced to retain, attract and recruit candidates with requisite skills.</li> </ul>
<b>Employee performance management framework:</b>	<b>Employee wellness programmes:</b>
<ul style="list-style-type: none"> <li>Umalusi's performance management system provided standards against which the performance of individual staff members were monitored and measured to allow for performance management, staff reward and improvement of poor performance, to enhance efficiency and effectiveness and achieve improved service delivery.</li> </ul>	<ul style="list-style-type: none"> <li>Umalusi continued to be a caring organisation by focusing on the health and wellbeing of staff members.</li> <li>Two Wellness Day programmes took place during the year under review and the focus was on the promotion of a healthy lifestyle, both physically and financially.</li> </ul>
<b>Highlighted achievements:</b>	<b>Challenges:</b>
<ul style="list-style-type: none"> <li>Staff members underwent training and development in line with the Workplace Skills Plan;</li> <li>98% of staff members achieved a score of three and above for the year under review, in line with the Annual Performance Plan target;</li> <li>Approved policies were presented to staff members.</li> </ul>	<ul style="list-style-type: none"> <li>The vacancy rate remains above 10% target and currently stands at 13%;</li> <li>The inability to attract candidates with critical and scarce skills remains.</li> </ul>
<b>Policy development:</b>	<b>Future HRM&amp;D plans/goals:</b>
<ul style="list-style-type: none"> <li>Ten HRM&amp;D policies were reviewed, approved and implemented.</li> </ul>	<ul style="list-style-type: none"> <li>Employment of people with disabilities.</li> </ul>



## 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

Programme	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
1 Administration	54 307	23 314	16%	48	486
2.1 Qualifications, Curriculum and Certification	12 102	7 243	5%	16	453
2.2 Statistical Information and Research	10 614	6 428	4%	10	643
3.1 Quality Assurance of Assessments	45 585	9 919	7%	19	522
3.2 Evaluation and Accreditation	24 806	12 188	8%	27	451
<b>TOTAL</b>	<b>147 414</b>	<b>59 092</b>	<b>40%</b>	<b>120</b>	<b>492</b>

### Cost by Salary Band

Salary Band	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top management	4 393	7%	3	1 464
Senior management	8 614	15%	10	861
Professional qualified	30 573	52%	55	556
Skilled	6 160	10%	15	411
Semi-skilled	8 770	15%	33	266
Unskilled	582	1%	4	146
<b>TOTAL</b>	<b>59 092</b>	<b>100%</b>	<b>120</b>	<b>492</b>

### Performance Rewards

Salary Band	Performance rewards (R'000)	Personnel expenditure (R'000)	% of performance rewards to total personnel cost
Top management	164	4 393	0.28%
Senior management	97	8 614	0.16%
Professional qualified	234	30 573	0.40%
Skilled	98	6 160	0.17%
Semi-skilled	102	8 770	0.17%
Unskilled	80	582	0.14%
<b>TOTAL</b>	<b>775</b>	<b>59 092</b>	<b>1.31%</b>



## PART D: HUMAN RESOURCE MANAGEMENT

### Training Costs

Programme	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost.	No. of employees trained	Average training cost per employee (R'000)
1 Administration	23 314	576	2%	11	52
2.1 Qualifications, Curriculum and Certification	7 243	203	3%	25	8
2.2 Statistical Information and Research	6 428	179	3%	15	12
3.1 Quality Assurance of Assessments	9 919	196	2%	7	28
3.2 Evaluation and Accreditation	12 188	192	2%	34	6
<b>TOTAL</b>	<b>59 092</b>	<b>1 346</b>	<b>2%</b>	<b>92</b>	<b>15</b>

### Employment and Vacancies

Programme	2015/2016 No. of employees	2016/2017 Approved posts	2016/2017 No. of employees	2016/2017 Vacancies	% of Vacancies
1 Administration	36	56	48	8	14%
2.1 Qualifications, Curriculum and Certification	15	20	16	4	20%
2.2 Statistical Information and Research	7	10	10	-	-
3.1 Quality Assurance of Assessments	34	30	27	3	10%
3.2 Evaluation and Accreditation	18	22	19	3	14%
<b>TOTAL</b>	<b>110</b>	<b>138</b>	<b>120</b>	<b>18</b>	<b>13%</b>

### Employment and Vacancies Cont.

Salary Band	2015/2016 No. of employees	2016/2017 Approved posts	2016/2017 No. of employees	2016/2017 Vacancies	% of Vacancies
Top management	2	4	3	1	25%
Senior management	5	10	10	-	-
Professional qualified	56	65	55	9	14%
Skilled	13	17	15	-	-
Semi-skilled	31	38	33	8	21%
Unskilled	3	4	4	-	-
<b>TOTAL</b>	<b>110</b>	<b>138</b>	<b>120</b>	<b>18</b>	<b>13%</b>

There was one vacant position in top management (Chief Financial Officer) for which the recruitment process had not been finalised by the end of the year under review. Four staff members were promoted to senior management positions in this period.

### Employment changes

The vacancy rate was reduced from 24% to 13% by the end of March 2017 with 36 appointments made. During the year under review 22 employees were recruited externally, 12 staff members were promoted and there were two internal lateral movements.



Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	2	1	-	3
Senior management	5	7	1	10
Professional qualified	53	16	6	56
Skilled	15	5	1	17
Semi-skilled	32	7	1	31
Unskilled	3	-	-	3
<b>TOTAL</b>	<b>110</b>	<b>36</b>	<b>9</b>	<b>120</b>

#### Reasons for Staff Leaving

Reason	Number	% of Total no. of staff leaving
Death	-	-
Resignation	9	100%
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	-	-
Other	-	-
<b>TOTAL</b>	<b>9</b>	<b>100%</b>

During the financial year Umalusi had a 7.5% turnover rate. Reasons for employees exiting the organisation were due to outside employment opportunities.

#### Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
Verbal warning	-
Written warning	1
Final written warning	-
Dismissal	-

#### Equity Target and Employment Equity Status

Umalusi strives to prioritise Employment Equity and to achieve annual targets, as there is a need for the appointment of people representative of the Economically Active Population (EAP) from various race groups across all occupational levels. A concerted effort to appoint people representative of the EAP is pursued during the recruitment and selection process.

Salary Band	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	2	-	-	-	-	-	-
Senior management	2	2	-	-	-	-	-	-
Professional qualified	24	26	1	1	-	1	6	6
Skilled	3	3	-	-	-	-	-	-
Semi-skilled	7	9	-	2	-	1	-	1
Unskilled	2	2	-	-	-	-	-	-
<b>TOTAL</b>	<b>40</b>	<b>44</b>	<b>1</b>	<b>3</b>	<b>-</b>	<b>2</b>	<b>6</b>	<b>7</b>

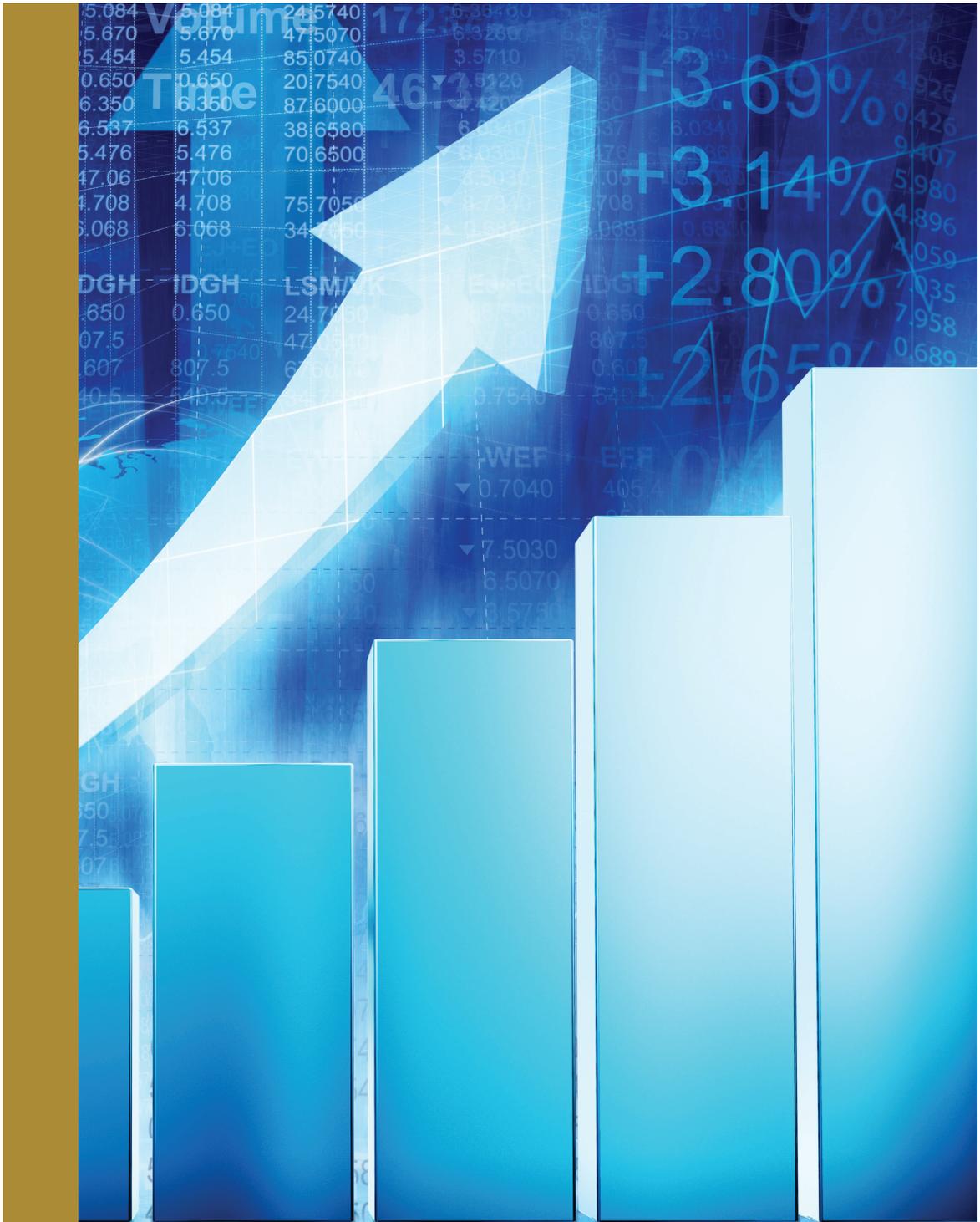


## PART D: HUMAN RESOURCE MANAGEMENT

Salary Band	Female							
	African				Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	2	-	-	-	-	-	1
Senior management	3	3	-	-	-	-	5	5
Professional qualified	14	18	4	4	2	2	5	5
Skilled	9	9	-	-	2	2	1	2
Semi-skilled	22	22	1	2	1	1	1	2
Unskilled	2	2	-	-	-	-	-	-
<b>TOTAL</b>	<b>51</b>	<b>56</b>	<b>5</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>12</b>	<b>15</b>

Umalusi is currently not targeting employment of disabled staff due to inaccessibility of the current building. The organisation has awarded a tender to renovate the building and ensure accessibility for targeted staff.

Salary Band	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top management	-	-	-	-
Senior management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## PART E: FINANCIAL INFORMATION





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

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## 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 audit of financial statements

##### Opinion

We have audited the Annual Financial Statements of Umalusi (Council for Quality Assurance in General and Further Education and Training) which are comprised of the statement of financial position as at 31 March 2017 and the statement of financial performance, statement of changes in net assets, cash flow statement, statement of comparison of budget information with actual information for the year then ended, as well as the notes to the Annual Financial Statements, including a summary of significant accounting policies.

In our opinion, the Annual Financial Statements present fairly, in all material respects, the financial position of Umalusi as at 31 March 2017, and its financial performance and cash flows for the year then ended, in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (PFMA) of South Africa.

##### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Annual Financial Statements section of our report.

We are independent of the entity in accordance with the Independent Regulatory Board for Auditors' *Code of professional conduct for registered auditors* (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (parts A and B).

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

##### Responsibilities of Umalusi (Council for Quality Assurance in General and Further Education and Training)

The Council is responsible for the preparation and fair presentation of the Annual Financial Statements in accordance with GRAP and the requirements of the PFMA and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the Council is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the Council either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

##### Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## REPORT OF THE EXTERNAL AUDITOR (CONTINUED)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Annual Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on the audit of the annual performance report

#### Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selections presented in the annual performance report of the entity for the year ended 31 March 2017:

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

We evaluated the reported performance information against the overall criteria of usefulness and reliability. 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 Programme Performance Information (FMPPi).

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

#### Usefulness of reported performance information

The material findings in respect of the selected programmes are as follows:

##### Programme 1: Administration

**Indicator 1.2.1:** A report of the customer satisfaction survey on performance of the ICT system.

The method of calculation/assessment for the achievement of the planned indicator was not clearly defined, as required by the FMPPi.

##### Programme 2: Qualifications and Research

**Indicator 2.1.4:** Number of certificates issued per qualification annually.

The method of calculation/assessment for the achievement of the planned indicator was not clearly defined, as required by the FMPPi.



## REPORT OF THE EXTERNAL AUDITOR (CONTINUED)

### Programme 3: Quality Assurance and Monitoring

Indicator 3.2.1: A report on evaluation and accreditation of private education institutions and independent assessment bodies.

The method of calculation/assessment for the achievement of the planned indicator was not clearly defined, as required by the FMPPi.

### Reliability of reported performance information

We did not raise any material findings on the usefulness and reliability of the reported performance information.

### Report on the audit of compliance with legislation

We performed procedures to obtain evidence that the schedule 3A entity had complied with applicable legislation regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

#### Expenditure management

Effective steps were not taken to prevent irregular expenditure amounting to R497 800 as disclosed in note 22 of the Annual Financial Statements, as required by section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure was caused by the award of a contract to a non-tax compliant supplier. Irregular expenditure amounting to R344 531 was incurred as a result.

#### Procurement processes - quotations and competitive bids

Goods, works or services were not procured through a procurement process which was fair, equitable, transparent and competitive, as required by section 51(1) (a) (iii) of the PFMA. At least three quotations were not obtained for some of the transactions, and a contract was extended without a competitive bidding process, for transactions disclosed in irregular expenditure in note 22.

#### Other information

The Umalusi accounting authority is responsible for the other information. The other information comprises the information included in the Annual Report, which includes the report of the Council and the Audit Committee's report. The other information does not include the Annual Financial Statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Annual Financial Statements and the selected programmes presented in the performance information in the Annual Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

#### Internal control deficiencies

We considered internal control relevant to our audit of the financial statements, performance information in the Annual Report and compliance with legislation; however, the objective is not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted from the findings on the performance information in the Annual Report and the findings on compliance with legislation included in this report.

#### Leadership

Management did not establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities for certain performance objectives.



## REPORT OF THE EXTERNAL AUDITOR (CONTINUED)

### Financial and performance management

Management did not prepare regular, accurate and complete financial and performance indicators that were supported and evidenced by reliable information.

Management did not review and monitor compliance with applicable legislation for procurement and contract management.

### Auditor tenure

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Inc. has been the auditor of Umalusi for three years.

SizweNtsalubaGobodo Inc.  
Mxolisi Mthimkhulu  
Director  
Registered Auditor  
31 July 2017



AUDIT • ADVISORY • FORENSICS



## 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 places 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.

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

The Council has reviewed the entity's cash flow forecast for the year to 31 March 2018 and, in 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.

The Annual Financial Statements set out on pages 57 to 85, which have been prepared on the going concern basis, were approved by the Council on 31 July 2017 and were signed on its behalf by:

A handwritten signature in black ink, appearing to read 'JD Volmink', written over a horizontal line.

Prof JD Volmink  
Chairperson : Umalusi Council  
31 July 2017

A handwritten signature in black ink, appearing to read 'MS Rakometsi', written over a horizontal line.

Dr MS Rakometsi  
Chief Executive Officer : Umalusi  
31 July 2017



## REPORT OF THE COUNCIL

The Council submits its report for the year ended 31 March 2017.

### 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 National Qualifications Framework Act, Act 67 of 2008, responsible for the management of the General and Further Education and Training Qualifications Sub-framework of the National Qualifications Framework (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 the general and further education and training qualification sub-framework of the NQF.

The operating results and state of affairs of the entity are fully set out in the Annual Financial Statements.

The net surplus of the entity was R 5 299 406 (2016: surplus R 4 734 044).

### 3. GOING CONCERN

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 National Treasury, the Department of Basic Education had committed to funding the entity for the period 2017/2018 to 2020/2021.

### 4. 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.

### 5. RETENTION OF SURPLUS AND APPROVAL BY NATIONAL TREASURY

The entity applied to retain the surplus funds. At the time of the approval of the Annual Financial Statements, the approval for the retention of surplus funds had not yet been granted by National Treasury.

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

The Council has considered the provisions of the PFMA relating to fruitless and wasteful expenditure. In terms of the materiality framework, as agreed with the Executive Authority in terms of 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 22 regarding irregular expenditure.



## REPORT OF THE COUNCIL (CONTINUED)

### 7. COUNCIL MEMBERS

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

Prof JD Volmink (Chairperson)		Dr MJ Maboya	<i>Appointed 1 July 2016</i>
Prof ND Kgwadi (Deputy Chairperson)		Dr EB Mahlobo	
Dr MS Rakometsi (CEO)		Prof MG Mahlomaholo	
Prof N Bajjnath		Prof L Makalela	
Dr LR Becker	<i>Resigned 30 June 2016</i>	Dr MR Mampane	
Prof PAD Beets		Ms GJ Mashabela	
Ms F Dada		Adv MJ Merabe	<i>Appointed 15 December 2016</i>
Mr MHW Ehrenreich		Prof MLE Monnapula-Mapasela	
Mr D Hindle	<i>Appointed 15 December 2016</i>	Mr E Mosuwe	<i>Appointed 24 October 2016</i>
Mr NT Johnstone		Mr JS Samuels	

### 8. SECRETARY

The Council secretary of the entity is Mr T Ncapodi of:

#### Business address

37 General van Reyneveld Street  
Persequor Technopark  
Pretoria, 0121

#### Postal address

P O Box 151  
Persequor Technopark  
Pretoria, 0121

### 9. AUDITORS

SizweNtsalubaGobodo Inc. conducted the audit in accordance with S4(3) of the Public Audit Act.

### 10. COUNCIL AND EXECUTIVE MANAGEMENT EMOLUMENTS

	Fee R	Bonuses and performance related payments R	Retirement Fund contributions R	Medical contributions R	Long service award R	Leave pay out R	Total package 2017 R	Total package 2016 R
<b>NON-EXECUTIVE MEMBERS</b>								
Prof JD Volmink - Chairperson	140 421	-	-	-	-	-	140 421	188 558
Prof MLE Monnapula - Mapasela	46 414	-	-	-	-	-	46 414	52 852
Prof PAD Beets	795	-	-	-	-	-	795	1 692
Prof MG Mahlomaholo	15 772	-	-	-	-	-	15 772	13 756
Dr MR Mampane	118 261	-	-	-	-	-	118 261	82 609
Prof L Makalela	55 800	-	-	-	-	-	55 800	41 350
Ms F Dada	18 221	-	-	-	-	-	18 221	36 709
Mr NT Johnstone	21 542	-	-	-	-	-	21 542	10 680
Prof CF Loock - Resigned 15 December 2015	-	-	-	-	-	-	-	61 324
Dr LR Becker - Resigned 30 June 2016	-	-	-	-	-	-	-	56 356
<b>SUB-TOTAL</b>	<b>417 226</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>417 226</b>	<b>545 886</b>



## REPORT OF THE COUNCIL (CONTINUED)

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

EXECUTIVE AND SENIOR MANAGEMENT	Salary R	Bonuses and performance related payments R	Retirement Fund contributions R	Medical contributions R	Long service award R	Leave pay out R	Total package 2017 R	Total package 2016 R
CEO: Dr MS Rakometsi	1 689 733	122 217	282 206	94 356	-	-	2 188 512	2 151 168
EM: QAM Ms Z Modimakwane	939 539	21 371	149 992	-	-	-	1 110 902	1 006 762
EM: Q&R Mr E Sibanda	926 066	19 949	147 889	-	-	-	1 093 904	995 290
SM: QCC Ms EM Burroughs	895 177	20 249	143 215	-	43 961	-	1 102 602	1 009 473
SM: PR & COMM Mr SE Ditaunyane	842 049	38 157	134 934	-	-	-	1 015 140	950 776
SM: QAA Ms EF Ramotlhale Resigned 31 December 2016	566 582	17 975	95 970	30 267	-	105 242	816 036	865 054
SM: QAA-S Ms ML Madalane Appointed 1 January 2017	724 897	20 164	134 102	46 384	-	-	925 547	473 907
SM: QAA-PS Ms M Du Toit Appointed 1 January 2017	172 727	-	28 450	8 904	-	-	210 081	-
SM: HRM&D Ms RA Selesho Appointed 1 April 2017	733 653	-	123 508	41 058	-	-	898 219	-
SM: E&A Ms C Thomas Appointed 1 January 2017	196 099	-	28 063	-	-	-	224 162	-
SM: F&SCM (Acting CFO) Ms JM Rousseau Appointed 1 April 2016	930 906	-	137 076	-	-	-	1 067 982	-
SM: ICT Mr I Makgoka Appointed 1 April 2016	735 559	-	123 508	-	-	-	859 067	-



**REPORT OF THE COUNCIL (CONTINUED)**

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

<b>EXECUTIVE AND SENIOR MANAGEMENT</b>	<b>Salary R</b>	<b>Bonuses and performance related payments R</b>	<b>Retirement Fund contributions R</b>	<b>Medical contributions R</b>	<b>Long service award R</b>	<b>Leave Pay out R</b>	<b>Total package 2017 R</b>	<b>Total package 2016 R</b>
SM: SPR Ms S Mosimege Appointed 1 April 2016	836 237	-	141 220	-			977 457	-
SM: SIR Dr C Booyse Appointed 1 September 2016	443 380	-	74 435	-			517 815	-
CFO: Mr JR Thomas Retired 29 February 2016	-	-	-	-				1 394 733
SM: E&A Mr C Makaleng Resigned 31 August 2015	-	-	-	-				538 478
<b>SUB-TOTAL</b>	<b>10 632 604</b>	<b>260 082</b>	<b>1 744 568</b>	<b>220 969</b>	<b>43 961</b>	<b>105 242</b>	<b>13 007 426</b>	<b>9 385 641</b>
<b>TOTAL</b>	<b>11 049 830</b>	<b>260 082</b>	<b>1 744 568</b>	<b>220 969</b>	<b>43 961</b>	<b>105 242</b>	<b>13 424 653</b>	<b>9 931 527</b>



## STATEMENT OF FINANCIAL POSITION

	Notes(s)	2017 R	2016 R
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	66,419,451	56,040,887
Receivables from exchange transactions	4	5,746,107	5,700,417
		<b>72,165,558</b>	<b>61,741,304</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	5	33,438,151	35,475,312
Intangible assets	6	55,620	43,117
Operating lease asset	7	17,160	98,821
		<b>33,510,931</b>	<b>35,617,250</b>
Total Assets		<b>105,676,489</b>	<b>97,358,554</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	8	15,912,541	12,894,013
<b>Total Liabilities</b>		<b>15,912,541</b>	<b>12,894,013</b>
<b>Net Assets</b>			
<b>Reserves</b>			
Revaluation reserve	9	8,484,261	8,484,261
Accumulated surplus		81,279,687	75,980,280
<b>Total Net Assets</b>		<b>89,763,948</b>	<b>84,464,541</b>

**STATEMENT OF FINANCIAL PERFORMANCE**

AS AT 31 MARCH 2017

		<b>2017</b>	<b>2016</b>
	<b>Note(s)</b>	<b>R</b>	<b>R</b>
Revenue	10	145,943,741	140,199,305
Other income	11	2,640,470	2,072,144
Other operating expenses		(16,091,389)	(18,358,802)
Certification expenses		(3,269,931)	(5,001,706)
Communication expenses		(9,319,189)	(4,056,277)
Consulting and professional fees		(3,678,109)	(5,361,277)
Depreciation, amortisation and impairments	5	(3,221,461)	(3,487,175)
Moderator and verifier costs		(30,987,315)	(28,779,095)
Personnel costs	13	(59,092,139)	(53,948,292)
Printing and stationery		(3,849,456)	(2,529,693)
Travel and accommodation - local		(17,904,992)	(19,779,294)
<b>Operating surplus</b>	12	<b>1,170,230</b>	<b>969,838</b>
Investment revenue	14	4,129,176	3,764,206
<b>Surplus for the period</b>		<b>5,299,406</b>	<b>4,734,044</b>



## STATEMENT OF CHANGES IN NET ASSETS

	Note(s)	Revaluation reserve R	Accumulated surplus R	Total net assets R
<b>Balance at April 1 2015 as restated</b>		<b>8,196,622</b>	<b>71,246,236</b>	<b>79,442,858</b>
Changes in net assets				
Surplus for the period		-	4,734,044	4,734,044
Revaluation of buildings		287,639	-	287,639
Total changes		287,639	4,734,044	5,021,683
<b>Balance at 01 April 2016</b>		<b>8,484,261</b>	<b>75,980,281</b>	<b>84,464,542</b>
Changes in net assets				
Surplus for the period		-	5,299,406	5,299,406
Total changes		-	5,299,406	5,299,406
<b>Balance at 31 March 2017</b>	9	<b>8,484,261</b>	<b>81,279,687</b>	<b>89,763,948</b>

**CASH FLOW STATEMENT**

	2017 R	2016 R
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
From exchange transactions	29,673,307	29,566,450
Grant : Department of Basic Education	118,678,000	112,705,000
Investment income	4,129,176	3,764,206
	<b>152,480,483</b>	<b>146,035,656</b>
<b>Payments to</b>		
Employee costs	(59,092,139)	(53,948,292)
Suppliers	(81,769,068)	(85,454,502)
	<b>(140,861,207)</b>	<b>(139,402,794)</b>
<b>Net cash flows from operating activities</b>	<b>17 11,619,276</b>	<b>6,632,862</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	5 (1,210,053)	(1,426,953)
Proceeds from sale of property, plant and equipment	5 5,453	2,303
Purchase of other intangible assets	6 (36,112)	-
<b>Net cash flows from investing activities</b>	<b>(1,240,712)</b>	<b>(1,424,650)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>10,378,564</b>	<b>5,208,212</b>
Cash and cash equivalents at the beginning of the year	56,040,887	50,832,675
<b>Cash and cash equivalents at the end of the year</b>	<b>3 66,419,451</b>	<b>56,040,887</b>



## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE	Approved adjustments R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Accreditation fees	5,779,325	-	5,779,325	10,287,791	4,508,466	
Certification fees	3,808,800	-	3,808,800	7,455,049	3,646,249	1
Verification fees	10,580,000	-	10,580,000	9,522,901	(1,057,099)	2
Rental income	2,285,069	-	2,285,069	1,392,823	(892,246)	
Prescript income	-	-	-	563,485	563,485	
Sundry income	-	-	-	684,162	684,162	
Interest received - investment	727,376	-	727,376	4,129,176	3,401,800	3
Reserve funds	13,331,672	-	13,331,672	-	(13,331,672)	4
<b>Total revenue from exchange transactions</b>	<b>36,512,242</b>	<b>-</b>	<b>36,512,242</b>	<b>34,035,387</b>	<b>(2,476,855)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grant: Department of Basic Education	118,678,000	-	118,678,000	118,678,000	-	
<b>Total revenue</b>	<b>155,190,242</b>	<b>-</b>	<b>155,190,242</b>	<b>152,713,387</b>	<b>(2,476,855)</b>	
<b>Expenditure</b>						
Personnel costs	(69,355,899)	-	(69,355,899)	(59,092,139)	10,263,760	5
Depreciation and amortisation	(3,000,000)	-	(3,000,000)	(3,221,461)	(221,461)	
Debt impairment	-	-	-	(1,263,818)	(1,263,818)	
Moderator and verifier costs	(28,072,295)	-	(28,072,295)	(30,987,315)	(2,915,020)	6
Repairs and maintenance	(900,000)	-	(900,000)	(950,875)	(50,875)	
Administrative expenses	(53,862,048)	-	(53,862,048)	(51,854,464)	2,007,584	7
<b>Total expenditure</b>	<b>(155,190,242)</b>	<b>-</b>	<b>(155,190,242)</b>	<b>(147,370,072)</b>	<b>7,820,170</b>	
<b>Operating surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,343,315</b>	<b>5,343,315</b>	
Loss on disposal of assets and liabilities	-	-	-	(43,909)	(43,909)	
<b>Surplus before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,299,406</b>	<b>5,299,406</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,299,406</b>	<b>5,299,406</b>	



## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUED)

### COMMENTS

1. Certification income for private assessment bodies above expectation.
2. Verification income is income derived from the verification of qualifications issued by Umalusi and is dependent on the demand of the particular service.
3. Interest realised from the reserve funds invested with the Corporation of Public Deposits (CPD) of the South African Reserve Bank. Funds had been reserved for the building renovation project. Tender awarded after year end. Refer to note 23 on capital commitments.
4. Reserve funds not utilised. Refer to note 3 of the financial statements. The reserves are invested with CPD.
5. This is due to some vacant posts not filled during the year.
6. 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 mitigating controls around the exam irregularities.
7. Administrative expenses included operational and maintenance costs budgeted for the new building that were not incurred as the building was not ready for occupation.



## ACCOUNTING POLICIES

### 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with 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 expectation that the entity will continue to operate 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 presented 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. Refer to note 4.

#### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current 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 over 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.



## ACCOUNTING POLICIES (CONTINUED)

### 1.4 Property, plant and equipment (continued)

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 done 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:

Item	Depreciation method	Average useful life
Land	None	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 depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting 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.



## ACCOUNTING POLICIES (CONTINUED)

### 1.4 Property, plant and equipment (continued)

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 that 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.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12).

### 1.5 Intangible assets

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 of the asset can be measured reliably.

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.

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

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.

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

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.

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:

**ACCOUNTING POLICIES (CONTINUED)****1.6 Financial instruments (continued)**

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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 are measured at amortised cost.

**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.

**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.



## ACCOUNTING POLICIES (CONTINUED)

### 1.7 Leases (continued)

#### 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.

### 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 managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

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

### 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 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service, and ;
- bonus-, incentive- and performance-related payments, payable within 12 months after the end of the reporting 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.



## ACCOUNTING POLICIES (CONTINUED)

### 1.9 Employee benefits (continued)

#### 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 Commitments

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

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

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

### 1.11 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 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.

Certification and verification revenue is measured when the services have been provided to the requester.



## ACCOUNTING POLICIES (CONTINUED)

### 1.11 Revenue from exchange transactions (continued)

Due to the length of time it takes for the service provider to be accredited, the accreditation process is broken down into various stages that build up to the accreditation of the institution. Accreditation revenue is therefore recognised when the services have been rendered at each stage of completion.

### 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 and wasteful 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.



## ACCOUNTING POLICIES (CONTINUED)

### 1.16 Irregular expenditure (continued)

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 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 the 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 1 April 2016 to 31 March 2017.

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, while the budget is on a cash basis of accounting; therefore a comparison with the budgeted amounts for the reporting period has been included in the statement of comparison of budget and actual amounts.

### 1.18 Related parties

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

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

### 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 18: Segment Reporting	01 April 2017	No impact

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2017 R	2016 R
Cash-on-hand	261	1,880
Bank balances	1,998,918	3,863,848
Short-term deposits	64,420,272	52,175,159
	<b>66,419,451</b>	<b>56,040,887</b>

#### Credit quality of cash-at-bank and short-term deposits, excluding cash-on-hand

The credit quality of cash-at-bank and short-term deposits, excluding cash-on-hand, that are neither past due nor impaired, can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
Bank - BAA3 rating	1,998,918	3,863,848
CPD - XX rating	64,420,272	52,175,159
	<b>66,419,190</b>	<b>56,039,007</b>

### 4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables	5,685,116	4,372,707
IAEA 2016 Conference	-	1,327,190
Deposit - City of Tshwane	520	520
Operating lease receivables	60,471	-
	<b>5,746,107</b>	<b>5,700,417</b>

Umalusi hosted an international conference on behalf of the International Association for Educational Assessment (IAEA) in August 2016. The amount relates to the deposit that was paid to secure the conference venue in Cape Town, in line with the IAEA conference handbook for the hosting country. This conference was concluded successfully and the deposit was recovered from the conference fees paid by delegates, resulting in a profit of R305,452. Refer to note 8, Conference Fund.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)****Trade and other receivables impaired**

As of 31 March 2017, trade and other receivables of R 4,135,755 (2016: R 3,117,999) were impaired and provided for. The movement amount in the provision is R 1,263,818 as of 31 March 2017 (2016: R (102,668)).

The ageing of these receivables is as follows:

	2017 R	2016 R
Over 120 days	4,135,755	3,032,167

The provision for bad debts relates to the debtors whose debts are more than 120 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.

**5. PROPERTY, PLANT AND EQUIPMENT**

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5,800,000	-	5,800,000	5,800,000	-	5,800,000
Buildings	32,061,736	(7,562,397)	24,499,339	32,061,736	(5,961,736)	26,100,000
Plant and equipment	605,349	(548,134)	57,215	605,349	(525,414)	79,935
Furniture and fixtures	2,037,234	(1,233,349)	803,885	1,957,052	(1,093,179)	863,873
Office equipment	1,506,173	(948,427)	557,746	1,510,173	(753,053)	757,120
Computer equipment	5,775,652	(4,112,571)	1,663,081	5,822,523	(4,005,744)	1,816,779
Other fixed assets	450,920	(394,035)	56,885	409,240	(351,635)	57,605
<b>Total</b>	<b>48,237,064</b>	<b>(14,798,913)</b>	<b>33,438,151</b>	<b>48,166,073</b>	<b>(12,690,761)</b>	<b>35,475,312</b>

**Reconciliation of property, plant and equipment - 2017**

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	5,800,000	-	-	-	5,800,000
Buildings	26,100,000	-	-	(1,600,661)	24,499,339
Plant and equipment	79,935	-	-	(22,720)	57,215
Furniture and fixtures	863,873	108,504	(1,423)	(167,069)	803,885
Office equipment	757,120	-	-	(199,374)	557,746
Computer equipment	1,816,779	1,059,869	(47,939)	(1,165,628)	1,663,081
Other fixed assets	57,605	41,680	-	(42,400)	56,885
<b>Total</b>	<b>35,475,312</b>	<b>1,210,053</b>	<b>(49,362)</b>	<b>(3,197,852)</b>	<b>33,438,151</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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

	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Total
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>Total</b>	<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>

### Revaluations

The effective date of the revaluations was 2 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 revalued independently every four 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 Reyneveld Street 37, Portion 2 of Erf 2, Persequor Township, Gauteng, and measuring 5,721 square metres, was valued at R20,200,000. It is owner-occupied.

Land and buildings acquired in January 2014, described as Van Reyneveld Street 41, Portion 1 of Erf 2, Persequor Township, Gauteng, and measuring 5,879 square metres, was valued at R11,700,000 and is partially occupied. The Council approved a renovation tender for this property after year end. Refer to note 23.

### 6. INTANGIBLE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	216,900	(161,280)	55,620	180,788	(137,671)	43,117

### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	43,117	36,112	(23,609)	55,620

### Reconciliation of intangible assets - 2016

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)****7. OPERATING LEASE ASSET**

	2017	2016
<b>Lease payments due</b>		
- within one year	986,520	1,294,500
- in second to fifth year inclusive	1,101,940	1,760,057
- later than five years	-	166,077
<b>Value of lease receipts</b>	<b>2,088,460</b>	<b>3,220,634</b>
<b>Non-current asset</b>	<b>17,160</b>	<b>98,821</b>

The entity is leasing a portion of the building (Portion 1 of Erf 2) described in note 5 above, on a lease term ranging between 1 to 5 years at an average escalation of 7% per annum.

**8. PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade payables	3,817,101	3,996,569
Other accrued expenses	1,460,224	1,072,820
Income received in advance	2,650,845	1,723,546
Payroll accrual	744,675	488,001
Sundry creditors	2,832,337	425,231
Unknown deposits	210,119	658,382
Leave pay liability	3,891,788	4,529,464
Conference Fund	305,452	-
	<b>15,912,541</b>	<b>12,894,013</b>

The payroll accrual amount relates to employees' 13th cheque amounts scheduled to be paid in the next financial year.

Income received in advance was classified as sundry creditors in prior years and has been reclassified in the current year.

**9. REVALUATION RESERVE**

<b>Revaluation surplus relating to property, plant and equipment</b>		
Opening balance	8,484,261	8,196,622
Change during the year	-	287,639
	<b>8,484,261</b>	<b>8,484,261</b>

**10. REVENUE**

Accreditation	10,287,791	12,311,218
Certification	7,455,049	5,296,626
Grant: Department of Basic Education	9,522,901	9,886,461
Verification	118,678,000	112,705,000
	<b>145,943,741</b>	<b>140,199,305</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 10. REVENUE (CONTINUED)

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

	2017 R	2016 R
Accreditation	10,287,791	12,311,218
Certification	7,455,049	5,296,626
Verification	9,522,901	9,886,461
	<b>27,265,741</b>	<b>27,494,305</b>

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

Transfer revenue			
Grant: Department of Basic Education	<b>118,678,000</b>	<b>112,705,000</b>	

### 11. OTHER INCOME

Rental income	1,392,823	1,356,431
Prescript income	563,485	-
Sundry revenue	684,162	715,713
	<b>2,640,470</b>	<b>2,072,144</b>

During the current year rental reimbursement income was reclassified from rental income to sundry revenue. The prior year figures were also reclassified.

### 12. OPERATING SURPLUS

Operating surplus for the year is stated after accounting for the following:

Operating lease charges			
Equipment			
Contractual amounts	238,273	252,438	
Loss on sale of property, plant and equipment	(43,909)	(108,380)	
Amortisation on intangible assets	23,609	44,700	
Depreciation on property, plant and equipment	3,197,852	3,442,473	
Personnel costs	59,092,139	53,948,292	
Repairs and maintenance	950,875	1,078,838	

### 13. PERSONNEL COSTS

Basic salary	50,301,748	44,964,234
Medical aid	1,391,108	2,332,275
UIF	426,123	370,304
Pension	6,973,160	6,281,479
	<b>59,092,139</b>	<b>53,948,292</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)****14. INVESTMENT REVENUE**

	2017 R	2016 R
<b>Interest revenue</b>		
Corporation for Public Deposits	4,129,176	3,764,206

**15. 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.

**16. AUDITORS' REMUNERATION**

External audit fees	606,542	264,181
Internal audit fees	517,673	704,925
	<b>1,124,215</b>	<b>969,106</b>

**17. NET CASH FLOWS FROM OPERATING ACTIVITIES**

Surplus for the period	5,299,406	4,734,044
<b>Adjustments for:</b>		
Depreciation and amortisation	3,221,461	3,487,175
Loss on sale of assets	43,909	108,380
Movements in operating lease assets and accruals	81,661	(68,648)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(45,690)	2,015,953
Payables from exchange transactions	3,018,529	(3,644,042)
	<b>11,619,276</b>	<b>6,632,862</b>

**18. RELATED PARTIES**

**Affiliated companies by government**  
**Accounting authority**  
**Associated institution**  
**Council members**  
**Executive and Senior Management**

State Information Technology Agency (SITA)  
 Department of Basic Education  
 Associated Institutions Pension Fund (AIPF)  
 Refer to note 10 of the Council Report  
 Refer to note 10 of the Council Report

A related party is a person or an entity with the ability to control, or jointly control, the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 18. RELATED PARTIES (CONTINUED)

#### Related party balances

Amounts included in Trade receivable (Trade payable) regarding related parties

	2017 R	2016 R
State Information Technology Agency (SITA)	(347,071)	(359,346)

#### Related party transactions

State Information Technology Agency (SITA)	5,877,675	5,505,711
Department of Basic Education	(118,678,000)	(112,705,000)
Associated Institutions Pension Fund (AIPF)	6,821,231	6,281,479
Non-executive members - Refer to note 10 of the Council Report	417,226	545,886
Executive and Senior Management - Refer to note 10 of the Council Report	13,007,426	9,385,641

### 19. FINANCIAL INSTRUMENTS DISCLOSURE

#### Categories of financial instruments

##### 2017

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	5,685,116	5,685,116
Cash and cash equivalents	66,419,190	66,419,190
	<b>72,104,306</b>	<b>72,104,306</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	3,817,101	3,817,101

##### 2016

#### Financial assets

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)****19. FINANCIAL INSTRUMENTS DISCLOSURE (continued)****Financial liabilities**

Trade and other payables from exchange transactions

At amortised cost	Total
3,996,568	3,996,568

**20. RISK MANAGEMENT****Financial risk management**

The entity's activities expose it to 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.

	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
<b>At 31 March 2017</b>				
Payables from exchange transactions	15,495,215	-	-	-
<b>At 31 March 2016</b>				
Payables from exchange transactions	12,894,012	-	-	-

**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 a 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**

Receivables from exchange transactions

Cash and cash equivalents

	2017 R	2016 R
Receivables from exchange transactions	5,746,107	5,700,417
Cash and cash equivalents	66,419,190	56,039,007

**21. GOING CONCERN**

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 2017/2018 to 2020/2021.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 22. IRREGULAR EXPENDITURE

	2017 R	2016 R
Opening balance	81,709	-
Add: Irregular expenditure - current year	497,800	81,709
	<b>579,509</b>	<b>81,709</b>

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

Current year	497,800	62,209
Prior years	81,709	19,500
	<b>579,509</b>	<b>81,709</b>

#### Details of irregular expenditure – current year

#### Disciplinary steps taken/criminal proceedings

Awarding a contract extension to a supplier with a non-tax compliant status.	In process	319,975
Acquired goods without going through a competitive process of sourcing three quotations.	In process	140,547
Renewal of contract without going through a competitive process of sourcing three quotations.	In process	37,278
		<b>497,800</b>

### 23. COMMITMENTS

#### Authorised capital expenditure

#### Capital commitments

Subsequent to year end, the Council approved a tender amounting to R36,420,108 for the renovation of the adjacent building, owned by the entity, to cater for the the growth of the organisation. The building is described as Van Reyneveld Street 41, Portion 1 of Erf 2 in note 5.

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

#### Minimum lease payments due

- within one year	238,860	-
- in second to fifth year inclusive	238,860	-
	<b>477,720</b>	-

Operating lease payments represent rentals payable by the entity for certain office equipment. The leases are negotiated for an average term of three years with no escalation clause. In the prior year there were no operating leases as lessee.



## DETAILED INCOME STATEMENT

	Note(s)	2017	2016
<b>Revenue</b>			
Accreditation		10,287,791	12,311,218
Certification		7,455,049	5,296,626
Verification		9,522,901	9,886,461
Government Grant: Department of Basic Education		118,678,000	112,705,000
		<b>145,943,741</b>	<b>140,199,305</b>
<b>Other Revenue</b>			
Interest received	14	4,129,176	3,764,206
Prescript income		563,485	-
Rental income		1,392,823	1,356,431
Sundry revenue		684,162	715,713
		<b>6,769,646</b>	<b>5,836,350</b>
<b>Operating expenses</b>			
Administrative expenses		(41,198)	(87,039)
Advertising		(287,600)	(562,602)
Audit Committee expenses		(10,963)	-
Auditors' remuneration	16	(1,124,215)	(969,106)
Bank charges		(250,854)	(304,190)
Certification expenses		(3,269,361)	(5,001,706)
Cleaning		(471,837)	(472,558)
Communication expenses		(9,319,189)	(4,056,277)
Community development and training		-	(313,470)
Computer expenses		(1,753,641)	(2,690,146)
Conference and workshops		(1,645,044)	(3,708,629)
Consulting and professional fees		(3,678,109)	(5,361,277)
Council-related expenses		(231,076)	(284,885)
Depreciation, amortisation and impairments		(3,221,461)	(3,487,174)
Electricity		(1,058,978)	(1,004,813)
Insurance		(322,826)	(361,929)
Lease rentals on operating lease		(238,273)	(252,438)
Legal expenses		(452,091)	(397,848)
Levies		(624,554)	(585,061)
Loss on disposal of assets		(43,909)	(108,380)

The supplementary information presented does not form part of the Annual Financial Statements and is unaudited.



## DETAILED INCOME STATEMENT (CONTINUED)

Note(s)	2017	2016
<b>Operating expenses (Continued)</b>		
Meeting expenses	(813,051)	(686,720)
Membership fees	(46,790)	(59,102)
Moderator and verifier costs	(30,987,315)	(28,779,095)
Personnel costs	(59,092,139)	(53,948,292)
Postage	(239,179)	(148,118)
Printing and stationery	(3,849,456)	(2,529,693)
Provision for bad debts movement	(1,263,818)	102,682
Repairs and maintenance	(950,875)	(1,078,838)
Research and development costs	(66,473)	(38,956)
Security	(1,059,077)	(1,021,672)
Staff welfare and refreshments	(257,698)	(218,681)
Subscriptions	(270,594)	(210,132)
Telephone and fax	(630,780)	(603,037)
Training	(1,345,899)	(1,460,964)
Travel and accommodation - local	(17,904,992)	(19,779,294)
Travel and accommodation - overseas	(590,666)	(832,136)
	<b>(147,413,981)</b>	<b>(141,301,611)</b>
<b>Surplus for the year</b>	<b>5,299,406</b>	<b>4,734,044</b>

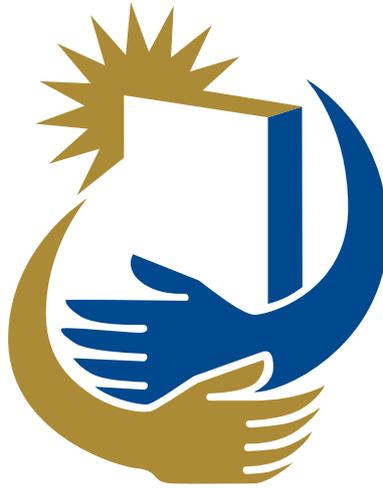
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