

UMALUSI



Council for Quality Assurance in  
General and Further Education and Training



# ANNUAL REPORT 2017 | 18



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PART A

# GENERAL INFORMATION

# [ 1. GENERAL INFORMATION ]

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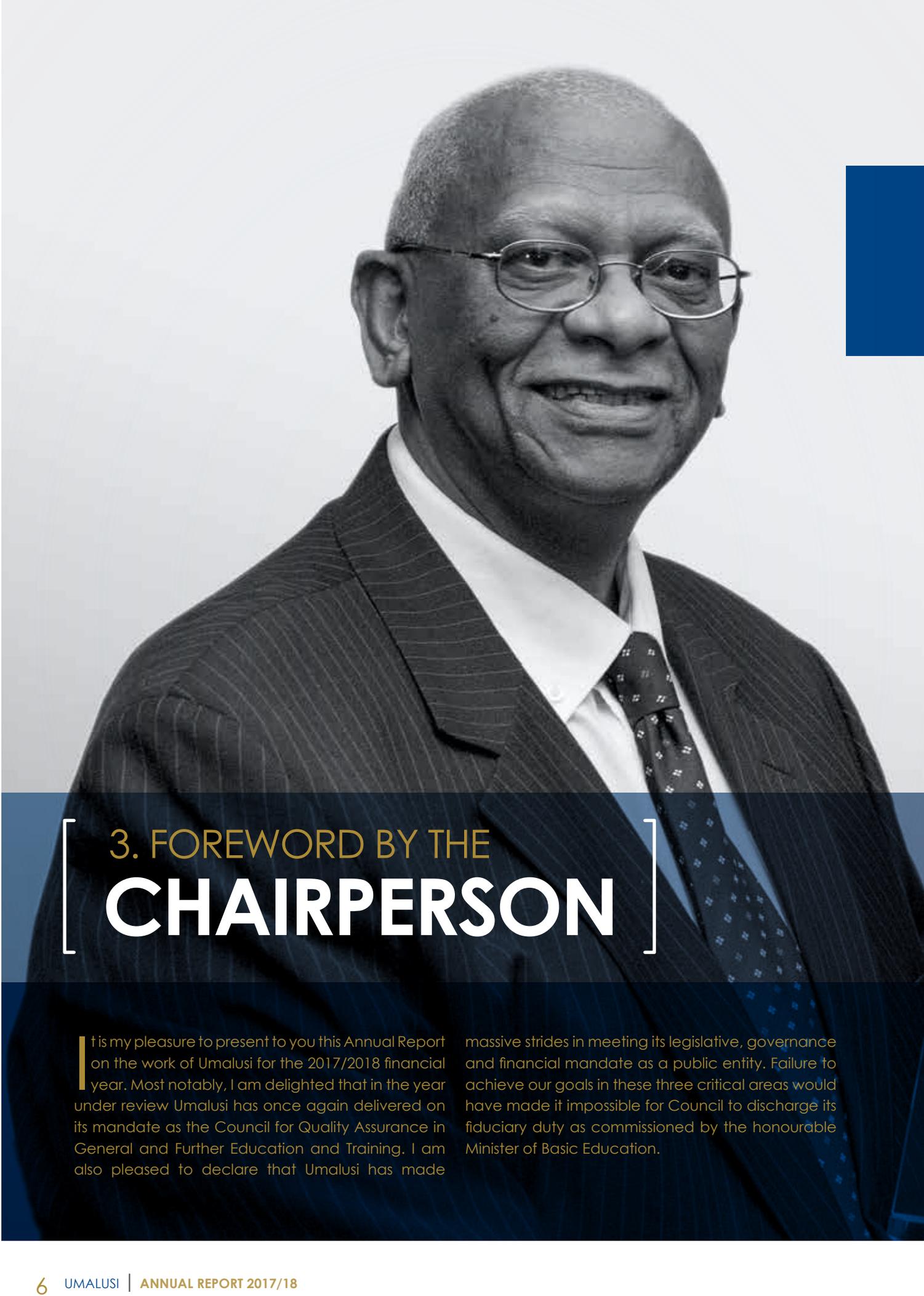
**BANKERS** Absa Bank Limited

**COUNCIL SECRETARY** Ms Sithembile Mngoma

## 2. LIST OF ABBREVIATIONS/ACRONYMS

<b>AET</b>	Adult Education and Training
<b>ABET</b>	Adult Basic Education and Training
<b>ACC</b>	Accreditation Committee of Council
<b>APP</b>	Annual Performance Plan
<b>ASC</b>	Assessment Standards Committee
<b>AVE</b>	Advertising Value Equivalency
<b>BAA</b>	Benchmark Assessment Agency
<b>CAPS</b>	Curriculum and Assessment Policy Statements
<b>CAT</b>	Common Assessment Tasks
<b>CEPD</b>	Centre for Education Policy Development
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CHE</b>	Council on Higher Education
<b>CS</b>	Colleges and Schools
<b>DBE</b>	Department of Basic Education
<b>EETC</b>	Employment Equity and Training Committee
<b>DHET</b>	Department of Higher Education and Training
<b>E&amp;A</b>	Evaluation and Accreditation
<b>ECD</b>	Early Childhood Development
<b>EGD</b>	Engineering Graphics and Design
<b>EoR</b>	Examinations on Request
<b>EXCO</b>	Executive Committee of Council
<b>FAL</b>	First Additional Language
<b>FET</b>	Further Education and Training
<b>FMPPI</b>	Framework for Managing Programme Performance Information
<b>F&amp;SCM</b>	Finance and Supply Chain Management
<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>HRM&amp;D</b>	Human Resource Management and Development
<b>IAEA</b>	International Association for Educational Assessment
<b>ICASS</b>	Internal Continuous Assessment (for NC(V))
<b>ICT</b>	Information and Communication Technology
<b>IEB</b>	Independent Examinations Board
<b>MIE</b>	Managed Integrity Evaluation
<b>MTSF</b>	Medium-Term Strategic Framework

<b>NATED</b>	National Education (Report 190/191)
<b>NASCA</b>	National Senior Certificates for Adults
<b>NC(V)</b>	National Certificate (Vocational)
<b>NDP</b>	National Development Plan
<b>NLRD</b>	National Learners' Records Database
<b>NQF</b>	National Qualifications Framework
<b>NSC</b>	National Senior Certificate
<b>NT</b>	National Treasury
<b>NTCE</b>	National Tourism Careers Expo
<b>PAT</b>	Practical Assessment Task
<b>PED</b>	Provincial Education Department
<b>PFMA</b>	Public Finance Management Act
<b>PMDS</b>	Performance Management and Development System
<b>PR&amp;COMMS</b>	Public Relations and Communications
<b>Q&amp;R</b>	Qualifications and Research
<b>QAA</b>	Quality Assurance of Assessment
<b>QAA-PSQ</b>	Post School Qualifications
<b>QAA-SQ</b>	School Qualifications
<b>QAM</b>	Quality Assurance and Monitoring
<b>QC</b>	Quality Council
<b>QCC</b>	Qualifications, Curriculum and Certification
<b>QCTO</b>	Quality Council for Trades and Occupation
<b>S&amp;G</b>	Strategy and Governance
<b>SBA</b>	School-/Site-Based Assessment
<b>SACAI</b>	South African Comprehensive Assessment Institute
<b>SACE</b>	South African Council for Educators
<b>SAFCERT</b>	South African Certification Council
<b>SAQA</b>	South African Qualifications Authority
<b>SASL</b>	South African Sign Language
<b>SC</b>	Senior Certificate
<b>SC(a)</b>	Senior Certificate (amended)
<b>SCM</b>	Supply Chain Management
<b>SIR</b>	Statistical Information and Research
<b>SITA</b>	State Information Technology Agency
<b>STEAM</b>	Science, Technology, Engineering, Arts and Mathematics
<b>TVET</b>	Technical and Vocational Education and Training
<b>VAT</b>	Value Added Tax
<b>WSP</b>	Workplace Skills Plan

A black and white portrait of an elderly man with glasses, wearing a dark pinstriped suit jacket, a white shirt, and a dark patterned tie. He is smiling slightly. The background is a light, neutral color. A solid blue rectangle is positioned in the top right corner of the page.

## 3. FOREWORD BY THE CHAIRPERSON

It is my pleasure to present to you this Annual Report on the work of Umalusi for the 2017/2018 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 mandate as a public entity. Failure to achieve our goals in these three critical areas would have made it impossible for Council to discharge its fiduciary duty as commissioned by the honourable Minister of Basic Education.

*“Council has, during its tenure, achieved a number of milestones, most of which I will not be able to cover in this brief report.”*

Umalusi has done very well over the years to align its operations with its vision in an endeavour to position itself as 'a trusted authority in quality assurance of education provision, recognised locally and internationally'. In light of educational challenges experienced locally, in the region and on the continent, Umalusi's role in setting and improving educational standards, albeit locally, has become increasingly important for its involvement in other communities of practice beyond the borders of South Africa. For example, Umalusi is an active member of the following international bodies: the Southern Africa Association for Educational Assessment (SAAEA) on the regional level, the Association for Educational Assessment in Africa (AEAA) on the level of the continent, as well as the International Association for Educational Assessment (IAEA) on the international scale. Umalusi is looking to benefit from 'international best practice' by interacting with examination councils and other stakeholders who participate in the abovementioned structures.

In the same vein, we aim to influence international practice by sharing our own experiences with our counterparts. We seek to do so by firstly prioritising our participation in the regional forums, such as SAAEA whose membership has grown significantly over the past few years. As part of this growth, the establishment of the Research Forum has also strengthened collaboration among member countries in the SADC region. We therefore acknowledge our collective responsibility to improve education standards in the region because education has significant benefits to human development along with its benefits to other sectors. Beyond increased general knowledge, an educated population is better equipped to address issues affecting the region, such as industrial development and poverty eradication in southern Africa.

Since the 1960s, enrolment rates in education throughout southern Africa have increased at all levels, from primary through to tertiary and postgraduate. While these improvements are encouraging, the SADC region still falls behind international and continental averages. In the SADC protocol on education, member states acknowledge that while each member state has its own policies for education and training, and while cooperation and mutual assistance in education is desirable, this can be facilitated more effectively by the development of harmonised and, eventually, standardised policies regarding education and training.

The Protocol on Education and Training Development in SADC identifies the areas of cooperation as follows: basic education (which is the area in which we operate), intermediate education and training (in which some of us operate), higher education and training (not in our area of work, but it remains relevant as higher education is), research and development (our area of work), life-long education (in our area of work) and publishing and library resources (which touch on our work). The Protocol further gives guidance on institutional arrangements for implementation of the Protocol as well as resources and scholarship fund assets.

Council has during its tenure achieved a number of milestones, most of which I will not be able to cover in this brief report. However, it should suffice to mention the following achievements, which were of strategic significance to the work of the organisation:

In terms of quality assurance of qualifications, which is one of Umalusi's key legislative mandates, (1) the General and Further Education and Training Qualifications Sub-framework (GFETQSF) was successfully launched in May 2015 based on the prescriptions of the National Qualifications Framework

*“Council managed to fulfil its evaluation and accreditation mandate by considering and making recommendations on 840 reports for independent schools, 231 reports for private Further Education and Training (FET) colleges, and 83 private Adult Education and Training (AET) centres. ”*

Act No 67 of 2008. (2) The new qualification, called the General Education and Training Certificate for Adults (GETCA) was gazetted in September 2015 and registered by the South African Qualifications Authority (SAQA) in November 2015.

Regarding its curriculum development mandate, (3) Umalusi played a pivotal role in supporting the Department of Higher Education and Training (DHET) in finalising the curriculum for the newly developed National Senior Certificate for Adults (NASCA) and delivered an appraisal of the curriculum in record time during the 2016-2017 financial year. Of particular significance in the year under review was the successful launch of the report on the introduction of South African Sign Language (SASL) as an examinable subject in the National Senior Certificate (NSC). By recognising SASL as a home language in the curriculum, our education system has taken a significant step towards becoming truly inclusive.

Furthermore, in an attempt to fulfil its certification mandate, (4) the organisation has played a key role in supporting the DHET in addressing a backlog of certificates to candidates for the National Certificate Vocational (NC(V)). (5) Umalusi was granted the rights to host a very successful 42nd Annual Conference of the International Association for Educational Assessment (IAEA), which was held from 21 to 26 August 2016, in Cape Town. Based on the proceedings of the IAEA conference, two special

academic journals were published in fulfilment of Umalusi's research mandate, namely, Perspectives in Education, volume 34, number 4 of 2016 and Journal of Education, Issue 70 of 2017.

Regarding its quality assurance of assessment mandate, (6) Council has paid meticulous attention to the entire value chain of the quality assurance of assessment process, including the contentious standardisation of results. In this regard, Council has fulfilled its mandate by standardising the results of national examinations administered by the five assessment bodies, namely the Department of Basic Education (DBE), DHET, Independent Examinations Board (IEB), South African Comprehensive Assessment Institute (SACAI) and Benchmark Assessment Agency (BAA). Council was also able to deal with negative episodes of examination irregularities, such as the rampant incidents of group copying in 2014 and paper leakages in 2016 and 2017.

Last but not least, (7) Council managed to fulfil its evaluation and accreditation mandate by considering and making recommendations on 840 reports for independent schools, 231 reports for private FET colleges, and 83 private AET centres—in total, 1 154 applications for accreditation were considered and processed by the Accreditation Committee of Council (ACC).

I am pleased to report that Umalusi Council has once again obtained an unqualified audit report during

the year under review. This is in no small measure due to the capable leadership of Umalusi management and the diligent and meticulous work of the Audit and Risk Committee under the chairpersonship of Ms Lorraine Rossouw. Furthermore, the Council is in regular communication with the Portfolio Committee on Basic Education to give an account of Umalusi work. The Council has fulfilled its commitment to the 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 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: Ms Naledi Pandor, MP, the Director-General of Basic Education: Mr Mathanzima Mveli, 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 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: Dr Mafu Rakometsi, and his executive management team, for providing steady, dynamic and visionary leadership for Umalusi.



**Professor John Volmink**

Chairperson of Umalusi Council

31 July 2018

A black and white portrait of a middle-aged Black man with a receding hairline, wearing a dark suit, white shirt, and patterned tie. He is smiling slightly and looking towards the camera. The background is a plain, light-colored wall. A solid blue rectangular block is positioned in the upper right corner of the page.

## 4. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

As we look back at yet another busy year at Umalusi, I am delighted to report to our stakeholders that the organisation continues to experience tremendous growth in relation to its operations. The growth can be ascribed in part to the need for Umalusi Council to reinterpret the organisation's legislative mandate, in line with the growing demands of the ever-evolving educational landscape.

While Umalusi's mandate remains as defined in its two founding Acts, namely the General and Further Education and Training Quality Assurance Act No. 58 of 2001, as amended, and the National Qualifications Framework Act No. 67 of 2008, the full scope of Umalusi's mandate, as encapsulated in these Acts, is yet to be fully explored.

*“As part of quality assurance of assessment, all question papers for the various assessment bodies were moderated and approved ”*

All education systems around the globe currently face typical 21st century challenges in relation to curriculum models, approaches to learner assessment, teacher training, the development of appropriate qualifications and the standardisation of examination results. This 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 has continued to deliver on its mandate as pronounced in the above-mentioned 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 2017/18, Umalusi reached many milestones. In the ensuing paragraphs, I will highlight some of these achievements. I also outline some of the challenges we experienced, as well as 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 2017 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 candidates obtain at the end of the process. In simple terms, our certificates must be worth the paper they are written on.

As part of quality assurance of assessment, all question papers for the 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.

After the end-of-year examinations, Umalusi also quality assured the conduct, administration and management of the supplementary examinations for the DHET, IEB, SACAI and the DBE, and conducted approval meetings for the second time for all supplementary examinations. The process to review the National Certificate (Vocational) (NC(V)) was completed and the final report submitted to the Minister of Higher Education in the 2017/18 financial year.

While we celebrate all the milestones, it is important to note that the organisation had its fair share of challenges and I mention a few in the ensuing paragraphs. We experienced challenges with finding suitably qualified and experienced people to appoint as external moderators for certain Engineering and General Education and Training: AET subjects. The main reason for this phenomenon is that there is limited expertise in the country.

We continue to experience challenges with regard to the systemic combination of the academic records of candidates who wrote their exams in more than one exam sitting, in some cases over several years. A combination of all results is required for a certificate to be issued. If a candidate complies with the requirements over more than one examination sitting, the subject statements are combined into a certificate; this is where major problems are still being experienced.

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 NSC, or subjects within the NSC, that are not independent

*“As part of quality assurance of assessment, all question papers for the various assessment bodies were moderated and approved; thus moderators were generally happy with the standard of the question papers and marking guidelines.”*

schools. These include repeater/rewrite centres and distance education, which fall outside the legislative mandate for accreditation.

Local service delivery strikes (e.g. Black Monday, among others) were at a peak during the end-of-year examination period and this affected the writing of examinations in certain districts in some provinces. The nationwide Black Monday strike affected some candidates who were unable to sit for the examinations conducted on that day. Such candidates may have been affected psychologically because of the strike.

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. We also plan to ride the wave of the digital age through the thoughtful use of IT systems to ensure a more effective and secure question paper moderation process and the electronic processing of data.

Other plans include the establishment of a task team to determine the requirements for the accreditation and quality assurance of distance and online education institutions, as well as matric rewrite centres. We also intend to initiate a process of developing a formal training programme for examiners, internal moderators, external moderators and markers. This will be done in collaboration with

some of our key stakeholders, such as the DBE, the South African Council for Educators (SACE), Education Labour Relations Council (ELRC) and the Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA). Furthermore, we plan to strengthen our financial systems so that the organisation can improve, from its historical status of obtaining unqualified audit reports, to achieving 'clean audits'.

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 Mafu Rakometsi**  
Chief Executive Officer  
Umalusi  
31 July 2018

## [ 5. STATEMENT OF RESPONSIBILITY ]

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

To the best of my knowledge and belief, I confirm the following:

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

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

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

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

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

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

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

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2018.



**Prof J Volmink**  
Chairperson of Council  
31 July 2018



**Dr Mafu Rakometsi**  
Chief Executive Officer  
31 July 2018

# [ 6. STRATEGIC OVERVIEW ]

## 6.1. VISION

To be 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, and assessment providers; and
- Grounding its work in research to ensure informed positions and approaches.

## 6.3. VALUES

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

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

# [ 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

Umalusi is founded on the following two Acts, namely:

- a. The National Qualifications Framework Act (NQF) (Act No. 67 of 2008);
- b. The General and Further Education and Training Quality Assurance Act (GENFETQA); (Act No. 58 of 2001) as amended;

Other relevant legislation in the education sector affecting Umalusi operations includes the following:

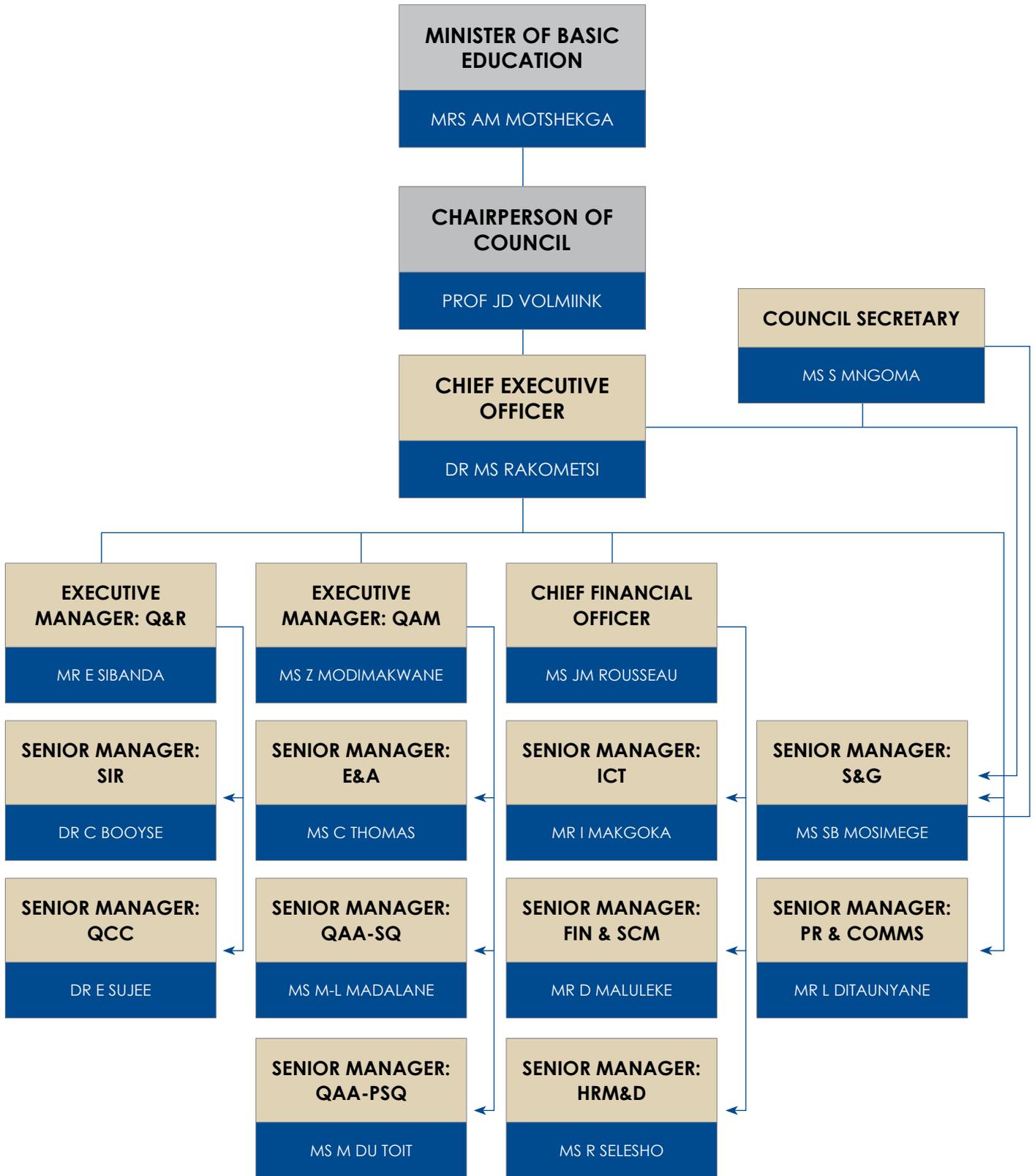
- c. The South African Schools Act (SASA) (Act No. 84 of 1996);
- d. The FET Colleges Act (Act No. 16 of 2006) as amended in 2010; and
- e. The ABET Act, (Act No. 52 of 2000) as amended in 2010.

During the 2017/18 financial year, Umalusi noted that the DHET initiated a process of reviewing the NQF. To date, the process has not yet affected Umalusi negatively.

## 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 General and Further Education and Training Qualifications Sub-framework, Umalusi, 2014;
- Policy documents and guidelines pertaining to the National Senior Certificate and the National Curriculum Statements; and any other qualification on the GFETQSF as applicable;
- 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 Training 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 ]





www.uma.org.za



PART B

PERFORMANCE INFORMATION

Back row: Ms Z Modimakwane, Mr E Sibanda, Ms JM Rousseau  
Seated: Dr MS Rakometsi, Prof JD Volmink

# 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The external auditor performs 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 if it was presented in accordance with the National Treasury's annual reporting principles, and whether the reported performance was consistent with the planned programmes.

Furthermore, the external auditor performed tests to determine if the 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).

The audit findings on performance against predetermined objectives are included under this heading in the report on 'other legal and regulatory requirements' section of the external auditor's report.

Refer to pages 79 to 83 for the external auditor's report, published as Part E: Financial Information.

# 2. SITUATIONAL ANALYSIS

## 2.1. SERVICE DELIVERY ENVIRONMENT

### OVERALL PERFORMANCE

Umalusi continues to ensure development and management of the GFETQSF of qualifications (Levels 1–4). It is through the commitment and determination of united employees of the entity that sub-framework qualifications meet acceptable international standards. During the financial year, the entity managed to fulfil its mandated obligations within a challenging environment. External factors that affected the operations of the entity included, among others, downgrading of South Africa to junk status by rating agencies and the shutdown protests by opposition political parties calling for the resignation of the former president. These occurrences had an impact on procurement of services due to a weak Rand and the reduction of certain functions to save costs. The year 2017/18 was the third in the implementation of the Government Medium-Term Strategic Framework (MTSF).

The education landscape is constantly changing; therefore it is necessary to keep reviewing the quality assurance policies to guide management operations in carrying out the Umalusi mandate. In this respect, the policies reviewed and the regulations provide a strategic framework for the management of the qualifications and quality assurance of assessment processes that Umalusi undertakes to maintain relevance and credibility of the qualifications on the GFETQSF.

In terms of aligning Umalusi work with national mandates, this entity has worked with the two education departments in quality assuring curriculum implementation towards attaining the broad outcomes of "an improved quality of basic education" in the basic sector and "improved skills development" for the higher education sector. Umalusi does not have direct targets to attain in terms of the National Development Plan (NDP); however, through curriculum research undertaken

by this organisation, the two education Ministers have been advised on issues related to:

- **The Policy for the Re-issue of National Certificates:** This policy was submitted to the Minister of Basic Education for gazetting. The purpose of the policy is to provide guidelines for the re-issuing of a certificate where information on an original certificate is not correct. In addition, the policy specifies the required documents, or evidence, and the responsibility of the requesting assessment body to ensure full compliance of each request before submission to Umalusi for consideration;
- **The review of existing qualifications:** Umalusi completed the review of the National Certificate (Vocational) (NC(V)) qualification. The review aimed to ensure that emphasis was placed on acquisition and mastery of the practical skills that this qualification offers, without neglecting the supporting theory, or fundamentals. The qualification is designed to enable articulation with other qualifications on the GFETQSF, the Occupational Qualifications Sub-framework of the NQF and the Higher Education Qualifications Sub-framework of the NQF;
- **Demand for a diversified National Senior Certificate (NSC) curriculum:** Umalusi has been part of the inter-ministerial task team working on the three-stream model, which is an attempt to create alternative pathways for completing the NSC qualification, in addition to the academic stream. This provides more educational opportunities than the current model and the impact of the new programmes is likely to produce more artisans in the country, as required by the NDP;
- **Demand for foreign qualifications:** The year has seen Umalusi dealing with requests for allowing foreign qualifications in the country that are equivalent to the NQF Levels 1–4 on the GFETQSF. The entity has engaged with some of the foreign qualification providers to obtain information

and has sought advice and guidance from the Minister on how their registration and operation should be managed;

- **The quality assurance of South African Sign Language as a Home Language:** South Africa is among the first countries to assess Sign Language as a home language. Umalusi achieved a landmark through the research it undertook, which gave insight into how this subject must be quality assured. As the first cohort of candidates prepares to write their NSC examination in 2018, Umalusi is proud to have put systems in place to conduct the necessary quality assurance processes at the affected schools.

## CHALLENGES

After 23 years of democracy, the education system is still confronted with a number of challenges, some of which impact on Umalusi's work. Some of the critical challenges are outlined below:

**Unaccredited private FET colleges:** There are a number of unaccredited private colleges that are offering qualifications registered on the GFETQSF. The negative impact of this is that the public is misled into believing that the offering of the college is credible. Umalusi will continue to address this matter through evaluations of private FET colleges and, working together with the DHET, try to ensure that the qualifications registered on the GFETQSF are offered only by accredited private education institutions.

**Underspecified NATED Report 190/191 Engineering Studies N1–N3 programmes:** The future of the NATED Report 190/191 Engineering Studies N1–N3 programmes needs to be discussed and finalised. The underspecified and sometimes outdated sections of syllabi, as well as the lack of a compulsory practical component, are not helping to develop the skill-set required by industry. The two quality councils, QCTO and Umalusi, in collaboration with DHET, need to reach consensus regarding the future of these programmes. This process must be expedited.

**Irregularities:** Umalusi often grapples with a number of irregularities in the public and private institutions during examinations. More effort is needed from all assessment bodies to intensify monitoring and put systems in place to avert most of these challenges. When irregularities are not resolved timeously the immediate release of the candidates' results and their future education prospects are affected.

**Unaccredited examination centres:** Umalusi is concerned about examination centres that have been established at unaccredited private education institutions. In future, Umalusi will not recognise results from these centres, on the basis that such private education institutions or centres are operating outside of Umalusi's policy prescripts.

## 2.2. ORGANISATIONAL ENVIRONMENT

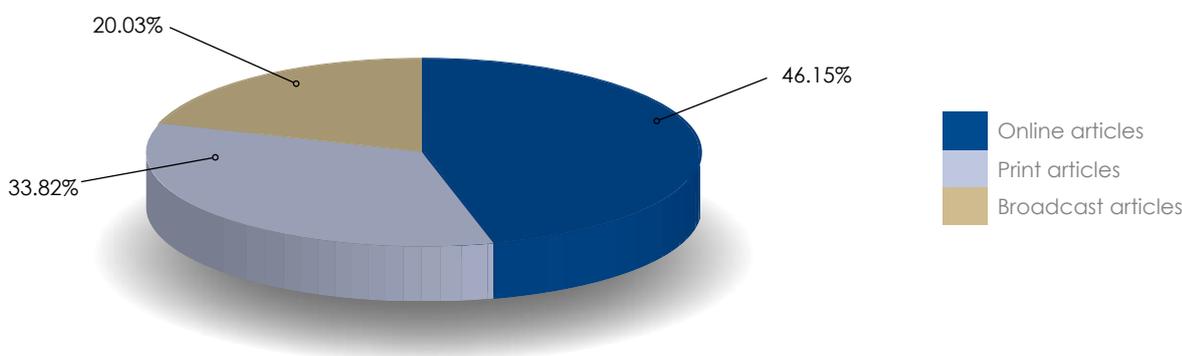
The organisation has made significant progress in a variety of ways, as discussed below. The purpose of the Public Relations and Communications function at Umalusi is to manage perceptions and strategic relationships between Umalusi and its internal and external stakeholders through various communication channels. To date, Umalusi has been able to reach South Africans through various media platforms, as reflected in Figure 1 below.

The illustration shows a breakdown of media coverage statistics during the current MTSF period, from 2014 to date. During this period Umalusi experienced a significant increase in the number of online, print and broadcast articles on a wide variety of stories linked to the core mandate of the

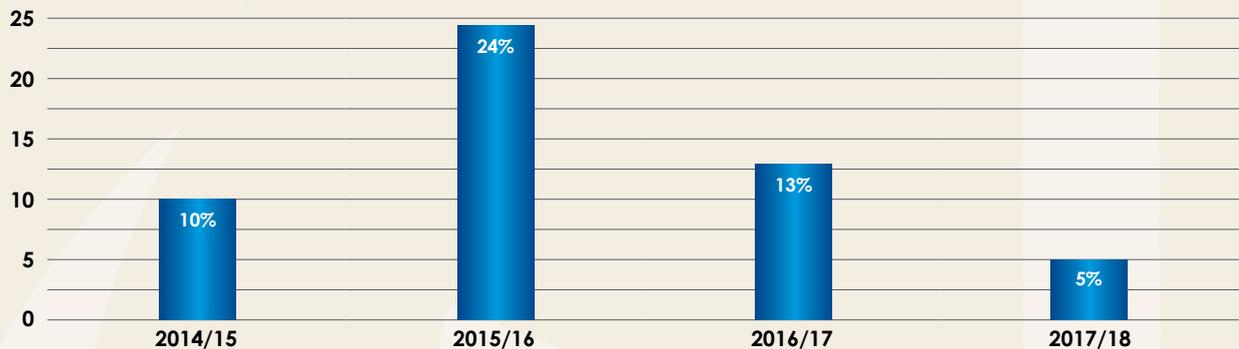
organisation. Online articles remain the preferred source of daily news (46.15%), in line with the ever-growing popularity of online platforms such as Media 24 and Independent Newspapers, among others. Print articles (newspaper and magazine articles) are still a platform of choice for the more conventional reader, with a strong output of 33.82% articles, followed by broadcast articles (TV and radio) at 20.03%.

Umalusi's media coverage has facilitated a better understanding of the work of the organisation in relation to the unit's legislative mandate to inform the public about the sub-framework. This has resulted in the growth and consolidation of the Umalusi brand within the education sector in South Africa, as reflected in the total Advertising Value Equivalency (AVE) of R143 million. AVE is a measure used in the public relations industry to measure the potential monetary benefit of media coverage of a public relations campaign.

One of the strategic imperatives of the PR & Comms Unit is to protect the Umalusi brand and manage its reputation. To achieve this, the unit attended to all queries received through the [info@umalusi.org.za](mailto:info@umalusi.org.za) email address (external communication). The bulk of the emails received were about verification of qualifications, lost certificates and outstanding National Certificate (Vocational) (NC(V)) certificates. Social media platforms (Facebook and Twitter) were used to assess stakeholder perceptions about Umalusi. The most common enquiries were about lost certificates and guidance was given on the proper application process for replacement certificates.



**Figure 1: The use of media platforms**

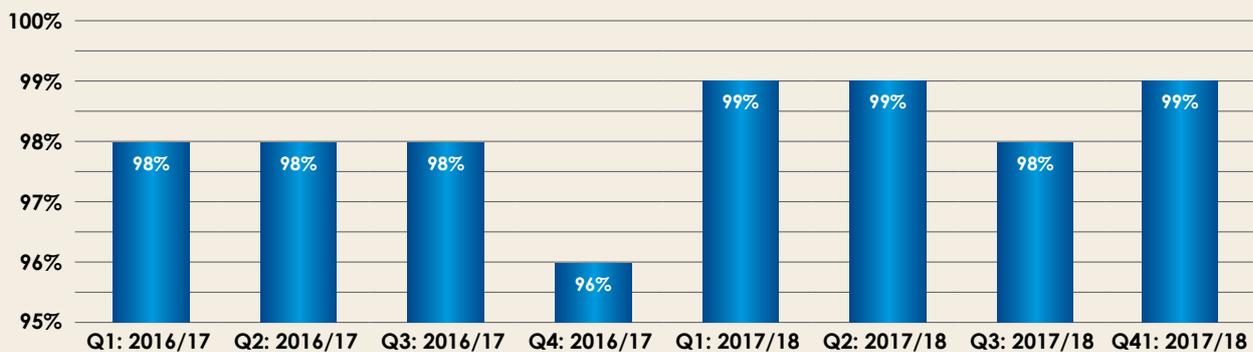


**Figure 2: Umalusi vacancy rates from 2014/15 to 2017/18**

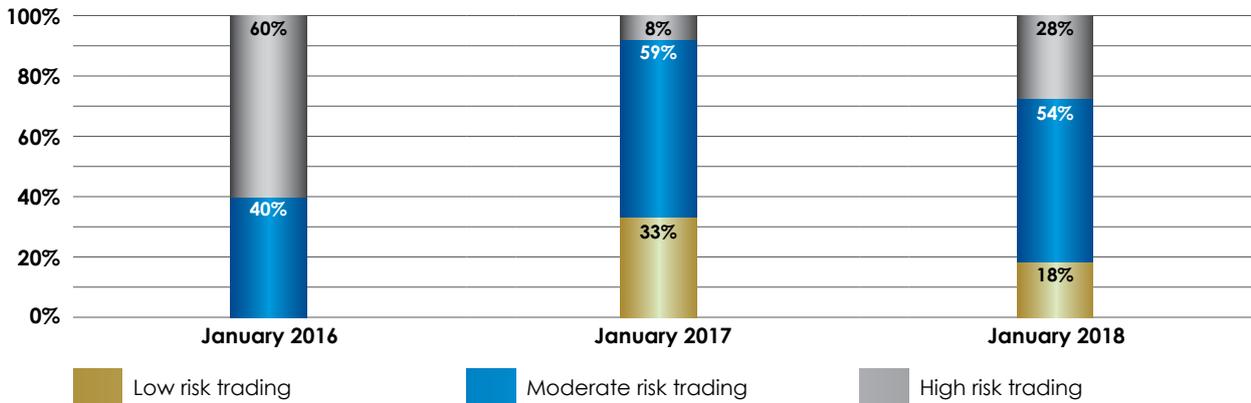
An analysis of the staff complement in 2017/18 shows that the number of vacant positions at any given time was lower than in the previous financial years. This was due to strict monitoring of filling of vacant posts within a turnaround time of 90 days. As a result, by the end of the financial year, the entity's vacancy rate was 5%, an improvement compared to the last three years (see Figure 2 above). The entity is doing well in terms of employment equity in respect of the representation of women in senior management positions; however, this trend is reversed at manager level where there are more male than female managers. Regarding strategic human resource practices, a number of both strategic and operational policies were approved to guide a wide range of organisational practices. Among the critical ones, the policy on accepting gifts protects employees from acts of corruption and unethical conduct. The remuneration, medical allowance and pension benefit policies all promote employee retention.

The entity has made huge strides in its compliance with the Information and Communications Technology (ICT) Governance Framework in the last two years through developing ICT governance policies. These policies guide the organisation in optimal use of ICT infrastructure and systems that facilitate the efficiency of service delivery in the entity's professional units. Because of these positive trends, the ICT infrastructure report in Figure 3 below shows that all systems have been operating optimally, at an average of 99% for the year. Smooth systems' operation has improved efficiency, quality and availability of data for all units. Some systems, however, are not yet fully functional, e.g. the Evaluation and Accreditation online system, which is being revamped to provide accurate information for accreditation processes. This system is anticipated to be error-free in the 2018/19 financial year.

Since supply chain management (SCM) was centralised, the management of tender processes



**Figure 3: ICT Infrastructure health levels**



**Figure 4: Risk management performance in the last three years**

for big contracts has improved. Training of senior management on the functions of bid committees has benefited the organisation through proper administration of tender processes. Umalusi has thus avoided some of the challenges experienced prior to 2017. At the close of the year, Finance and ICT worked collaboratively to develop an online procurement system. All users were trained during the year, in preparation for implementation in 2018/19.

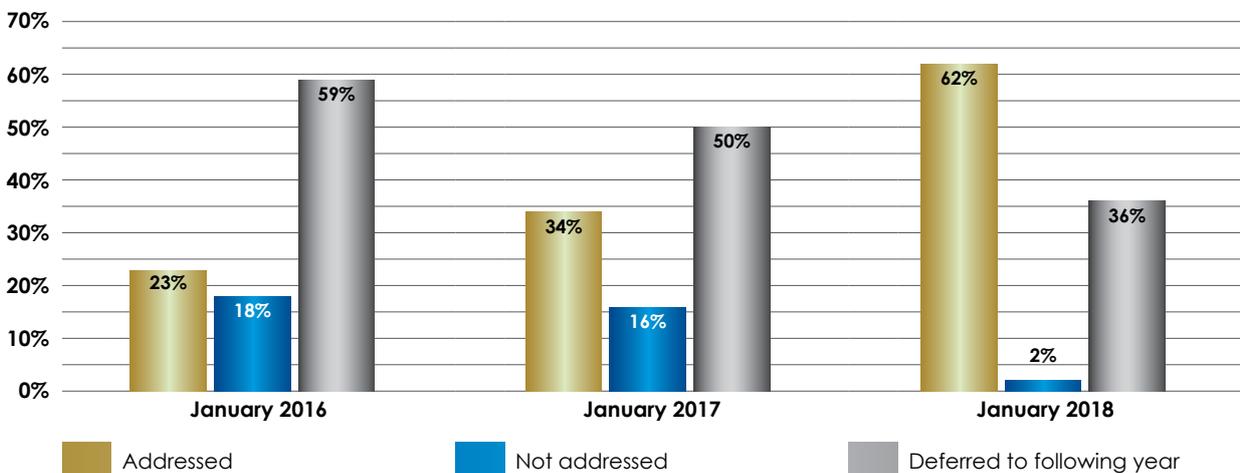
Success stories in corporate governance included the appointment of an experienced manager for the Council Secretariat position that had been vacant for some time. Risk management improved significantly, as reflected in Figure 4, a result of monthly risk monitoring at unit level. Secondly, the organisation's initiative to develop an audit tracking register has added value.

Most of the risks with a high-risk rating are dependent on third parties, e.g. assessment bodies, but they

affect Umalusi's reputation. The quarterly assessment of risks created more awareness for management in terms of paying attention to risk management than in previous years. As a result, a considerable number of risks were properly managed and exposure to such risks was significantly reduced. However, a few risks within the organisation that are dependent on other organisations have remained with high-risk ratings. Such were escalated to Council for their involvement and advice.

The organisation monitored the implementation of the audit action plan on a quarterly basis, and the results show growth in managing the findings (see Figure 5 below). This will contribute significantly towards attaining a clean audit in 2019.

It must be noted that 98% of the audit findings deferred to the following year were partially addressed. Only one finding, on the policy for extension of contracts with suppliers, was not addressed. The management



**Figure 5: Audit performance from 2015/16 to 2017/18**

plan is to implement this control in the 2018/19 financial year. This is a noticeable improvement that can be attributed to developing an audit action plan and its constant monitoring.

The entity has succeeded in keeping up with its mandate of producing certificates for all qualifications in the GFETQSF. Since the beginning of the current planning term, Umalusi has produced 3 422 107 certificates for the NSC, NC(V), NATED Report 190/191 Engineering Studies (N2–N3), NSC for Colleges (NSC(Colleges)), Senior Certificate (SC), General Education and Training Certificate (GETC) and the Senior Certificate (amended) (SC(a)) qualifications. The number of certificates includes first issues, subject statements, learning area certificates, replacements, duplicates, re-issues and combinations.

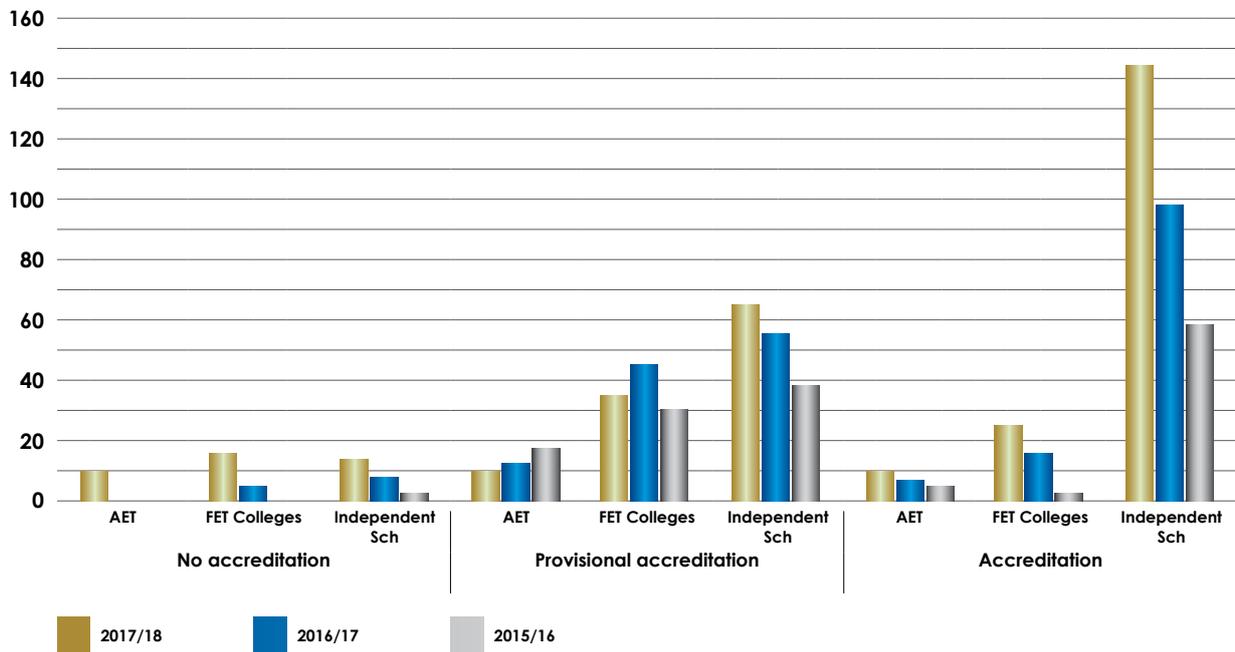
One of the major challenges experienced over the last four years was resolving the NC(V) backlog. Umalusi worked hard, in collaboration with the DHET and SITA, to eliminate the backlog of NC(V) certificates, and the outcome was reported to Parliament. Umalusi had to report this backlog to the Portfolio Committee on Higher Education and Training in August 2017.

In quality assuring assessment of examinations, Umalusi has been able to carry out the following processes: external moderation of question papers, external moderation of internal assessment; monitoring of the conduct, administration and management of examination processes; external moderation of the marking process; management of concessions; and assessment of examination irregularities. All these processes played a critical role in the standardisation of results for all qualifications in the GFETQSF. The processes are significant in that they ensure that examinations set are in line with curriculum standards for each qualification, to safeguard the quality of South African qualifications. Most importantly, this is Umalusi's way of contributing to the improved quality of education.

A disturbing issue that affects the quality assurance of examinations is that irregularities are reported in almost every examination cycle. Table 1 below highlights what Umalusi has had to contend with on an annual basis, including in the 2017 examination period.

**Table 1: Serious irregularities in the November 2014 to November 2017 NSC examinations**

NATURE OF IRREGULARITY	PROVINCES	YEAR	UNRESOLVED AFTER 22 FEBRUARY 2018		AS AT 26 MARCH 2018	OUTCOMES / SANCTIONS
			CASES	NO. OF CANDIDATES	RESOLVED / UNRESOLVED	
1. <b>Group copying</b>	KwaZulu-Natal	2014	5	232	Unresolved	The case is still in court.
2. <b>Mathematics Paper 2 – leaked question paper</b>	Limpopo	2016	1	161	Unresolved	48 not guilty; 22 of 113 candidates found guilty are challenging the verdict; matter will be heard in court on 26 November 2018.
		2016	1	62	Resolved	The court instructed the Limpopo Provincial Education Department (PED) to recall the certificates issued to the implicated candidates and to provide them with correct certificates that included the subjects declared irregular. These certificates were eventually issued.
3. <b>Candidates produced similar work in English FAL Paper 2</b>	Mpumalanga	2017	1	104	Unresolved	Hearings are currently being conducted for the 104 candidates implicated in alleged irregularities.
4. <b>Possible assistance by fellow candidates or invigilator</b>	Limpopo	2017	1	7	Unresolved	Seven candidates were found guilty of copying in IT. The PEIC imposed a sanction of nullifying their results with a zero barring. The candidates have appealed the outcome to the MEC for a review.



**Figure 6: Accreditation status from 2015/16 to 2017/18**

The challenge is bigger than that reflected in the table above because the other four qualifications in the GFETQSF have not been presented in this report. The problem with these irregularities is that they prevent candidates from receiving their certificates after completing their studies. Even though Umalusi is not directly responsible for these irregularities, it is often perceived, wrongly, to be responsible for withholding candidates' certificates.

In evaluating and accrediting private education institutions, Umalusi awarded accreditation status as indicated in Figure 6, in the years 2015/16 to 2017/18.

A trend analysis of the information between 2015/16 and 2017/18 shows that the number of independent schools accredited has increased significantly. It is, however, worrying to observe that the number of private AET centres accredited or provisionally accredited is minimal. The increase in accredited private FET colleges is pleasing to note.

The increase in the number of accredited private institutions between 2016 and 2017, with a spike in independent schools, may be attributed to the decision taken by Umalusi that certificates will not be issued for candidates writing examinations at unaccredited private education institutions. It is also

worth noting that the number of private education institutions applying for accreditation has grown at a tremendous rate and the entity has had to double its efforts to accredit new applicants while also monitoring the accredited institutions every two years.

### 2.3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

During the year under review a number of policies were revised to improve the entity's operations:

- 2.3.1 Policy for the Quality Assurance of Assessment of Qualifications Registered on the General and Further Education and Training Qualifications Sub-framework;
- 2.3.2 Policy and Criteria for Assessment of Qualifications on the General and Further Education and Training Qualifications Sub-framework (GFETQSF).

Umalusi has relied on directives to regulate the work done in the quality assurance processes. In realising that the directives do not have legal authority, the entity changed these directives into policies:

2.3.3 The Policy for the Quality Assurance of Private Adult Learning Centres, Private Further Education and Training Colleges and the Accreditation of Private Assessment Bodies, Government Gazette 33237 of 28 May 2010, was reviewed during the year and renamed as the Policy for the Quality Assurance of Private Colleges for Continuing Education and Training Offering Qualifications Registered on the GFETQSF and the Accreditation of Private Assessment Bodies. Umalusi is awaiting approval from the Minister of Higher Education and Training.

In line with the revised policies stated in section 2.3 above, the following corresponding regulations were developed:

2.3.4 Regulations for the Quality Assurance of Assessment of Qualifications Registered on the General and Further Education and Training Qualifications Sub-framework;

2.3.5 The regulations pertaining to Criteria for Assessment of Qualifications on the General and Further Education and Training Qualifications Sub-framework;

2.3.6 Regulations for the Quality Assurance of Private Colleges for Continuing Education and Training Offering Qualifications Registered on the GFETQSF, and the Accreditation of Private Assessment Bodies.

The GENFETQA Act states in section 17(A)(2)(a) that the Council must develop policy for the accreditation of assessment bodies other than departments of education; and must submit this to the Minister for approval; and (b) the Minister must make regulations in which the policy for accreditation is set out. The regulations in support of the policy for accreditation had not previously been developed.



## 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.

To attain the strategic objective target of a clean audit, the organisation reviewed and approved a number of ICT policies, frameworks, strategies and plans to strengthen the organisation's ICT governance. As a result, Umalusi is on its way to full compliance with the ICT Governance Framework, as marked by 84% compliance with the relevant criteria. ICT infrastructure and systems enhanced the quality of processes for various units; however, some systems are not yet fully functional, e.g. the Evaluation and Accreditation system. This challenge is being addressed in the 2018/19 financial year. A number of Human Resource Management and Development (HRM&D) policies were also adopted to guide daily operations, in recognition that HR is a strategic function that harnesses all processes to realise the organisation's vision.

Through the appointment of a substantive Chief Financial Officer and the subsequent filling of the position of Senior Manager for Finance and Supply Chain Management, supply chain management was strengthened through policies that guide procurement processes in the organisation. The functionality of bid committees was enhanced through training provided to the management team. Umalusi has received an unqualified financial audit report for more than 15 years, to date. The organisation has built capacity to strive for a clean audit in the remaining two years of the current term; hence, the CEO and the senior management team have signed a pledge towards attaining a clean audit in 2019/20. In terms of governance, the management of risks and audit findings has improved, as reflected

in section 2.2, Figures 4 and 5. Even though some audit findings were not satisfactorily addressed, there was a noticeable improvement compared to the previous two years.

**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.

The management of the GFETQSF is a formidable task in an environment that places high demands on the quality of education. To maintain the sub-framework, a number of initiatives in the curriculum projects, e.g. directives for the SC(a), investigation of designated subjects, review of curriculum and assessment policy statements (CAPS), review in the FET phase and a pilot study on the Waldorf curriculum, were undertaken. All these projects point to the responsibility of Umalusi to make sure that qualifications at Levels 1 to 4 are on par with international standards. Umalusi is, therefore, using evidence-based research to find better ways of ensuring quality in the education sector.

The organisation has used research in the evaluation of some qualifications and their respective curricula. A number of research projects reported in Programme 2 have been undertaken, e.g. the improvement of assessment guidelines, improvement of the standardisation process using shell items and, thirdly, the Early Childhood Development (ECD) learners' readiness for Grade R was investigated. This supports one of the Outcome 1 sub-objectives on ECD.

Through the standardisation of results for qualifications in the GFETQSF, Umalusi has ensured that the quality of results is consistent over the years. This process adds value to the credibility of South African qualifications. In addition to this technical exercise, Umalusi has undertaken various qualitative evaluation activities that inform the standardisation process, to arrive at a balanced and fair output of the process.

# 3. PERFORMANCE INFORMATION BY PROGRAMME

## SUMMARY OF PERFORMANCE

The Table and Figures below summarise the percentage targets achieved.

Table 2: Summary of performance

PROGRAMME	INDICATOR	TARGET	OUTPUT	STATUS
1	1.1.1	2018/19 Annual Performance Plan (APP) approved by March 2018	2018/19 APP approved and tabled in March 2018	Achieved
	1.1.2	4 quarterly reports submitted to the NT and DBE 30 days after end of quarter	4 quarterly reports submitted to NT and DBE 30 days after end of quarter	Achieved
	1.1.3	8	8	Achieved
	1.1.4	80%	84%	Achieved
	1.1.5	100%	79%	Not Achieved
	1.1.6	100%	99%	Not Achieved
2	2.1.1	3	3	Achieved
	2.1.2	A report on curriculum-related work	A report produced on the status of curriculum-related work	Achieved
	2.1.3	95%	92%	Not Achieved
	2.1.4	75%	86%	Achieved
	2.1.5	75%	99.9%	Achieved
	2.1.6	95%	95%	Achieved
	2.2.1	7	10	Achieved
3	3.1.1	100%	100%	Achieved
	3.1.2	15	16	Achieved
	3.2.1	1	1	Achieved
	3.2.2	1	1	Achieved
	3.2.3	1	1	Achieved

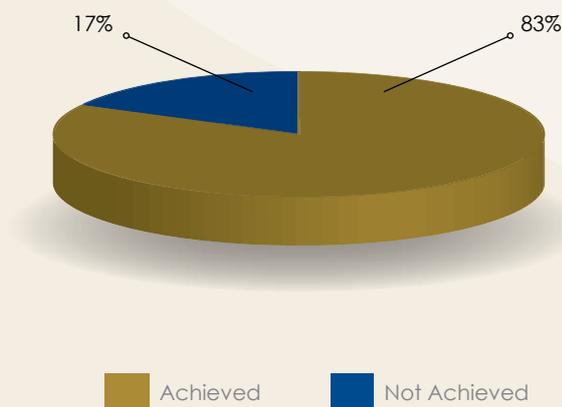


Figure 7: Overall performance

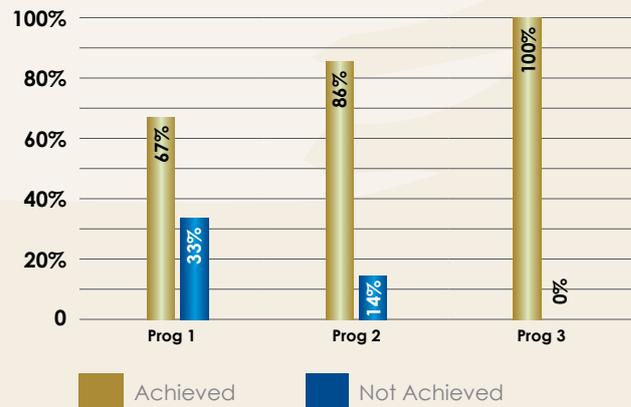


Figure 8: Performance per programme

### 3.1 PROGRAMME 1: ADMINISTRATION

**Programme Purpose:** Provide strategic leadership, management and administrative support services to the entity.

THIS PROGRAMME COMPRISES FIVE SUB-PROGRAMMES:

Governance and Office of the Chief Executive Officer (GOCEO)

Public Relations and Communications (PR & COMMS)

Information and Communication Technology (ICT)

Finance and Supply Chain Management (F&SCM)

Human Resource Management and Development (HRM&D)



## Governance and Office of the Chief Executive Officer

Back row: Nompumelelo Phungula, Sithembile Mngoma, Tandokazi Mbelani, Sibahle Mbatha, Estella Michael, Matlhodi Mathebula

Front row: Edward Mokhwelepa, Stella Mosimege, Obakeng Nkodima



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

**Stella Mosimege**, Senior Manager: S&G

### PURPOSE

Provides good corporate governance for 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 Office of the Chief Executive Officer (CEO) has steered the organisation throughout the year into achieving its core mandate through its monthly meetings. This sub-programme's purpose was achieved by ensuring high levels of efficient administration through the three branches and effective management of all units in the organisation. Throughout the year, the Office of the CEO has ensured prompt communication with all relevant stakeholders on important matters within the education system, with emphasis on issues affecting the management of the GFETQSF. The relevant Ministers were advised on matters relating to the proliferation of foreign qualifications.

The 2017/18 year started with the presentation of the entity's APP to the Portfolio Committee on Basic Education in April 2017. The entity has complied with the Public Finance Management Act (Act 1 of 1999) by submitting all four quarterly reports to the DBE and National Treasury (NT) 30 days after the end of each quarter. In October 2017, Umalusi submitted its 2016/17 Annual Report to Parliament for tabling and presented it to the Portfolio Committee as requested. The Portfolio Committee has motivated the entity to pursue a clean audit before the end of this five-year term, hence the target of the entity in this regard has been set for the 2019/20 financial year. To achieve this, the CEO has signed declarations with all senior and executive managers to do their best to attain the clean audit.

Umalusi appointed a new internal audit service provider for a three-year term, whose work commenced in April 2017. The Office of the CEO ensured quarterly risk assessments by internal auditors. The reports thereof were served at the Risk Management Committee, the Audit and Risk Committee and Council. The Office of the CEO ensured the development of an audit action plan emanating from the 2016 external and internal audit reports. All unit plans were monitored through quarterly review sessions. The internal auditors conducted a comprehensive follow-up audit on the 2016/17 audit findings in March 2018, and the outcome showed a marked improvement in the way units managed the audit findings. However, Umalusi can still do more to improve its management of audit findings. The percentage of audit findings addressed in 2017/18 was higher than in the previous two years. These positive results were due to management efforts at unit level.

During the year the Minister of Basic Education approved amendments in the Technical Indicator Descriptions for indicator 1.1.5 and indicator 2.1.3, as requested by the entity. This information is captured under the heading "Changes to planned targets". Overall, no changes were made in the five-year strategic plan as tabled in 2016 and as amended in Annexure B of the 2017/18 APP.

### STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

There is no under-performance in the sub-programme; despite this, Umalusi intends to close all gaps relating to reliability of information.

### CHANGES TO PLANNED TARGETS

There were no target changes during the year.

### Achievement of Performance Indicators

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL OUTPUT 2017/18	DEVIATION FROM PLANNED TARGET	COMMENT ON DEVIATIONS
<b>1.1.1: APP approved by 31 March</b>	N/A	N/A	N/A	2018/19 APP approved by March 2018	2018/19 APP approved and tabled in March 2018	None	N/A
<b>1.1.2: Quarterly reports submitted to the NT and DBE 30 days after end of quarter</b>	N/A	N/A	N/A	4 quarterly reports submitted to the NT and DBE 30 days after end of quarter	4 quarterly reports submitted to NT and DBE 30 days after end of quarter	None	N/A



# [ Public Relations and Communications ]

Left to right: Sphiwe Mtshali, Lesego Ndala, Lucky Ditaunyane, Lydia Den Heyer, Mpho Radingwane, Kgaugelo Sekokotla



## SUB-PROGRAMME 1.2: PUBLIC RELATIONS AND COMMUNICATIONS

**Lucky Ditaunyane**, Senior Manager: PR&COMMS

### 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

The PR&Comms sub-programme is responsible for the management of perceptions and strategic relationships between Umalusi and its internal and external stakeholders, through various channels of communication. During the year 2017/18, the PR&Comms Unit used various communication platforms to manage perceptions and relations with Umalusi's internal and external stakeholders. To achieve this, the following communication platforms were used to communicate key organisational messages to both internal and external stakeholders: website, social media, bulk email, internal newsletter, radio, promotional material and the fraud and ethics hotline. In terms of advocacy, the unit attended exhibitions targeting senior secondary school learners in Limpopo, Gauteng, Mpumalanga, Northern Cape and Free State. The unit organised five visits as part of the CEO's roadshow to universities, namely Walter Sisulu University (East London, Butterworth and Mthatha), the University of Venda and the University of Limpopo, as well as four visits as part of the CEO's roadshow to provincial legislatures in KwaZulu-Natal, Western Cape, North West and Mpumalanga. The purpose of these advocacy campaigns was to explain Umalusi's legislative mandate to the above-mentioned stakeholders. Various stakeholders such as learners (at exhibitions) and lecturers (at universities) used the opportunity to ask Umalusi officials to clarify various aspects of Umalusi's mandate. In January and February 2018, Umalusi joined the DHET in its multi-stakeholder advocacy campaign, which focused on 'genuine qualifications'. Umalusi also

took part in an inter-unit advocacy campaign in five districts in Mpumalanga, with specific focus on the AET sector.

Regarding the strengthening of media relations, two media breakfasts were organised for the CEO in Johannesburg and Cape Town, to discuss standardisation issues. The PR&Comms Unit successfully organised two media briefings in October and December 2017. The October 2017 media briefing focused on the education system's state of readiness to administer the 2017 national examinations; and the December 2017 media briefing, on Umalusi's approval of the 2017 national examinations results. Furthermore, the unit ran a successful radio campaign on YFM in November and December 2017, which focused on the following aspects of Umalusi's mandate: quality assurance of assessment; evaluation and accreditation; and certification. During the period under review, the PR&Comms Unit issued six media statements and sponsored two articles for publication in the print media.

About 11 publications of the internal newsletter, What's Up @ Umalusi, were compiled and circulated to staff. Four publications of the external newsletter were compiled and circulated to various stakeholders and three publications of the unit-based Heartbeat newsletter were compiled and circulated to relevant stakeholders.

### STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

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

### CHANGES TO PLANNED TARGETS

Targets were not changed during the year.

#### Achievement of Performance Indicators

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL OUTPUT 2017/18	DEVIATION FROM PLANNED TARGET	COMMENT ON DEVIATIONS
<b>1.1.3: Number of communication platforms used by stakeholder clusters within the GFET sub-framework to access information</b>	N/A	5	7	8	8	-	N/A



# Information and Communications Technology

Back Row: Archie Ntim, Nathi Mabinza, Lesiba Phokela, Mollo Mabusetsa, Gerrit Jansen Van Vuuren

Front row: Takalani Tshivhenga, Ignatious Makgoka, Matilda Mohlala, Khensani Mangwani



## SUB-PROGRAMME 1.3: INFORMATION AND COMMUNICATIONS TECHNOLOGY

**Ignatius Makgoka**, Senior Manager: ICT

### PURPOSE

The sub-programme provides for Umalusi's ICT needs and requirements

### OVERVIEW OF WORK DONE

Information is a strategic resource for Umalusi; and the technology used is a conduit to its effective management. The impact of information and communication technology depends on the involvement of the business units of the entity and its success depends on the engagement of enthusiastic, innovative leaders who believe that technology can improve and modernise its service delivery machinery.

The aim is to use technology optimally to improve productivity, drive innovation, improve the talent pool and skills, and help Umalusi deliver on its quality assurance and accreditation mandate.

We remain agile and aware of the possible risks of losing sensitive data and network access – or even control – to targeted attacks by ill-intentioned outsiders. Consequently, in this year we doubled our efforts to secure our information by approving several ICT policies, as required by the ICT Governance Framework, including the ICT Security Policy.

### STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

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

### CHANGES TO PLANNED TARGETS

There were no target changes during the year.

### Achievement of Performance Indicators

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL OUTPUT 2017/18	DEVIATION FROM PLANNED TARGET	COMMENT ON DEVIATIONS
<b>1.1.4: Percentage compliance against the requirements of the ICT Governance Framework</b>	N/A	N/A	N/A	80%	84% (105/125)	+4%	Faster progress made than originally anticipated due to earlier approval of ICT Governance Framework policies



# Human Resources Management and Development

Left to right: Calvin Ramabulana, Refilwe Selesho, Ansophie Enslin, Dineo Mokholwane,  
Irene Thobejane, Boitumelo Nkosi, Olga Matlala, Caleb Nxumalo, Shakuntla Khatri



## SUB-PROGRAMME 1.4: HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

**Refilwe Selesho**, Senior Manager: HRM&D

### PURPOSE

This sub-programme ensures optimum and efficient utilisation and development of human capital and provides an advisory service on matters pertaining to organisational effectiveness and development, individual performance management, sound employee relations and employee health and wellness, as well as effective and efficient recruitment, selection and placement services that include research, development and implementation of human resources policies and practices.

### OVERVIEW OF WORK DONE

During the year under review the unit instituted a number of initiatives for Umalusi to remain an employer of choice. Specific projects initiated included job evaluation of positions, benchmarking of salaries and benefits, as well as the benchmarking of manager and assistant manager positions in the national operations units, with the Colleges and Schools (CS) educators.

A major employee benefit initiative, the post-retirement medical aid benefit, is under investigation. Its financial implication is disclosed in the current 2017/18 Annual Financial Statements. An evaluation of the social responsibility, financial viability and mitigation of the risk is to be conducted in the 2018/19 financial year.

The vacancy rate reduction to 5% was realised by end March 2018, as compared to 13% in March 2017. This improved efficiency in the affected units.

Employees were also provided with the relevant skills and competencies required by the Workplace Skills Plan (WSP) through implementation of the approved training plan.

### STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

Management has updated the Policy on Performance Management to implement a Council resolution that late submissions of performance management documents will result in employees being disqualified for performance rewards at the end of the performance cycle. The CEO will implement consequence management for all late submissions.

### CHANGES TO PLANNED TARGETS

The Technical Indicator Description for indicator 1.1.5 was reviewed and the submission dates were changed from 15 April and 15 October to the end of April and October respectively. The reason for the review was that it was impractical to submit the performance management documents within two weeks of the assessment period of six months.

### Achievement of Performance Indicators

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL OUTPUT 2017/18	DEVIATION FROM PLANNED TARGET	COMMENT ON DEVIATIONS
<b>1.1.5: Average percentage of performance agreements and assessment reports submitted on time</b>	N/A	N/A	N/A	100%	79% 94% (88/94) +91% (77/85) +52% (60/115) /3	-21%	Late submission of performance management documents due to tight deadlines



# [ Finance and Supply Chain Management ]

Back row: Adelaide Cholo, Sebongile Mkhathshwa, Rabelani Maombe, Jaqueline Chaka, Elton Chirowamhangu, Kenneth Makena, Nthabiseng Mofokeng

Front row: Dumisani Maluleke, Thato Boleke, Philemon Letlape, Kgabo Mmola, Lebohang Tsotetsi, Stephina Munyai



## SUB-PROGRAMME 1.5: FINANCE AND SUPPLY CHAIN MANAGEMENT

**Dumisani Maluleke**, Senior Manager: F&SCM

### PURPOSE

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

### OVERVIEW OF WORK DONE

Umalusi received an unqualified audit opinion for the 2016/17 financial year. This outcome was due to compliance and dedication from all employees in all Umalusi units.

In the current financial year adequate funding was provided to all planned Umalusi programmes with financial viability and sustainability as the focal point, underpinned by compliance with the Public Finance Management Act (PFMA), Act 1 of 1999, as well as all other applicable laws and legislation.

Umalusi continued to enforce internal controls and prioritised the settlement of invoices within 30 days.

Umalusi must continuously seek ways to reduce costs. Over the medium term covering the financial years of 2019 to 2021, Umalusi must accommodate a 2.5% budget cut, approved by Cabinet, as well as the impact of the 1% increase in Value Added Tax (VAT) since the entity is not a registered VAT vendor.

The SCM environment is dynamic with unique challenges. Umalusi has addressed this situation through updating its SCM policies, conducting workshops and training various bid committees.

There was only one tender awarded in 2017/18, for the provision of travel management services, for a period of three years.

### STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

The unit will revise procedures and processes for receiving and validating invoices by creating a central point to receive invoices.

### CHANGES TO PLANNED TARGETS

There were no target changes during the year.

### Achievement of Performance Indicators

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL OUTPUT 2017/18	DEVIATION FROM PLANNED TARGET	COMMENT ON DEVIATIONS
<b>1.1.6 Percentage of service providers paid within 30 days</b>	N/A	100%	99%	100%	99% (1 703/ 1 712)	-1% (9/1712)	Under-performance due to ineffective monitoring of internal control

### LINKING PERFORMANCE WITH BUDGETS

PROGRAMME 1. ADMINISTRATION	2016/2017			2017/2018		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/ UNDER EXPENDITURE	BUDGET	ACTUAL	(OVER)/ UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Actuarial losses</b>	-	96	(96)	-	1,056	(1,056)
<b>Certification expenses</b>	1,200	1,220	(20)	6,000	3,324	2,676
<b>Communication expenses</b>	8,467	9,319	(852)	5,588	6,255	(667)
<b>Consulting and professional fees</b>	326	655	(329)	1,000	1,321	(321)
<b>Depreciation and amortisation</b>	-	3,217	(3,217)	-	3,372	(3,372)
<b>Employee costs</b>	28,325	23,773	4,552	29,755	28,063	1,692
<b>Loss on sale of property, plant and equipment</b>	-	14	(14)	-	38	(38)
<b>Other operating expenses</b>	12,839	13,163	(324)	13,959	15,061	(1,101)
<b>Printing and stationery</b>	1,280	1,595	(315)	1,073	987	86
<b>Travel and accommodation - local</b>	1,352	1,868	(516)	1,147	1,304	(157)
<b>Total</b>	<b>53,789</b>	<b>54,920</b>	<b>(1,131)</b>	<b>58,522</b>	<b>60,781</b>	<b>(2,258)</b>

## 3.2 PROGRAMME 2: QUALIFICATIONS AND RESEARCH

**Programme Purpose:** To develop and manage an efficient and effective GFETQSF within the NQF and to undertake strategic research in support of that goal.

THIS PROGRAMME CONSISTS OF THE FOLLOWING SUB-PROGRAMMES:

Qualifications, Curriculum and Certification (QCC)

Statistical Information and Research (SIR)



# Qualifications, Curriculum and Certification

Back row: Dr Stephan Mchunu, Obakeng Babe, Mohau Kekana, Mafori Makgahlela, Tebogo Mashilo, Gerhard Boooyse, Duma Sithebe

Front row: Tello Motloi, Zolile Hlabeni, Dorah Thape, Dr Eva Sujee, Makoena Zikhali, Rene Diergaardt, Lilligirl Bodila, Violet Tsatsimpe, Samkelisiwe Xulu



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

Dr Eva Sujee, Senior Manager: QCC

### PURPOSE

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

### OVERVIEW OF WORK DONE

#### Qualifications

The NC(V) qualification was reviewed and the revised qualification was submitted to the Minister of Higher Education and Training. The Policy for the Re-issue of National Certificates was submitted to the Minister of Basic Education for gazetting. Additionally, the directives for the SC(a) were developed and shared with the relevant assessment bodies.

#### Curriculum

The curriculum sub-unit undertook six curriculum projects:

- Technical subjects;
- Appraisal of the Waldorf curriculum (a pilot study);
- Appraisal of the proposed Marine Sciences curriculum;
- South African Sign Language (SASL);
- An investigation into the designated subjects and a comparative analysis of Mathematics versus Technical Mathematics; and
- Physical Science versus Technical Science.

The technical subjects' project was a continuation of the review of the CAPS for the FET phase, with particular focus on the following technical subjects: Civil Technology, Electrical Technology, Mechanical

Technology, Technical Mathematics (new), Technical Sciences (new) and Engineering Graphics and Design. The purpose of the appraisal of these new subjects was to inform the standardisation processes.

Another curriculum appraisal, a pilot study appraising the Waldorf curriculum, was done to inform accreditation processes and to assist in dealing with an alternative curriculum. Two FET subjects that are offered by the schools affiliated to the Southern African Federation of Waldorf Schools, Geography and History, were used in this pilot study.

In 2016 the DBE introduced SASL Home Language Curriculum and CAPS for the Deaf in Grade 10. Umalusi engaged in a research project based on understanding the assessment and/or the quality assurance of the assessments in schools offering SASL Home Language. The main purpose of this research was to establish a common understanding of assessment of SASL; and to provide guidance to Umalusi about its role in the quality assurance of SASL Home Language school-based assessment (SBA) and examinations.

The Minister of Higher Education and Training revoked the designated list of subjects for the NSC through publication in Government Gazette Vol. 633 No. 41473 of 2 March 2018. Umalusi researched the designated subjects. The purpose of the study was to establish the possible impact of the decision on the 2018 pass rates.

#### Certification

This year the Portfolio Committee on Higher Education visited Umalusi to address the NC(V) certification backlog and to better understand the problem and mitigation procedures to prevent future backlogs. The certification of the 2016 cohort of NC(V) candidates was completed successfully.

The table below shows the number of certificates issued per qualification over the last financial year. The qualifications include: The NSC, NC(V), NATED Report 190/191 (N2-N3), SC, GETC and the SC(a). The number of certificates includes first issues, subject statements, learning area certificates, replacements, duplicates, re-issues and combinations.

**Table 3: Number of certificates issued in 2017/18**

QUALIFICATIONS	2017
NSC	768 520
NC(V)	182 164
Senior Certificate	39 084
NATED	98 640
GETC(ABET 4)	50 501
GETC	177
SC(α)	43 850
<b>TOTAL</b>	<b>1 182 936</b>

### Verification

The verification team remain committed to providing a verification service of high quality, with quick turnaround times. Umalusi verifies all qualifications that it and its predecessor, the South African Certification Council (SAFCERT), have issued since 1992. The number of verifications done over the past financial year was 259 335. The income stream for verification for the past year amounted to R10 057 435. Only billable transactions/verifications are listed and discounts for bulk verifications, e.g. for Managed Integrity Evaluations (MIE) have not been deducted.

### Advocacy

The following advocacy projects were undertaken by the different sub-units within the QCC Unit:

1. The presentations by Umalusi at the National Tourism Career Expo (NTCE) 2017 teachers' seminar included weaknesses in assessment responses, evaluating the construction of tests and examinations in service subjects and innovative teaching approaches using technology;
2. Four workshops on the GFETQSF and certification matters were held in the Mpumalanga district. The target group of these workshops was the AET sector; and
3. Umalusi launched a report of its research study on the inclusion of SASL in the curriculum as one of the examinable subjects for the NSC, at the University of Witwatersrand. It was widely broadcast on various media platforms.

### STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE

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

### CHANGES TO PLANNED TARGETS

The calculation for indicator 2.1.3 was revised in the Technical Indicator Description. The Minister approved this revised calculation method. The 21 working days now excludes the "waiting time" for assessment bodies to provide supporting documentation.



Left to right Dr Stephan Mchunu; Mr Emmanuel Sibanda; Dr Eva Sujee; Dr Mafu Rakometsi; Dr Rakwena Monareng

**Achievement of Performance Indicators**

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL OUTPUT 2017/18	DEVIATION FROM PLANNED TARGET	COMMENT ON DEVIATIONS
2.1.1: Number of reports produced on the management of qualifications in the sub-framework	N/A	N/A	N/A	3	3	None	N/A
2.1.2: A report produced on the status of curriculum-related work	N/A	N/A	N/A	A report produced on the status of curriculum-related work	A report produced on the status of curriculum-related work	None	N/A
2.1.3: Percentage of datasets with return datasets created within the turnaround time of 21 working days	N/A	N/A	N/A	95%	92% (2 450/2 671)	-3%	Challenges with quality assurance checks to finalise the datasets on time
2.1.4 Percentage of correctly submitted candidate records per qualification per year	N/A	N/A	N/A	75%	86% (1 198 475/ 1 387 118)	+11%	A task team was established to address backlog and improvement of certification
2.1.5: Percentage of error-free candidate records for which a certificate is printed annually	N/A	N/A	N/A	75%	99.9% (1 017 949/ 1 018 136)	+25%	The target was underestimated and is addressed in the 2018/19 APP
2.1.6: Percentage of verification requests received that are processed within the SLA (two working days).	N/A	N/A	N/A	95%	98% (19 600/19 923)	+3%	The over-performance was due to increased capacity by filling two vacant posts

**LINKING PERFORMANCE WITH BUDGETS**

PROGRAMME 2.1 QUALIFICATIONS, CURRICULUM AND CERTIFICATION	2016/2017			2017/2018		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/ UNDER EXPENDITURE	BUDGET	ACTUAL	(OVER)/ UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Certification expenses	3,850	2,049	1,801	3,490	2,490	1,000
Consulting and professional fees	1,270	158	1,112	1,025	716	309
Employee costs	8,345	6,833	1,512	8,729	9,346	(617)
Moderator and verifier costs	220	93	127	87	113	(26)
Other operating expenses	1,008	430	578	651	274	377
Printing and stationery	1,500	2,016	(516)	935	871	64
Travel and accommodation - local	867	480	387	624	712	(88)
<b>Total</b>	<b>17,060</b>	<b>12,059</b>	<b>5,001</b>	<b>15,541</b>	<b>14,522</b>	<b>1,019</b>



# Statistical Information and Research

Back row: Doctor Phokwane, Dr Celia Boooyse, Nthabeleng Lepota, Biki Lepota

Front row: Sisanda Loni, Pauline Masemola, Agnes Mohale, Bridget Mthembu



## SUB-PROGRAMME 2.2: STATISTICAL INFORMATION AND RESEARCH

Dr Celia Booyse, Senior Manager: SIR

### 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 encourage 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

In the 2017/18 financial year, the work done included designing, conducting and managing research, accessing and maintaining adequate databases for the extensive analysis of assessment results, providing statistical support to all units in Umalusi, external stakeholders and committees of Council, and managing all standardisation, statistical moderation and resulting processes.

Six staff members presented papers at conferences, symposia and external stakeholder meetings. Two seminars were hosted in collaboration with the University of Witwatersrand and the Centre for Education Policy Development (CEPD). The focus was on Mathematical Literacy and the kinds of Mathematics that South Africa needs in the current contextual and economic environment.

The SIR Unit hosted two Research Forum seminars: in April 2017, on positioning the current three-stream model in a broader historical frame; and in November 2017, on large-scale assessment.

While Umalusi is particularly interested in how conceptual grasp of the Sciences, Mathematics, Technology and Engineering can be enhanced, the SIR Unit provided input and co-hosted the first Science, Technology, Engineering, Arts and Mathematics (STEAM) symposium in Africa on 14 August 2017. The symposium introduced the STEAM approach and the application value across sectors. Around 40 teachers also had the opportunity to

practice the STEAM approach in a workshop led by the Idea Collective and Umalusi. The course material is registered by the South African Council for Educators (SACE) and participation added 10 credits to teachers' development profiles.

The following research projects were conducted in the 2017/18 financial year:

#### i. 2017 Post-examination analysis

This project forms part of Umalusi's ongoing Maintaining Standards research into the standard of examinations associated with the NSC and NC(V). The aim of the 2017 study was to evaluate the extent to which the 2017 NSC and NC(V) examinations in the following selected subjects compared with examinations written in the previous two comparator years (2015–2016):

- NSC subjects: Business Studies, Economics, English First Additional Language, Mathematical Literacy and Mathematics; and
- NC(V) Level 4 subjects: English First Additional Language, Life Orientation, Mathematical Literacy and Mathematics.

The research findings were officially presented to Umalusi's ASC during its standardisation meetings of December 2017. The findings were shared with the relevant moderators at the moderator workshops.

#### ii. Assessing the impact of selected aspects of the South African NQF

This report emanated from a project jointly conducted between the South African Qualifications Authority (SAQA), QCTO, Council on Higher Education (CHE) and Umalusi. This is part of a series of NQF evaluation reports periodically produced by SAQA and the quality councils. The 2017 study aimed to take into account the findings and recommendations of the 2014 study, instead of following a monolithic approach. The research provided a focused investigation that answered discrete research questions that hone in on the work of each of the entities involved in the study. The findings on

the research questions were presented at an internal national operations meeting. Umalusi submitted its work to SAQA for incorporation in the larger report.

**iii. Unpacking assessment guidelines for improved practice**

In 2016 Umalusi undertook research to determine the level of comparability between examination guidelines of selected subjects across the three assessment bodies. Although the assessment guidelines were broadly aligned with one another, there emerged a finding that the subject assessment guidelines were not sufficiently specific to consistently guarantee valid and reliable assessments. This second phase of the project addressed this concern and produced a report titled Unpacking Assessment Guidelines for Improved Practice. The lessons learnt from the investigation and international search for best practice could inform the development assessment guidelines and could provide more clarity about the development and application of test specifications.

**iv. Standardisation of practically oriented subjects in the NSC qualification**

This report captures the findings from a project to empirically confirm if learners perform better in practical assessment tasks (PAT) or oral components of a subject compared to other components that would result in a higher final promotional mark. As a result, this project was conceptualised to quantitatively confirm the assumption and to find alternative ways of standardising subjects with PAT/orals. The findings provided direction on how the standardisation of these subjects should be approached in future. The findings also provided more clarity to Umalusi on the impact of PAT and oral components on final promotion marks.

**v. An investigation into the possibility of using shell items in standardising results**

The report on the use of "shell" questions for standardising results was aimed at determining if "shell" questions can exhibit similar characteristics to anchor items. This project was aimed at finding answers to difficulties

experienced in standardising results from AET examinations on request. The cohorts sitting for these examinations are usually smaller and differ from one exam sitting to another. It is therefore not easy to establish the norm that guides the ASC on how to standardise the current cohort.

**vi. An investigation of the degree to which the NSC acts as predictor of success in higher education institutions**

The investigation of the NSC as a predictor of success at higher education institutions was a joint project between Umalusi and universities. The study aimed to investigate the relationship between NSC results and the academic success of first-year students in higher education. The outcome was a report on trend analysis of the relationship between NSC subjects and the academic success of students at selected higher education institutions.

**vii. An appraisal of the National Curriculum Framework for early childhood education (ECD) in South Africa: determining intended developmental outcomes**

An appraisal of the National Curriculum Framework for ECD in South Africa covered an analysis of the framework according to selected curriculum dimensions and provided indicators of the development of executive functions. The research also provided the opportunity to determine the intended outcomes for four-year-olds and how they are prepared for Grade R. These outcomes will be included in a longitudinal study, where the cross-mapping of intended outcomes will inform formulation of a learner profile and assessment construct.

**viii. Exploring the possibilities of using approaches in project-based learning to enhance PAT for the NSC examinations**

The report on the study captured the findings for a qualitative and empirical investigation into the application value of project-based learning in PAT. The report included an analysis of 2017 PAT guidelines for Grade 12, to gain an understanding of current practice in order to make substantiated recommendations. The report included counter-arguments, as well as challenges and contextual

constraints in the application of a project-based learning approach. The research findings could inform strategies that need to underpin teaching and learning in subjects of a practical nature. The assessment bodies could gain from recommendations made and the criteria set for quality assessment tasks.

**ix. Exemplar books on effective questioning**

The preface of each one of the 26 exemplar books on effective questioning explains the necessity of having exemplar questions for different cognitive demands and levels of difficulty. The remainder of each exemplar book includes the context and purpose of the book and summarises the roles of moderation, evaluation and cognitive demand. Examination questions selected from NSC examinations were used to illustrate how to identify cognitive demand. Part 7 of each book explains the

protocol for determining difficulty levels. The exemplar books are currently used for guiding moderators and teachers in their assessment practice in selected subjects, but might also impact on item development in various ways. Examiner and teacher development, through the schools of education in higher education institutions, could also benefit from the exemplar books.

**STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE**

There is no under-performance in this sub-programme

**CHANGES TO PLANNED TARGETS**

Targets were not changed during the year.

**Achievement of Performance Indicators**

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL OUTPUT 2017/18	DEVIATION FROM PLANNED TARGET	COMMENT ON DEVIATIONS
<b>2.2.1: Number of research reports completed in various formats</b>	N/A	N/A	8	7	10	+3	Internal research capacity has been strengthened

**LINKING PERFORMANCE WITH BUDGETS**

PROGRAMME 2.2 STATISTICAL INFORMATION AND RESEARCH	2016/2017			2017/2018		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/ UNDER EXPENDITURE	BUDGET	ACTUAL	(OVER)/ UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Consulting and professional fees</b>	2,790	2,335	455	1,573	1,206	367
<b>Employee costs</b>	5,585	5,430	155	6,538	6,372	166
<b>Moderator and verifier costs</b>	60	606	(546)	608	631	(23)
<b>Other operating expenses</b>	1,001	1,214	(213)	1,540	798	742
<b>Printing and stationery</b>	315	35	280	863	-	863
<b>Travel and accommodation - local</b>	708	995	(287)	1,035	817	218
<b>Total</b>	<b>10,459</b>	<b>10,615</b>	<b>(156)</b>	<b>12,157</b>	<b>9,824</b>	<b>2,333</b>

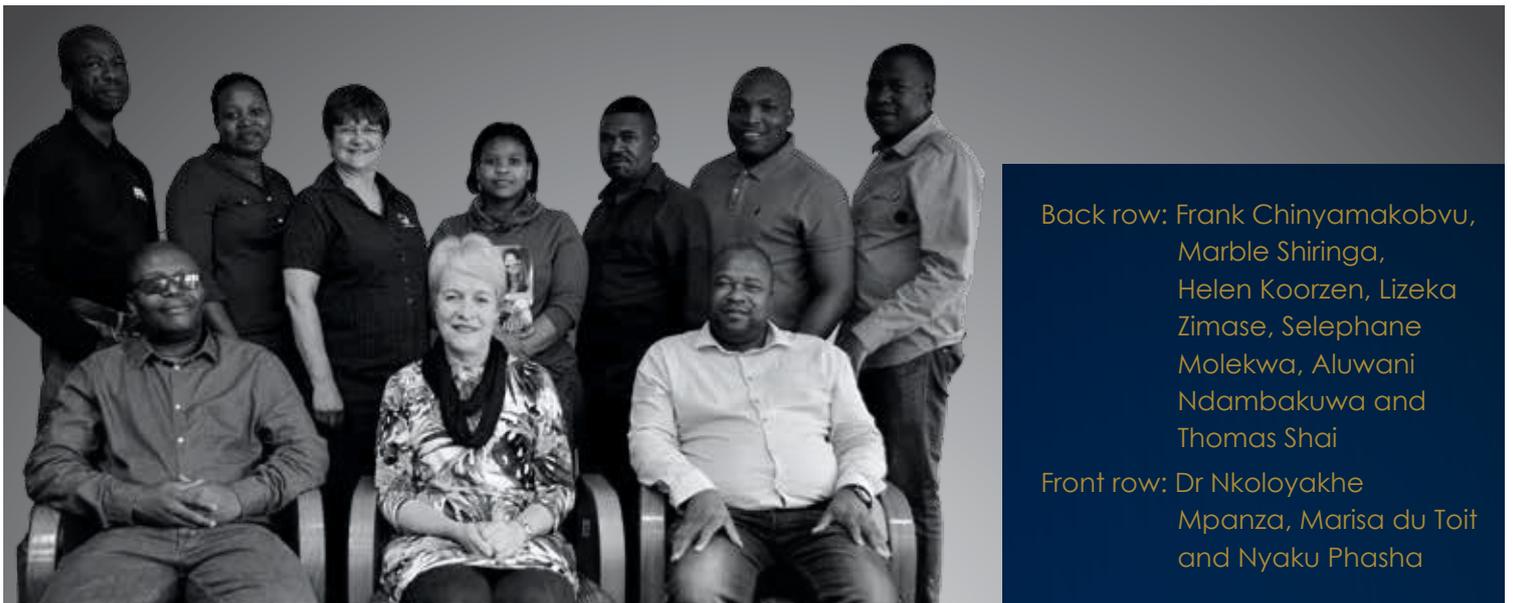
### 3.3 PROGRAMME 3: QUALITY ASSURANCE AND MONITORING

**Programme Purpose:** To ensure that the providers of education and training have the capacity to deliver and assess qualifications registered on the GFETQSF and are doing so to the expected standards of quality.

THIS PROGRAMME CONSISTS OF THE FOLLOWING SUB-PROGRAMMES:

Quality Assurance of Assessment (QAA)

Evaluation and Accreditation (E&A)



Back row: Frank Chinyamakobvu, Marble Shiringa, Helen Koorzen, Lizeka Zimase, Selephane Molekwa, Aluwani Ndambakuwa and Thomas Shai

Front row: Dr Nkoloyakhe Mpanza, Marisa du Toit and Nyaku Phasha

## [ Quality Assurance of Assessment ]

Back row: Nthabiseng Matsobane, Sisanda Nontayi, Sithembiso Mhlongo and Sarah Madigo

Front row: Nomaswazi Shabalala, Andy Thulo, Mary-Louise Madalane and Christiaan Geel





## SUB-PROGRAMME 3.1: QUALITY ASSURANCE OF ASSESSMENT

Mary-Louise Madalane, Senior Manager: QAA-SQ & Marisa du Toit, Senior Manager: QAA-PSQ

### 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 the following quality assurance processes:

- External moderation of question papers;
- External moderation of internal assessment;
- Verification of monitoring of the assessment systems;
- Monitoring of the conduct, administration and management of assessment and examinations processes;
- Management of concessions, as well as assessment, and examination irregularities; and
- External moderation of marking processes.

### OVERVIEW OF WORK DONE

#### A. School Qualifications

##### **Moderation of question papers**

Umalusi conducts external moderation of question papers for the qualifications registered on the GFETQSF set by the assessment bodies to ensure that the question papers and their marking guidelines are of the required standard and that they compare fairly well with those approved for previous examinations.

In the schooling sector, Umalusi moderated 291 NSC question papers for the DBE; 143 NSC question papers for the Independent Examinations Board (IEB); and 84 NSC question papers for the South African Comprehensive Assessment Institute (SACAI).

The entity also moderated 134 SC(a) question papers for the DBE.

The moderation of question papers for the three assessment bodies met the set standards for all the examinations scheduled for the year; however, the assessment bodies were encouraged to improve timeframes for finalising the moderation of their question papers.

##### **Moderation of SBA**

The entity conducted moderation of SBA in the three assessment bodies: DBE, IEB and SACAI. The

moderation was conducted in two phases for the DBE, in July and October 2017, in eight provinces for phase 1 and in nine provinces for phase 2. Three subjects, as per the DBE list per province, were moderated.

Moderation for the IEB took place in May 2017 when four subjects were moderated, and in October 2017 when nine subjects were moderated. The moderation was focused on schools newly registered to conduct the IEB examinations.

Moderation of SBA for SACAI was conducted in two phases: phase 1 in August 2017, and phase 2 in October 2017. Ten subjects were moderated in phase 1 and six in phase 2.

Umalusi conducted moderation of SBA according to plan and provided feedback to the assessment bodies at the end of each moderation phase.

##### **Monitoring the conduct, administration and management of examination processes**

The monitoring of the writing of the examinations and the of the marking process is undertaken to ensure that the examinations are conducted in accordance with the Regulations Pertaining to the Conduct, Administration and Management of the National Senior Certificate.

Umalusi monitored the writing of the June 2017 DBE SC(a) examinations, when 60 examination centres were sampled. Umalusi monitored the marking of the SC(a) examinations at eight marking centres.

Umalusi again monitored the writing of the November 2017 NSC examinations, at 100 examination centres for the DBE, 22 examination centres for the IEB and 17 examination centres for SACAI. Monitoring the marking of the same examinations was carried out at 38 marking centres for the DBE, one marking centre for the IEB and one marking centre for SACAI.

In 2018, Umalusi monitored the writing of February/March 2018 supplementary examinations at 41 DBE, three IEB and three SACAI examination centres. Marking was monitored at eight DBE marking centres, one IEB marking centre and one SACAI marking centre.

Monitoring of the writing of Report 190/191 Engineering Studies (N2–N3) examinations was conducted at a sample of 30 examination centres in April 2017 and 21 centres for the August 2017 examinations. In November 2017, 21 centres were monitored. The

monitoring of marking of Report 190/191 Engineering Studies (N2–N3) examinations was conducted at nine marking centres in April 2017, four in August 2017 and 13 in November 2017.

Umalusi also monitored the writing and marking of the June and November 2017 General Education and Training Certificate (GETC) examinations conducted by the DHET, IEB and BAA:

### **Writing**

June 2017: DHET (18 examination centres monitored), IEB (six) and BAA (seven);

November 2017: DHET (30 examination centres), IEB (19) and BAA (six).

### **Marking**

June 2017: DHET (six marking centres monitored), IEB (one) and BAA (one);

November 2017: DHET (four), IEB (one) and BAA (one).

There were no systemic irregularities reported in any of the examination cycles.

### **Marking guideline standardisation**

In 2017 the DBE followed a differentiated approach for the conduct of the marking guideline standardisation meetings of the June 2017 SC(a) and March 2018 NSC supplementary examinations. Subjects were classified in three categories:

- Category A: subjects with large enrolments;
- Category B: subjects with medium to low enrolments; and
- Category C: subjects with low enrolments.

The marking guideline standardisation meetings for categories A and B took place at the DBE offices; whereas the discussions for category C were conducted via telephone conferencing. In the year under review, the moderators attended 77 marking guideline discussions for the June 2017 SC(a) examinations, 109 November 2017 NSC marking guideline meetings, as well as 88 NSC supplementary examinations' marking guideline discussion meetings in March 2018.

The IEB and SACAI marking guideline standardisation meetings coincided with verification of marking. These were attended for all 16 subjects verified per assessment body for the November 2017 NSC examinations, as well as for five subjects per assessment body for the March 2018 NSC supplementary examinations.

The marking guideline standardisation meetings added value to the marking because external moderators and internal moderators had an opportunity to revisit the marking guidelines and ensure that all possible responses were included in the finally approved marking guidelines.

### **Verification of marking**

The DBE March 2017 supplementary examinations were marked in April 2017 and 10 subjects were verified. For the June 2017 SC(a) examinations, verification of 10 subjects was conducted in July 2017.

For the November 2017 NSC examinations, external moderators were deployed to marking centres across the nine provinces to conduct on-site verification of marking in 32 selected NSC subjects soon after the commencement of marking.

In December 2017, external moderators were deployed to the three IEB marking centres to conduct verification of marking of the November 2017 NSC in 26 selected subjects. In March 2018, five external moderators were deployed to the IEB marking centre to conduct on-site verification of marking in four subjects.

Umalusi also verified the SACAI November 2017 NSC marking in 16 selected subjects in December 2017. In March 2018, verification of marking was conducted in five selected NSC supplementary examinations subjects.

The verification of marking was conducted as planned.

### **Approval of results**

On 5 April 2017 the Executive Committee of Council (EXCO) approved the release of results of the NSC supplementary examinations administered by the DBE and, on 26 April 2017, the release of the results of the NSC supplementary examinations conducted by the IEB and SACAI. The release of the results of the DBE June 2017 SC(a) examinations was approved on 11 August 2018.

On 28 December 2017, EXCO approved the November 2017 DBE, IEB and SACAI NSC examination results. The 2018 IEB & SACAI NSC supplementary examinations results were approved on 28 March 2018.

All the results were approved, based on the following:

- The NSC and SC(a) examinations were administered in terms of the applicable examination policies and regulations;

- The evidence presented to Umalusi suggested that there were no systemic irregularities reported; that is, none of the incidents reported might have jeopardised the credibility and integrity of the examinations administered by the DBE, IEB and SACAI;
- The results of candidates implicated in examination irregularities were blocked and investigated; and
- The assessment bodies concerned were required to submit detailed reports of their findings and sanctions to Umalusi.

### **Quality Assurance of Assessment reports**

The entity produced six quality assurance reports for the NSC qualification in the period 2017–2018: three for the March 2017 supplementary examinations (one per assessment body); and three for the November 2017 examinations (one per assessment body—DBE, IEB and SACAI). One report on the June 2017 SC(a) examination was developed for the DBE.

The reports were shared with the assessment bodies to assist in improving their processes.

## **B. Post-School Qualifications**

### **Moderation of question papers**

The moderation of question papers is a critical quality assurance process that ensures examination papers are relatively fair, valid and reliable. The moderation process also ensures that question papers are presented in the appropriate format and are technically correct. Umalusi conducted external moderation of the following post-school examination question papers and marking guidelines.

In the technical and vocational education and training (TVET) sector, Umalusi moderated 291 question papers for the National Certificate (Vocational) and 148 were moderated for the NATED Report 190/191: Engineering Studies (N2–N3) examinations. This included six extra question papers that were moderated due to compromised papers, and 32 papers for the 2018 examinations.

For GETC: ABET Level 4, 52 question papers for DHET, six for BAA and 20 for IEB were moderated. Two sets of the DHET question papers were compromised and new question papers had to be set. These question papers were not approved during this financial year.

The moderation of question papers was conducted in line with Umalusi's criteria.

The unit successfully moderated question papers received for moderation. The DHET followed the desired 18-month cycle for the moderation of the GETC: ABET question papers.

Moderation of SBA/international continuous assessment (ICASS) tasks and portfolios

It is important to moderate ICASS/SBA tasks and portfolios since internal assessment is a component of the final certification mark. Umalusi verifies compliance with the stipulations of the ICASS instructions/SBA guidelines for different qualifications and programmes. The scope of moderation of SBA/ICASS during the financial year was as follows:

Internal assessment moderation was done at 55 sites for May 2017; and at 54 of the planned 55 visits for the October NC(V) moderation. One external moderator was not available and could not be replaced. For NATED Report 190/191 Engineering Studies (N2–N3), all 45 sites were visited as planned.

Moderation of SBA portfolios for GETC: ABET Level 4 was conducted in two learning areas for BAA, 26 learning areas for DHET and eight learning areas for the IEB. SBA tasks/CAT were moderated and approved in seven learning areas for BAA, 26 learning areas for DHET and two learning areas for IEB.

The monitoring and moderation of internal assessment was conducted in line with Umalusi's criteria for this quality assurance process. Consolidated reports on the findings, including areas of good practice/compliance, as well as areas of non-compliance that need to be addressed, were prepared and communicated to the assessment bodies as part of the QAA reports. Umalusi strengthened this process through a directive to block the results of centres that did not meet stipulated internal assessment requirements.

### **Marking guideline standardisation**

It is essential that marking guidelines are discussed with markers to ensure that all possible responses and corrections are agreed upon and that any changes or additions are approved by external moderators. This process ensures that all markers have a common understanding of how to mark candidates' responses. The purpose of this is to eliminate any inconsistencies in marking. During the period of reporting, standardisation of a sample of marking guidelines was attended/monitored, as follows:

- Marking guidelines for 40 subjects for the NC(V) November 2017 examinations were approved in October, November and December 2017;
- Marking guidelines for eight subjects each for April 2017 and August 2017 examinations, and 16 subjects for November 2017 examinations, were approved for the NATED Report 190/191 Engineering Studies (N2–N3) examinations;
- For GETC: ABET Level 4, marking guideline discussions were monitored in two learning areas for BAA, 26 learning areas for DHET and eight learning areas for IEB, for both the June 2017 and November 2017 examinations.

The standardisation of marking guidelines was conducted as per the unit's plans and reported on in terms of Umalusi's reporting instruments for this process. Consolidated reports were prepared, which included directives to the assessment bodies on areas that required improvement to ensure compliance.

#### **Verification of marking**

This process was conducted to ensure that marking was credible and accurate, to determine whether the approved marking guidelines were adhered to and applied consistently and to confirm that marking was fair, reliable and valid. Verification of marking was conducted for the following qualifications and assessment bodies:

- Marking of two NC(V) question papers for the TVET sector was verified in April 2017 and 83 question papers in December 2017;
- For NATED Report 190/191 Engineering Studies (N2–N3) examinations, verification of marking of 12 subjects each for the April 2017 and August 2017 examinations, and 30 subjects for the November 2017 examinations, was conducted;
- Verification of marking for GETC: ABET Level 4 was conducted in two learning areas for BAA, 26 learning areas for DHET and eight learning areas for IEB, for both the June 2017 and November 2017 examinations.

External moderators verified marking according to Umalusi's criteria for this quality assurance of assessment process. Consolidated reports were prepared, which included directives to the assessment bodies to address lack of compliance with policies observed during this quality assurance process.

#### **Approval of results**

The release of results of the NC(V) supplementary examination was approved on 20 April 2017. For the NATED Report 190/191 Engineering Studies (N2–N3) examinations, the release of April and August examinations was approved on 9 May 2017 and 4 September 2017 respectively. Approval for the release of the NC(V) and NATED Report 190/191 Engineering Studies (N2–N3), as well as the Business English and Sake Afrikaans November 2017 examinations, was done on 29 December 2017. The release of results of GETC: ABET Level 4 examinations was approved on 14 July and 27 December 2017 for BAA, 11 August and 27 December 2017 for DHET and 14 July and 28 December 2017 for IEB. The EXCO was satisfied that the assessment bodies conducted successful and credible examinations and that there were no incidents reported that might have jeopardised the credibility and integrity of the examinations. The assessment bodies were, however, required to release the results on conditions specified in provisos in the approval letters and to deal with directives for improvement and compliance for the different quality assurance of assessment processes.

#### **Quality Assurance of Assessment reports**

Umalusi produced three quality assurance of assessment reports for the TVET sector, one each for the April, August and November 2017 examinations; while for the ABET sector, six reports were produced, including the first report for the BAA June examinations. These reports were shared with the assessment bodies with the aim of providing feedback on findings, areas of compliance and non-compliance, and directives for improvement and compliance.

#### **STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE**

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

#### **CHANGES TO PLANNED TARGETS**

Targets were not changed during the year.

### Achievement of Performance Indicators

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL OUTPUT 2017/18	DEVIATION FROM PLANNED TARGET	COMMENT ON DEVIATIONS
<b>3.1.1: Percentage of the question papers submitted that are quality assured per qualification per assessment body per examinations per examination cycle</b>	N/A	N/A	N/A	<b>GETC</b> DHET: 100% IEB: 100% BAA: 100%	<b>GETC</b> DHET: 96% (50/52) IEB: 100% (20/20) BAA: 100% (6/6)	-4% (-2) None None	Two question papers were compromised. New sets of question papers had to be set and submitted for external moderation. These question papers were not approved before the end of the financial year
	N/A	N/A	N/A	<b>NSC</b> DBE: 100% IEB: 100% SACAI: 100%	<b>NSC</b> DBE: 100% (260/260) IEB: 100% (141/141) SACAI: 100% (83/83)	None	N/A
	N/A	N/A	N/A	<b>SC DBE</b> 100%	<b>SC DBE</b> 100% (125/125)	None	N/A
	N/A	N/A	N/A	<b>NC(V): DHET:</b> 100%	<b>NC(V): DHET:</b> 100% (291/291)	None	N/A
	N/A	N/A	N/A	<b>NATED: DHET:</b> 100%	<b>NATED: DHET:</b> 132% (148/112)	32% (+36)	148 papers were moderated instead of 112. The extra papers were replacement papers and papers for August and November 2018
<b>3.1.2: Number of quality assurance of assessment reports per qualification per assessment body per examination cycle</b>	N/A	N/A	N/A	<b>GETC:</b> 5	<b>GETC:</b> 6	+1	BAA wrote June examinations for the first time, hence there was an additional quality assurance of assessment report
	N/A	N/A	N/A	NSC: 6	NSC: 6	None	N/A
	N/A	N/A	N/A	NATED: 2	NATED: 2	None	N/A
	N/A	N/A	N/A	SC: 1	SC: 1	None	N/A
	N/A	N/A	N/A	NATED/NC(V) 1	NATED/NC(V) 1	None	N/A

### LINKING PERFORMANCE WITH BUDGETS

SUB-PROGRAMME 3.1: QUALITY ASSURANCE OF ASSESSMENT	2016/2017			2017/2018		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/ UNDER EXPENDITURE	BUDGET	ACTUAL	(OVER)/ UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Consulting and professional fees</b>	1,079	443	636	1,030	515	515
<b>Employee costs</b>	10,782	9,610	1,172	11,345	11,186	159
<b>Moderator and verifier costs</b>	23,656	23,733	(77)	26,512	25,928	584
<b>Other operating expenses</b>	610	476	134	2,324	1,618	706
<b>Printing and stationery</b>	576	46	530	77	103	(26)
<b>Travel and accommodation - local</b>	9,960	11,277	(1,317)	13,991	10,343	3,648
<b>Total</b>	<b>46,663</b>	<b>45,585</b>	<b>1,078</b>	<b>55,279</b>	<b>49,693</b>	<b>5,586</b>



## [ Evaluation and Accreditation ]

Back row: Eliazer Lechaba, Tebatso Nkulele, Phumla Molusi, Klaus Lettau, Anushka Moodley, Dawie Oberholster, Sisanda Nontayi, Tondani Tshikovhi, Thomas Magadze, Obakeng Nkodima

Middle row: Maruska De Villiers, Gugu Chili, Kholofele Rabotho, Winile Ndebele, Reabetswe Mathebe, Dr Nokuphiwa Mkhabela, Meiva Theko, Alletah Nokaneng, Louisa Marandela

Front row: Mapaleng Lekgeu, Vanessa Naidoo, Cindy Thomas, Dr Gugulethu Nkambule



## SUB-PROGRAMME 3.2: EVALUATION AND ACCREDITATION

Cindy Thomas, Senior Manager: E&A

### PURPOSE

The function of this sub-programme is to provide for quality assurance of provision and assessment through evaluation and accreditation of private education institutions and private assessment bodies. This entails ensuring that:

- Standards for provision are determined, maintained and strengthened;
- Systems are in place to quality assure the capacity of private education and training institutions seeking accreditation to implement qualifications registered on the GFETQSF through an accreditation and monitoring process;
- Systems are in place to quality assure the capacity of private assessment bodies seeking accreditation to assess qualifications registered on the GFETQSF.

### OVERVIEW OF WORK DONE

Umalusi evaluated 555 independent schools' desktop applications during the 2017/18 financial year. The target of 300 was met and an extra 255 were completed owing to the number of applications received. Additionally, 231 site verification visits were conducted (69 fewer than the target of 300, resulting from a combination of factors including schools postponing site visits, non-payment for site visits and a shortage of staff available to conduct site visits). In addition, 110 follow-up site visits were made to institutions that had submitted improvement reports following an outcome of provisional accreditation or a window period to improve. Additional ad hoc contract staff were appointed in Quarter 3 and were functional by the end of the financial year.

A total of 297 reports were presented to the Accreditation Committee of Council (ACC), comprised of 198 consolidated reports and 99 improvement reports. The target of 224 consolidated reports was not met, by 26. The number of consolidated reports finalised is related to site visits conducted in a given period; and 107 accredited independent schools were monitored.

Seventy-eight private FET College desktop applications were evaluated, which exceeded the target of 60. However, 52 site verification visits, of a

target of 60, were conducted. The target was not met since institutions can be visited only once they have paid for the site verification visit and some institutions only paid towards the end of the financial year. They will be visited in the new financial year. The unit presented 106 reports to the ACC, made up of 52 consolidated accreditation reports and 54 improvement reports. This was slightly below the target of 60 consolidated accreditation reports to the ACC; however, reports can only be presented for institutions that pay for and undergo a site visit. An additional 10 follow-up site visits were conducted to institutions that submitted improvement reports following an outcome of provisional accreditation or a window period to improve.

Four private AET centres' desktop applications were evaluated. Seven site verification visits were conducted, as well as one follow-up site visit. Twenty-six reports were presented to the ACC, made up of nine consolidated accreditation reports and 17 improvement reports.

Thirty-seven Quality Promotion meetings were conducted for independent schools and seven for private colleges. Both the independent school and private college sub-units trained evaluators, subject specialists and report writers.

### ACC RECOMMENDATIONS AND CEO APPROVALS

**The ACC made the following recommendations regarding independent schools in the 2017/18 financial year:**

Accreditation:	143 schools
2 years' provisional accreditation:	64 schools
No accreditation:	25 schools
Window period:	68 schools

**The CEO approved the following with regard to independent schools in the 2017/18 financial year:**

Accreditation:	142 schools
2 years' provisional accreditation:	65 schools
No accreditation:	11 schools

The senior manager signed off 52 window period letters for independent schools.

**The ACC made the following recommendations regarding private colleges in the 2017/18 financial year:**

7 years' accreditation:	24 FET colleges and 5 AET centres
2 years' provisional accreditation:	43 FET colleges and 6 AET centres
No accreditation:	12 FET colleges and 8 AET Centres
Window period:	26 FET colleges and 6 AET centres

**The CEO approved the following with regard to private colleges in the 2017/18 financial year:**

7 years' accreditation:	24 FET colleges and 5 AET centres
2 years' provisional accreditation:	33 FET colleges and 6 AET centres
No accreditation:	13 FET colleges and 5 AET centres

The senior manager signed off 12 window period letters for private FET colleges and for five private AET colleges.

**During the 2017/18 financial year, Umalusi Council processed applications for private assessment bodies as follows:**

- 1 assessment body was granted provisional accreditation.
- 1 assessment body was granted permission to apply for full accreditation.

**STRATEGY TO OVERCOME AREAS OF UNDER-PERFORMANCE**

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

**CHANGES TO PLANNED TARGETS**

Targets were not changed during the year.

**Achievement of Performance Indicators**

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/15	ACTUAL ACHIEVEMENT 2015/16	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL OUTPUT 2017/18	DEVIATION FROM PLANNED TARGET	COMMENT ON DEVIATIONS
<b>3.2.1: Number of comprehensive reports on the accreditation of independent schools produced annually</b>	N/A	N/A	N/A	1	1	None	N/A
<b>3.2.2: Number of comprehensive reports on the accreditation of private colleges produced annually</b>	N/A	N/A	N/A	1	1	None	N/A
<b>3.2.3: Number of comprehensive reports on the accreditation of private assessment bodies produced annually</b>	N/A	N/A	N/A	1	1	None	N/A

**LINKING PERFORMANCE WITH BUDGETS**

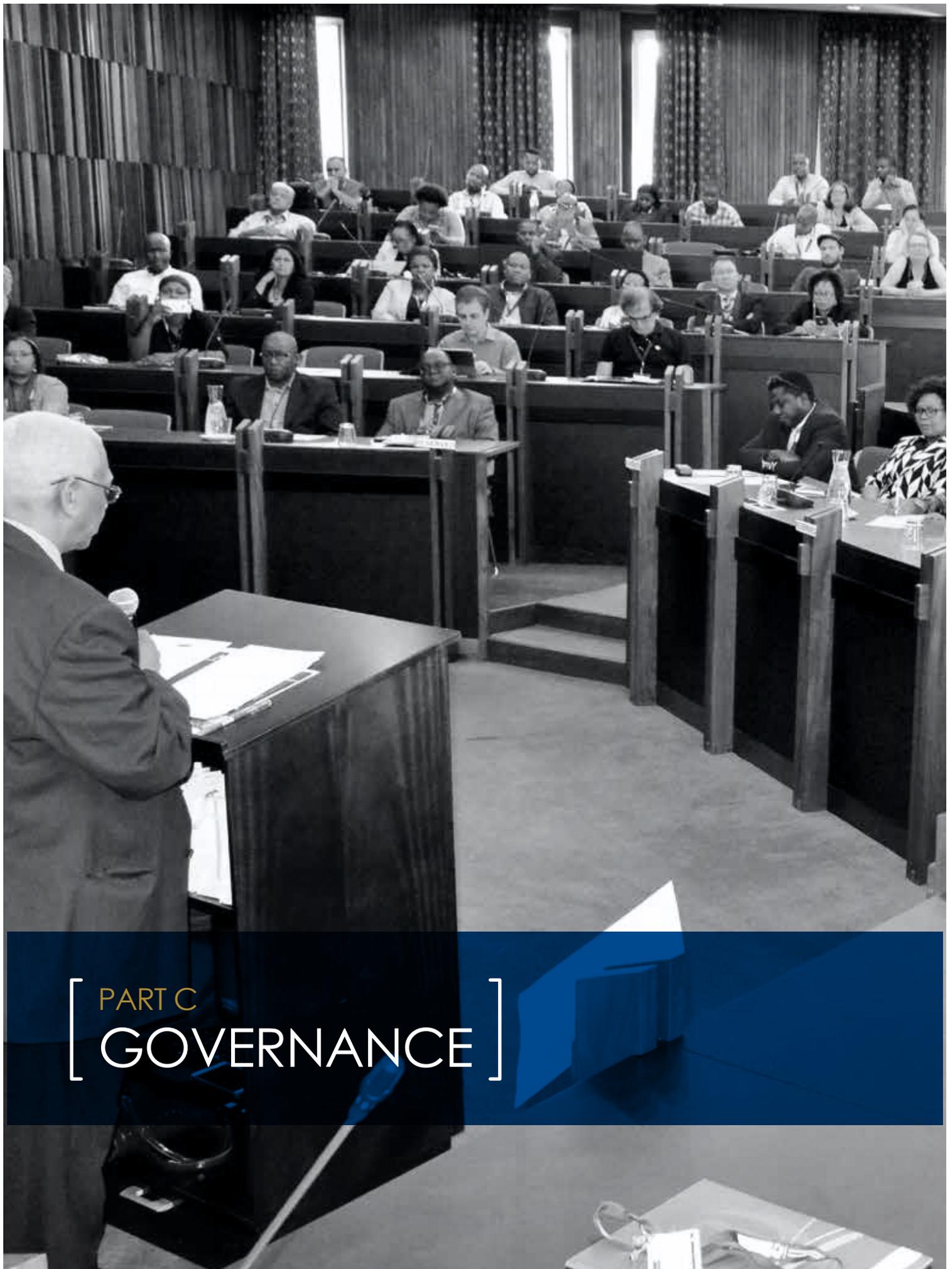
SUB-PROGRAMME 3.2: EVALUATION AND ACCREDITATION	2016/2017			2017/2018		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/ UNDER EXPENDITURE	BUDGET	ACTUAL	(OVER)/ UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Consulting and professional fees</b>	-	87	(87)	146	118	28
<b>Employee costs</b>	16,469	13,952	2,517	13,955	12,647	1,308
<b>Moderator and verifier costs</b>	4,151	6,555	(2,404)	6,872	8,398	(1,526)
<b>Other operating expenses</b>	1,958	771	1,187	1,949	1,033	916
<b>Printing and stationery</b>	75	157	(82)	125	99	26
<b>Travel and accommodation - local</b>	4,566	3,285	1,281	4,518	4,096	422
<b>Total</b>	<b>27,219</b>	<b>24,807</b>	<b>2,412</b>	<b>27,565</b>	<b>26,391</b>	<b>1,174</b>

## 4. REVENUE COLLECTION

SOURCES OF REVENUE	2016/2017			2017/2018		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/ UNDER COLLECTION	BUDGET	ACTUAL	(OVER)/ UNDER COLLECTION
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Grant : Department of Basic Education</b>	118,678	118,678	-	124,612	124,612	-
<b>Accreditation</b>	5,779	11,313	(5,534)	12,779	8,668	4,111
<b>Certification</b>	3,809	6,428	(2,619)	5,443	5,388	55
<b>Verification</b>	10,580	9,523	1,057	11,509	-	11,509
<b>Interest received</b>	727	4,129	(3,402)	5,552	5,062	490
<b>Rental income</b>	2,285	1,393	892	2,399	1,473	926
<b>Prescript income</b>	-	564	(564)	-	7	(7)
<b>Sundry income</b>	-	655	(655)	1,153	2,003	(850)
<b>Reserve funds</b>	13,332	-	13,332	56,253	-	56,253
<b>Total</b>	<b>155,190</b>	<b>152,683</b>	<b>2,507</b>	<b>219,700</b>	<b>147,213</b>	<b>72,487</b>

## 5. PROGRAMME EXPENDITURE

PROGRAMME AND SUB-PROGRAMME NAME	2016/2017			2017/2018		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/ UNDER EXPENDITURE	BUDGET	ACTUAL	(OVER)/ UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
<b>1. Administration</b>	53,789	54,920	(1,131)	58,522	60,781	(2,258)
<b>2.1 Qualifications, Curriculum and Certification</b>	17,060	12,059	5,001	15,541	14,522	1,019
<b>2.2 Statistical Information and Research</b>	10,459	10,615	(156)	12,157	9,824	2,333
<b>3.1 Quality Assurance of Assessment</b>	46,663	45,585	1,078	55,279	49,693	5,586
<b>3.2 Evaluation and Accreditation</b>	27,219	24,807	2,412	27,565	26,391	1,174
<b>Total</b>	<b>155,190</b>	<b>147,986</b>	<b>7,205</b>	<b>169,064</b>	<b>161,211</b>	<b>7,854</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 Annual Performance Plan (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. 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 Public Finance Management Act (PFMA), but also to the principles of openness, integrity, efficiency, accountability and compliance, as reflected in applicable King Code of Governance principles.

## 2. PORTFOLIO COMMITTEES

Umalusi as a public entity is required to report operational and financial performance to the Portfolio Committee on Basic Education. Umalusi also reports to the Portfolio Committee on Higher Education and Training on matters relating to qualifications offered by the Department of Higher Education and Training (DHET).

During the 2017/18 financial year, Umalusi appeared before the Portfolio Committees as reflected below:

- 4 May 2017: 2017 Budget review
- 16 May 2017: 2017 Budget vote debate
- 14 June 2017: Meeting with the Portfolio Committee on Higher Education and Training
- 3 August 2017: Portfolio Committee on Higher Education and Training oversight visit to Umalusi
- 5 October 2017: Meeting with the Portfolio Committee on Higher Education and Training
- 10 October 2017: Briefing on the 2017 Annual Report
- 7 February 2018: Briefing on the 2017 standardisation process

## 3. EXECUTIVE AUTHORITY

Umalusi is listed as a Schedule 3A public entity, which reports administratively to the Minister of Basic Education, who is the Executive Authority. Quarterly performance reports were submitted to the Executive Authority by the Council within the timeframes as follows:

- 31 July 2017
- 31 October 2017
- 31 January 2018
- 30 April 2018

The Minister was satisfied with the reports as submitted by Umalusi, as reflected in the letters from the Minister acknowledging and appreciating the quality of Umalusi reports.

## 4. COUNCIL

The Umalusi Council is established in terms of Section 4 of the General and Further Education and Training Quality Assurance (GENFETQA) Act, No. 58 of 2001, as amended. The Council consists of 15 members appointed by the Minister of Basic Education in terms of subsection (5) of the GENFETQA Act. In addition to the 15 members, the Chief Executive Officers of the following organisations are members, by virtue of their office:

- Umalusi
- South African Qualifications Authority (SAQA)
- Council on Higher Education (CHE)
- Quality Council for Trade and Occupations (QCTO)

The Umalusi Council is responsible for ensuring that stakeholders at each level of the process are identified and engaged to achieve good corporate governance and, ultimately, organisational success. This implies that the management of risks, internal and external audits, fiscal discipline and reporting, and the overall monitoring and evaluation of operations, are the responsibility of the members of the Council.



## COUNCIL CHARTER

The Council Charter, which was approved by Council, regulates how business is conducted by the Council in accordance with the principles of good corporate governance. The Council Charter ensures that all Council members acting on behalf of the entity are aware of their duties and responsibilities and the various laws and regulations affecting their conduct.

Council held four quarterly meetings and two workshops to ensure that all its fiduciary duties were fully executed. In addition, Council committee meetings were held to assist the Council to play its oversight role of monitoring operational performance, the policy review process, ensuring the proper discharge of risk management and management of internal control, as directed by the governance framework. All Council meetings were duly constituted and a quorum was confirmed in all Council meetings held. Members declared any conflict of interest during the meetings and ensured that this was dealt with accordingly.

## COMPOSITION OF THE UMALUSI COUNCIL

NAME	DESIGNATION	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES OR TASK TEAMS	NO. OF MEETINGS ATTENDED
1. Prof JD Volmink	Chairperson	8/06/2014	n/a	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)	6/6
2. Prof ND Kgwadi	Deputy Chairperson	8/06/2014	n/a	PhD	Physics Education	<ul style="list-style-type: none"> <li>Council and Senate of North West University</li> </ul>	EXCO	0/6
3. Dr MS Rakometsi	CEO	8/06/2014	n/a	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	6/6
4. Prof N Baijnath	Member	1/10/2015	n/a	PhD	Higher Education Policy, Planning and Educational Change	<ul style="list-style-type: none"> <li>CHE</li> <li>QCTO</li> <li>SAQA</li> </ul>	None	5/6
5. Dr PAD Beets	Member	8/06/2014	n/a	PhD	Curriculum Studies	None	Research Forum	
6. Ms F Dada	Member	8/06/2014	n/a	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 Accreditation Committee of Council (ACC)	2/6
7. Mr MHW Ehrenreich	Member	8/06/2014	n/a	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)	4/6
8. Mr D Hindle	Member	15/12/2016	n/a	BEd Hons	Sociology & Comparative Education	None	EXCO Qualifications Standards Committee (QSC)	6/6
9. Mr NT Johnstone	Member	1 /09/ 2015	n/a	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)	6/6
10. Dr MJ Maboya	Member	1/07/2016	n/a	PhD	Mathematics Education	None	None	3/6
11. Dr EB Mahlobo	Member	8/06/2014	n/a	PhD	Applied Linguistics	None	None	1/6
12. Prof MG Mahlomaholo	Member	8/06/2014	n/a	DEd	Cognitive Education	None	None	2/6

## COMPOSITION OF THE UMALUSI COUNCIL (CONTINUED)

NAME	DESIGNATION	DATE APPOINTED	DATE RESIGNED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIPS	OTHER COMMITTEES OR TASK TEAMS	NO. OF MEETINGS ATTENDED
13. Prof L Makalela	Member	8/06/2014	n/a	PhD	English Studies, Literacy and Linguistics	None	EXCO	1/6
14. Prof R Mampane	Member	8/06/2014	n/a	PhD	Educational Psychology	None	EXCO Assessment Standards Committee (ASC)	5/6
15. Adv MJ Merabe	Member	15/12/2016	n/a	LLM	Education Law	None	None	4/6
16. Prof MLE Monnapula-Mapesela	Member	8/06/2014	n/a	PhD	Higher Education	Council of Central University of Technology (CUT)	EXCO	2/6
17. Mr E Mosuwe	Member	24/10/2016	n/a	MSc	Physiology	None	None	2/6
18. Mr V Naidoo	Member	28/08/17	n/a				None	3/5
19. Mr J Samuels	Member	8/06/2014	n/a	MPhil	Adult Education	<ul style="list-style-type: none"> <li>• CHE</li> <li>• QCTO</li> <li>• SAQA</li> </ul>	None	6/6

## COUNCIL COMMITTEES

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
<b>Accreditation Committee of Council (ACC)</b>	6	12	Ms F Dada Mr B Phillips Dr D Mampuru Ms K Janssens Ms E Erasmus Mr M Netshandama Mr R Pettitt Ms M Cilliers Mr T Basjan Mr L Stephan Dr SD Bhikha
<b>Assessment Standards Committee (ASC)</b>	5	15	Prof MR Mampane Prof PN Rule Prof M Moodley Prof SJ Howie Prof LP Fatti Prof D North Dr S Hansraj Prof LC Jita Prof JP Sepeng Dr M Nthangeni Dr B Mofolo-Mbokane Dr NP Mrwetyana Mr M Snelling Dr M Naidoo Dr SM Mosia

## COUNCIL COMMITTEES (CONTINUED)

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAME OF MEMBERS
<b>Audit and Risk Committee (ARC)</b>	5	6	Ms L Rossouw (Chairperson) Ms N Molalekoa Mr S Zungu Mr NT Johnstone Ms D Dieketseng Adv J Lubbe
<b>Executive Committee (EXCO)</b>	5	7	Prof JD Volmink (Chairperson) Prof ND Kgwadi Ms F Dada Mr D Hindle Prof L Makalela Prof R Mampane Prof MLE Monnapula-Mapesela
<b>Information and Communication Technology Oversight Committee (ICTOC)</b>	4	3	Mr M Ehrenreich Mr C Baxter Mr S Zungu
<b>Qualifications Standards Committee (QSC)</b>	3	9	Mr Duncan Hindle Ms Helen Brown Dr Vuyelwa Toni-Penxa Prof Caroline Long Ms Stella Carthy Mr Timothy McBride Ms Mary Madileng Ms Anne Oberholzer Mr Hugh Amoore
<b>Research Forum</b>	5	15	Dr J Gamble Dr A Badroodien Prof 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 Schoer Dr D Makhado Prof L Makalela Dr PAD Beets

## 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	OTHER ALLOWANCE	OTHER RE-IMBURSEMENTS	TOTAL
Prof JD Volmink	157,953	-	14,288	172,241
Prof MLE Monnapula-Mapesela	51,705	-	681	52,386
Dr PAD Beets	2,353	-	992	3,345
Prof MG Mahlomaholo	4,966	-	146	5,112
Prof MR Mampane	108,351	-	2,556	110,907
Prof L Makalela	24,353	-	2,591	26,944
Ms F Dada	59,919	-	2,031	61,950
Mr NT Johnstone	26,273	-	4,275	30,548
Mr MHW Ehrenreich	-	-	758	758
Mr DB Hindle	27,945	-	10,925	38,870
Adv JM Merabe	14,118	-	3,121	17,239
Prof ND Kgwadi	-	-	-	-
Dr MS Rakometsi	-	-	-	-
Prof N Baijnath	-	-	-	-
Dr MJ Maboya	-	-	-	-
Dr EB Mahlobo	-	-	-	-
Mr E Mosuwe	-	-	-	-
Mr V Naidoo	-	-	-	-
Mr J Samuels	-	-	-	-

## 5. RISK MANAGEMENT

Umalusi has a Risk Management Policy that was approved in 2016. The risk management framework encapsulates Umalusi's risk strategy, structure, process, roles and responsibilities.

Enterprise Risk Management aligns strategy, processes, people, technology and knowledge to minimise organisational risks. The Council is committed to ongoing risk management assessment and has strengthened risk management by putting in place structures that include the internal audit function and the Audit and Risk Committee. This committee, which is chaired by an independent member, is responsible for ensuring that the internal audit function performs its risk analysis duties for an effective system of risk management.

The CEO is, however, responsible for creating an enabling environment for risk management; hence the CEO is the chairperson of the Risk Management Committee, which is comprised of all senior management members. Risk assessment is undertaken quarterly through compilation of progress reports and the committee assesses risk reports to monitor performance and assess emerging risks. Council is advised accordingly, especially for risks that may have a reputational impact on the entity.

Much progress has been achieved in the management of risks in the entity. A comparative analysis of the last three financial years indicates that systems are in place to manage risks. Even though proper training has not yet been done for management, the understanding of managing risks has generally improved.

NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	IF INTERNAL, POSITION IN PUBLIC ENTITY	DATE APPOINTED	DATE RESIGNED	NO. OF MEETINGS ATTENDED
<b>Ms L Rossouw</b>	BCompt; BCompt (Hons); MCom; CA(SA) & CIA	External	-	8 June 2014	-	4 of 4
<b>Ms N Molalekoa</b>	BCom	External	-	8 June 2014	-	4 of 4
<b>Mr NT Johnstone</b>	BSc Physiology	Internal	Council member	11 November 2015	-	4 of 4
<b>Mr S Zungu</b>	National Diploma (Elec. Eng.) Postgraduate Diploma (Management Practices)	External	-	01 June 2015	-	4 of 4
<b>Ms D Diale</b>	BCom (Computer Science) Master's in Business Leadership	External	-	14 March 2017	-	4 of 4
<b>Adv WJ Lubbe</b>	Bachelor of Law - LLB Postgraduate Diploma in Compliance Management	External	-	29 November 2017	-	1 of 1

## 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, owing to the nature and size of Umalusi.

However, the Audit and Risk Committee 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. The committee does not assume any management responsibilities or perform any management functions. The Audit and Risk Committee makes decisions on matters relating to the scope of its responsibilities and presents such decisions to the Council for ratification.

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

- The safeguarding of assets;
- Council's compliance with legal and regulatory requirements;
- The external auditors' independence; performance of the entity's internal and external auditor functions;

- Preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards; and
- Overseeing the quality, integrity and reliability of Umalusi's risk management.

The table above discloses relevant information on the Audit and Risk Committee members.

## 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.

The entity provided confirmation of compliance to the Audit and Risk Committee and the Council. Furthermore, the external auditors test compliance to laws and regulations during the annual external audit.

During the current external audit, findings were raised regarding non-compliance to law and regulations. Management has committed to resolving the identified issues. Ensuring compliance management will form part of the performance agreements of senior and executive managers.

## 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 and email 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, 22 valid reports were received via the hotline and Umalusi conducted various investigations to confirm all allegations made. Reports and allegations of fraud are submitted to relevant units for further investigation and the outcome is tabled at a meeting of the executive management of Umalusi.

## 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 which they may have in any dealings with the Council.

Should a member of Council, or a Council committee member, foresee a conflict of interest at a meeting, he or she must not participate in any decision-making process that could affect their personal interests.

The member of Council or Council committee member must recuse himself or herself from 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.

## 10. CODE OF ETHICS

The Council and employees are required to observe the highest ethical standards to 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. It provides clear guidelines for the expected behaviour of all employees, on all levels. Management continuously ensures that employees abide by the Code of Ethics and the values encapsulated in the entity'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. It is submitted annually to, and approved by, the Minister of Basic Education in the Annual Performance Plan.

## 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 practical level of health and safety control; and a good working environment that is safe and without risk to the health of its employees.

During the financial year under review, Umalusi made significant progress in institutionalising health and safety among employees by organising training to increase awareness of health and safety.

Umalusi sourced a service provider to conduct an Occupational Health and Safety (OHS) compliance audit at its offices, to measure the level of compliance with the Occupational Health and Safety Act, Act 85 of 1993. The level of compliance in general was good and any weaknesses identified were immediately corrected.



**Mandela Day 2017**

*Umalusi staff participating in Mandela Day 2017 activities in partnership with Kitso Lesedi.*

In making sure that Umalusi complies to the highest standard with health and safety, as well as environmental aspects, efforts have been made to provide all general workers with protective clothing.

While the health and safety of people is top priority, Umalusi has an integrated approach to the safety of people and the environment, and the organisation has put in place the following:

- Recycling of used paper;
- Installation of energy-efficient light fittings inside and outside the building;
- Ensuring all lights are switched on and off when necessary; and
- Conserving energy by switching off all appliances by close of business each day.

**13. SOCIAL RESPONSIBILITY**

Part of Umalusi's constitutional obligation as a public entity is to bring about social justice and cohesion within the broader South African society. To this end, the organisation has formed a crucial partnership with a charity organisation based in Pretoria, with the aim of participating in the annual activities of Mandela Day on 18 July. On this day, Umalusi staff 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 2017, and the annual Cancer Shavathon, organised by the Cancer Association of South Africa, in March 2018.

## 14. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2018.

### 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.

### ROLE 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 as assigned to it by the Council. The committee also executed its duties in terms of the requirements of the applicable King Code on Corporate Governance.

#### External Audit

The external auditor is Nexia SAB&T. The committee, in consultation with executive management, agreed to the engagement letter, audit plan and budgeted audit fees for the 2017/18 financial year. Nexia SAB&T 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, Nexia SAB&T;
- 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 on 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 external auditor, Nexia SAB&T.

### 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 applicable King Code 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, Nexia SAB&T, it was noted that certain matters were reported that indicated some material deficiencies in the system of internal control.

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 part of 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.

Management has put measures in place to address the identified weaknesses.

Accordingly, we can report that the system of internal control over financial reporting for the period under review was partially efficient and partially effective.

## 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 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 CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee satisfied itself that the 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.



**Ms L Rossouw**

Chairperson of the Audit and Risk Committee  
Umalusi

31 July 2018



PART D

# HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

## 1. INTRODUCTION

The Human Resource Management and Development (HRM&D) Unit is one of the most essential units that contributes to the successful implementation of the organisational strategy. Its mandate is to implement HRM&D governance, attract top talent, develop staff, ensure a transparent performance and management system, attractive rewards and benefits and retain the right people in the right positions within Umalusi.

<p><b>Set HRM&amp;D priorities for the year under review and the impact of these priorities</b></p> <ul style="list-style-type: none"> <li>• The maintenance of the vacancy rate at less than 10% in the organisational structure to ensure work continuity in fulfilling the organisational mandate.</li> <li>• Standardisation of performance agreements at management level to ensure consistent application of the Performance Management and Development System across the organisation.</li> <li>• Create a conducive working environment for all staff members through the implementation of the Employee Wellness Programme.</li> </ul>	<p><b>Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce</b></p> <ul style="list-style-type: none"> <li>• The remuneration policy was reviewed and approved by Council to broaden the salary capping of manager and assistant manager levels to attract, retain and recruit candidates with requisite skills.</li> <li>• The review of the retirement age from 60 years to 65 years was approved and implemented accordingly.</li> </ul>
<p><b>Employee performance management framework</b></p> <ul style="list-style-type: none"> <li>• The standardisation of performance management agreements at senior management level was conducted during the year under review to ensure consistency across the organisation. Umalusi reviewed the standards by which the performance of individual staff members is 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>	<p><b>Employee wellness programmes</b></p> <ul style="list-style-type: none"> <li>• The organisation continues to implement health and wellness programmes for all staff members. The process of implementing the Employee Awareness Programme was finalised to take care of employees' wellbeing and will focus on promoting healthy living styles, physically, emotionally and financially.</li> </ul>
<p><b>Highlight achievements</b></p> <ul style="list-style-type: none"> <li>• The approved Workplace Skills Plan was fully implemented to enhance staff members' performance in contributing towards the achievement of organisational objectives.</li> <li>• The vacancy rate was maintained at 5% at the end of the year under review to ensure sufficient human capacity in the organisation.</li> <li>• The organisation has met the target in the submission of both performance agreements and performance assessments, thus promoting the effective implementation of the performance management and development system.</li> </ul>	<p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>• An inability to attract candidates with critical and scarce skills.</li> </ul>
<p><b>Policy development</b></p> <ul style="list-style-type: none"> <li>• HRM&amp;D policies were developed, reviewed, approved and implemented to ensure compliance with legislation.</li> </ul>	<p><b>Future HR plans /goals</b></p> <ul style="list-style-type: none"> <li>• Employment of people with disabilities.</li> </ul>

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

### PERSONNEL COST BY PROGRAMME

PROGRAMME	TOTAL EXPENDITURE FOR THE ENTITY R'000	PERSONNEL EXPENDITURE R'000	PERSONNEL EXP. AS A % OF TOTAL EXP.	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE R'000
1 Administration	60,780	28,063	46%	50	561
2.1 Qualifications, Curriculum and Certification	14,523	9,346	64%	22	425
2.2 Statistical Information and Research	9,824	6,372	65%	10	637
3.1 Quality Assurance of Assessment	49,693	11,186	23%	22	508
3.2 Evaluation and Accreditation	26,391	12,647	48%	27	468
<b>TOTAL</b>	<b>161,211</b>	<b>67,614</b>	<b>42%</b>	<b>131</b>	<b>516</b>

### PERSONNEL COST BY SALARY BAND

SALARY BAND	PERSONNEL EXPENDITURE R'000	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST R'000	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE R'000
Top Management	6,786	10%	4	1697
Senior Management	9,858	15%	10	986
Professional qualified	33,328	49%	61	546
Skilled	4,972	7%	14	355
Semi-skilled	10,803	16%	38	284
Unskilled	1,867	3%	4	467
<b>TOTAL</b>	<b>67,614</b>	<b>100%</b>	<b>131</b>	<b>516</b>

### PERFORMANCE REWARDS

SALARY BAND	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top Management	154	6,786	2%
Senior Management	128	9,858	1%
Professional qualified	400	33,328	1%
Skilled	77	4,972	2%
Semi-skilled	139	10,803	1%
Unskilled	12	1,867	1%
<b>TOTAL</b>	<b>910</b>	<b>67,614</b>	<b>1%</b>

## 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	28,063	326	1%	50	7
2.1 Qualifications, Curriculum and Certification	9,346	85	1%	22	4
2.2 Statistical Information and Research	6,372	73	1%	10	7
3.1 Quality Assurance of Assessment	11,186	59	1%	22	3
3.2 Evaluation and Accreditation	12,647	131	1%	27	5
<b>TOTAL</b>	<b>67,614</b>	<b>674</b>	<b>1%</b>	<b>131</b>	<b>5</b>

## EMPLOYMENT AND VACANCIES

PROGRAMME	2016/2017 NO. OF EMPLOYEES	2017/2018 APPROVED POSTS	2017/2018 NO. OF EMPLOYEES	2017/2018 VACANCIES	% OF VACANCIES
1 Administration	48	58	51	7	12%
2.1 Qualifications, Curriculum and Certification	16	22	22	-	0%
2.2 Statistical Information and Research	10	10	10	-	0%
3.1 Quality Assurance of Assessment	19	22	22	-	0%
3.2 Evaluation and Accreditation	27	26	26	-	0%
<b>TOTAL</b>	<b>120</b>	<b>138</b>	<b>131</b>	<b>7</b>	<b>5%</b>

SALARY BAND	2016/2017 NO. OF EMPLOYEES	2017/2018 APPROVED POSTS	2017/2018 NO. OF EMPLOYEES	2017/2018 VACANCIES	% OF VACANCIES
Top Management	3	4	4	-	0%
Senior Management	10	10	10	-	0%
Professional qualified	55	65	61	4	6%
Skilled	11	12	10	2	17%
Semi-skilled	37	43	42	1	2%
Unskilled	4	4	4	-	0%
<b>TOTAL</b>	<b>120</b>	<b>138</b>	<b>131</b>	<b>7</b>	<b>5%</b>

The vacancy rate was reduced from 13% reported in March 2017 to 5% by the end of the financial year.

## EMPLOYMENT CHANGES

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	3	1	-	4
Senior Management	10	2	2	10
Professional qualified	55	17	11	61
Skilled	11	-	1	10
Semi-skilled	37	12	7	42
Unskilled	4	-	-	4
<b>Total</b>	<b>120</b>	<b>32</b>	<b>21</b>	<b>131</b>

## REASONS FOR STAFF LEAVING

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	1	5%
Resignation	12	57%
Dismissal	-	0%
Retirement	3	14%
Ill-health	1	5%
Expiry of contract	-	0%
Promotions	4	19%
<b>Total</b>	<b>21</b>	

During the financial year, Umalusi had a 16% turnover rate. The major reason for employees exiting the organisation was outside employment opportunities. Succession and retention plans are being implemented to reduce the turnover rate.

## LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal warning	-
Written warning	-
Final Written warning	-
Dismissal	-

## EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Umalusi strives to prioritise employment equity and to achieve employment equity targets by appointing the economically active population (EAP) from various race groups across all occupational levels and in line with the set targets. 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	3	3	-	-	-	-	-	-
Professional qualified	28	30	-	-	-	-	6	6
Skilled	2	3	-	-	-	-	-	-
Semi-skilled	13	14	-	-	-	-	-	-
Unskilled	2	2	-	-	-	-	-	-
<b>TOTAL</b>	<b>50</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>6</b>

SALARY BAND	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	1	1	-	-	-	-	1	1
Senior Management	3	3	1	1	-	-	3	3
Professional qualified	19	21	2	2	2	2	4	4
Skilled	7	8	-	-	1	1	-	-
Semi-skilled	25	25	1	1	2	2	1	1
Unskilled	2	2	-	-	-	-	-	-
<b>TOTAL</b>	<b>57</b>	<b>60</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>9</b>	<b>9</b>

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>



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# 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 2019 and, in the light of this review and the current financial position, it is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 84 to 111, which have been prepared on the going concern basis, were approved by the Council on July 31 2018 and were signed on its behalf by:



**Professor JD Volmink**  
Chairperson: Umalusi Council



**Dr MS Rakomeksi**  
Chief Executive Officer: Umalusi

# [REPORT OF THE COUNCIL]

The Council submits its report for the year ended 31 March 2018.

## 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 and do not, in our opinion, require any further comment.

The net deficit of the entity for the financial year ended 31 March 2018 was (R 4,305,644) (2017: restated surplus R 4,697,406).

## 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. At the time of the 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 2018/2019 to 2021/2022.

## 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 cash surplus. 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. INTERNAL CONTROLS

In accordance with the PFMA, the Council is accountable for internal controls. The Council has the responsibility of maintaining a sound system of internal controls that supports the achievements of Umalusi's objectives and accordingly reviews the system's effectiveness on an ongoing basis through the internal audit function.

## 7. 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 or irregular or fruitless and wasteful

expenditure must be reported in the Annual Financial Statements.

In the current year fraud in terms of a tender was alleged. Refer to paragraph 8 on legal matter below.

No losses through fruitless and wasteful expenditure were incurred during the period under review. Refer to note 26 regarding irregular expenditure.

## 8. LEGAL MATTER

The matter at hand relates to a tender that was awarded to a joint venture in March 2017. A member of the joint venture alleged that tender documents relating to his company were forged. Council subsequently cancelled the contract due to the alleged irregularities. The matter was reported to the Directorate for Priority Crime Investigation in terms of section 34(1) of the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004. The matter is still under investigation. Umalusi will seek to claim damages from the joint venture through a civil claim action.

## 9. COUNCIL MEMBERS

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

- Prof JD Volmink (Chairperson)
- Prof ND Kgwadi (Deputy Chairperson)
- Dr MS Rakometsi (CEO)
- Dr PAD Beets
- Ms F Dada
- Mr MHW Ehrenreich
- Mr D Hindle
- Mr NT Johnstone

- Dr MJ Maboya
- Dr EB Mahlobo
- Prof MG Mahlomaholo
- Prof L Makalela
- Prof MR Mampane
- Adv MJ Merabe
- Prof MLE Monnapula-Mapesela
- Mr E Mosuwe
- Mr JS Samuels (SAQA - CEO)
- Mr V Naidoo (QCTO - CEO) Appointed 1 June 2017
- Prof N Baijnath (CHE - CEO)

## 10. SECRETARY

The Council secretary of the entity is Ms S Mngoma of:

### BUSINESS ADDRESS

37 General van Reyneveld Street  
Persequor Technopark  
Pretoria, 0121

### POSTAL ADDRESS

PO Box 151  
Persequor Technopark  
Pretoria, 0121

## 11. AUDITORS

Nexia SAB&T conducted the audit in accordance with Section 25(2) of the Public Audit Act.

## 12. COUNCIL AND EXECUTIVE MANAGEMENT EMOLUMENTS

Non-Executive Members	Salary or Fee	Bonuses and performance related payments	Retirement Fund contributions	Medical contributions	Long service	Other expenses *	Total package 2018	Total package 2017
Prof JD Volmink - Chairperson	157,953	-	-	-	-	14,288	172,241	140,421
Prof MLE Monnapula-Mapesela	51,705	-	-	-	-	681	52,386	46,414
Dr PAD Beets	2,353	-	-	-	-	992	3,345	795
Prof MG Mahlomaholo	4,966	-	-	-	-	146	5,112	15,772
Prof MR Mampane	108,351	-	-	-	-	2,556	110,907	118,261
Prof L Makalela	24,353	-	-	-	-	2,591	26,944	55,800
Ms F Dada	59,919	-	-	-	-	2,031	61,950	18,221
Mr NT Johnstone	26,273	-	-	-	-	4,275	30,548	21,542
Mr MHW Ehrenreich	-	-	-	-	-	758	758	-
Mr DB Hindle	27,945	-	-	-	-	10,925	38,870	-
Adv JM Merabe	14,118	-	-	-	-	3,121	17,239	-
	<b>477,936</b>	-	-	-	-	<b>42,364</b>	<b>520,300</b>	<b>417,226</b>

\* Included in other expenses is travel and subsistence reimbursement for attending meetings.

Executive and Senior Management	Salary or Fee	Bonuses and performance related payments	Retirement Fund contributions	Medical contributions	Long service	Other expenses *	Total package 2018	Total package 2017
CEO: Dr MS Rakometsi	1,734,081	124,050	274,119	-	23,066	266,239	2,421,555	2,188,512
CFO: Ms JM Rousseau	973,453	-	153,881	-	-	-	1,127,334	1,067,982
EM: Q&R - Mr E Sibanda	973,453	-	153,881	-	5,359	40,476	1,173,169	1,093,904
EM: QAM - Ms Z Modimakwane	971,079	29,642	158,636	31,708	-	-	1,191,065	1,110,902
SM: QCC - Ms EM Burroughs (Retired 05/17)	101,380	84,256	11,865	-	-	-	197,501	1,102,602
SM: PR&COMMS - Mr SE Difaunyane	924,396	26,462	112,392	-	2,328	19,636	1,085,214	1,015,140
SM: QAA - Ms EF Ramothale (Resigned 12/16)	-	-	-	-	-	-	-	816,036
SM: QAA (Schools) - Ms ML Madalane	813,816	24,563	140,837	7,756	-	-	986,972	925,547
SM : QAA (Post School Education) - Ms M Du Toit (Appointed 01/17)	772,903	-	138,671	36,600	-	-	948,174	210,081
SM: HRM&D - Ms RA Selesho	780,862	24,563	131,453	50,094	5,359	34,554	1,026,885	898,219
SM: E&A - Ms C Thomas (Appointed 01/17)	818,748	-	129,426	-	-	-	948,174	224,162
SM : ICT - Mr I Makgoka	830,956	24,563	131,453	-	-	-	986,972	859,067
SM: SPR - Ms SB Mosimege	950,115	28,085	150,303	-	-	-	1,128,503	977,457
SM: SIR - Dr C Booyse (Appointed 09/16)	809,503	-	138,671	-	-	-	948,174	517,815
SM: F&SCM - Mr D Maluleke (Appointed 09/17)	447,603	-	75,498	-	-	-	523,101	-
SM: QCC - Dr E Sujee (Appointed 06/17)	682,290	-	107,855	-	-	-	790,145	-
	<b>12,584,638</b>	<b>366,184</b>	<b>2,008,941</b>	<b>126,158</b>	<b>36,112</b>	<b>360,905</b>	<b>15,482,938</b>	<b>13,007,426</b>
	<b>13,062,574</b>	<b>366,184</b>	<b>2,008,941</b>	<b>126,158</b>	<b>36,112</b>	<b>403,269</b>	<b>16,003,238</b>	<b>13,424,652</b>

\* Included in other expenses is leave encashment for long service award.

# [ REPORT OF THE AUDITORS ]

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

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

#### Opinion

1. We have audited the financial statements of Umalusi set out on pages 84 to 111, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In our opinion, the financial statements present fairly, in all material respects, the financial position of Umalusi as at 31 March 2018, and its financial performance and cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Standards (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

#### **Basis for opinion**

3. 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 financial statements section of this auditor's report.
4. We are independent of the entity in accordance with the Independent Regulatory Board for Auditors' Code of professional conduct of 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 International Ethics Standards Board for Accountants code and in accordance other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the IESBA' Code of ethics for professional accountants (parts A and B).
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of accounting authority for the financial statements**

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing Umalusi'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 accounting authority 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 financial statements**

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

9. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

10. 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.
11. Our procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.
12. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 1: Administration	28 - 37
Programme 2: Qualifications and Research	38 - 45
Programme 3: Quality Assurance and Monitoring	46 - 54

13. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. We did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
  - Programme 1: Administration
  - Programme 2: Qualifications and Research
  - Programme 3: Quality Assurance and Monitoring

### Other matters

15. We draw attention to the matters below.

### **Achievement of planned targets**

16. Refer to the annual performance report on pages 27 to 54 for information on the achievement of planned targets for the year and explanations provided for the under and over achievement of a significant number of targets.

## **Report on the audit of compliance with legislation**

### **Introduction and scope**

17. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.
18. The material findings on compliance with specific matters in key legislations are as follows:

### **Expenditure management**

19. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R 11 068 727, as disclosed in note 26 to the Annual Financial Statements, as required by section 51(1) (b)(ii) of the PFMA. Management identified irregular expenditure to the amount of R10 989 407 due to non-compliance. The incident was also reported to National Treasury, the Executive Authority, and the Portfolio Committee on Basic Education. An amount of R79 320 in irregular expenditure was identified during the external audit process and not detected by the monitoring processes of the entity.

### **Annual Financial Statements**

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (b) of the PFMA. There were material misstatements in the submitted financial statements regarding revenue recognition that were identified by the external auditors. The entity subsequently corrected the financial statements, resulting in an unqualified audit opinion being issued.

## **Other information**

21. The accounting authority is responsible for the other information. The other information comprises the information included in the Annual Report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
22. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
23. 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 financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

24. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. No other material inconsistencies were identified in the other information. We have nothing to report in this regard.

### **Internal control deficiencies**

25. We considered internal controls relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

#### **Leadership**

26. Executive management's oversight responsibility over financial reporting, compliance with legislation, as well as the related internal controls, were not always adequate and effective. Adequate measures were not implemented in a timely manner to prevent and detect material misstatements in the submitted Annual Financial Statements, as well as to prevent and detect non-compliance with legislation. These misstatements were as a result of error and not fraud.

#### **Financial and performance management**

27. Management did not adequately review and monitor compliance with applicable legislation relating to procurement and contract management.
28. Senior management did not always ensure that the financial statements were accurately and completely prepared, as misstatements were identified on the financial statements that resulted in material adjustments to the financial statements submitted for audit. These misstatements were as a result of error and not fraud.

### **Auditor tenure**

29. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T have been the auditors of Umalusi for one year.

*Nexia SAB&T*

#### **Nexia SAB&T**

Per. A. Darmalingam  
Engagement Director  
Registered Auditor  
31 July 2018

## Annexure – Auditor’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the entity’s compliance with respect to the selected subject matters.

## Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor’s report, 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 entity’s internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
  - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Umalusi’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 financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause the entity to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Communication with those charged with governance

3. We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
4. We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, related safeguards.
5. From the matters communicated to those charged with governance, we determine those matters that were of the most significance in the audit of the financial statements of the current period and are therefore key audit matters. We describe these matters in this auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in this auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	NOTES	2018 R	2017 Restated* R
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	59,842,376	66,419,451
Receivables from exchange transactions	5	1,840,145	5,746,107
		<b>61,682,521</b>	<b>72,165,558</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	36,054,348	33,438,151
Intangible assets	7	34,685	55,620
Prepayments	8	6,554,335	-
Operating lease asset	9	-	17,160
		<b>42,643,368</b>	<b>33,510,931</b>
<b>Total Assets</b>		<b>104,325,889</b>	<b>105,676,489</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	10	17,230,514	15,912,541
<b>Non-Current Liabilities</b>			
Operating lease liability	9	7,071	-
Employee benefit obligation	11	4,766,000	3,136,000
		<b>4,773,071</b>	<b>3,136,000</b>
<b>Total Liabilities</b>		<b>22,003,585</b>	<b>19,048,541</b>
<b>Net Assets</b>		<b>82,322,304</b>	<b>86,627,948</b>
<b>Reserves</b>			
Revaluation reserve	12	8,484,261	8,484,261
Accumulated surplus		73,838,043	78,143,687
<b>Total Net Assets</b>		<b>82,322,304</b>	<b>86,627,948</b>

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2018

	NOTES	2018 R	2017 Restated* R
Revenue	13	148,360,132	145,943,741
Other income	14	3,482,694	2,610,106
Other operating expenses		(18,783,464)	(16,052,049)
Loss on sale of property, plant and equipment		(37,637)	(13,545)
Certification expenses		(5,814,393)	(3,269,361)
Communication expenses		(6,255,071)	(9,319,189)
Consulting and professional fees		(3,876,464)	(3,678,109)
Depreciation amortisation	6	(3,371,847)	(3,217,461)
Moderator and verifier costs		(35,069,781)	(30,987,315)
Employee costs	15	(67,614,409)	(59,598,089)
Printing and stationery		(2,059,703)	(3,849,456)
Travel and accommodation - local		(17,272,110)	(17,904,992)
<b>Operating (deficit)/surplus</b>	16	<b>(8,312,053)</b>	<b>664,281</b>
Investment revenue	17	5,062,409	4,129,176
Actuarial losses	11	(1,056,000)	(96,051)
<b>(Deficit)/surplus for the period</b>		<b>(4,305,644)</b>	<b>4,697,406</b>

# STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2018

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	8,484,261	75,980,281	84,464,542
<b>Adjustments</b>			
Prior year adjustments	-	(2,534,000)	(2,534,000)
<b>Restated* Balance at April 1 2016</b>	<b>8,484,261</b>	<b>73,446,281</b>	<b>81,930,542</b>
<b>Changes in net assets</b>			
Surplus for the period	-	4,697,406	4,697,406
<b>Total changes</b>	<b>-</b>	<b>4,697,406</b>	<b>4,697,406</b>
<b>Restated* Balance at April 1 2017</b>	<b>8,484,261</b>	<b>78,143,687</b>	<b>86,627,948</b>
<b>Changes in net assets</b>			
Deficit for the period	-	(4,305,644)	(4,305,644)
<b>Total changes</b>	<b>-</b>	<b>(4,305,644)</b>	<b>(4,305,644)</b>
<b>Balance at March 31 2018</b>	<b>8,484,261</b>	<b>73,838,043</b>	<b>82,322,304</b>

Note

12

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	NOTES	2018 R	2017 Restated* R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
From exchange transactions		28,085,196	29,673,307
Grant: Department of Basic Education		124,612,000	118,678,000
Investment income		5,062,409	4,129,176
		<b>157,759,605</b>	<b>152,480,483</b>
<b>Payments to</b>			
Employee costs		(67,465,942)	(59,092,139)
Suppliers		(90,865,994)	(81,803,432)
		<b>(158,331,936)</b>	<b>(140,895,571)</b>
<b>Net cash flows from operating activities</b>	20	<b>(572,331)</b>	<b>11,584,912</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	(5,992,051)	(1,210,053)
Proceeds from sale of property, plant and equipment	6	(12,693)	39,817
Purchase of other intangible assets	7	-	(36,112)
<b>Net cash flows from investing activities</b>		<b>(6,004,744)</b>	<b>(1,206,348)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(6,577,075)</b>	<b>10,378,564</b>
Cash and cash equivalents at the beginning of the year	4	66,419,451	56,040,887
<b>Cash and cash equivalents at the end of the year</b>		<b>59,842,376</b>	<b>66,419,451</b>

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>						
<b>REVENUE</b>						
<b>Revenue from exchange transactions</b>						
Accreditation fees	12,199,114	579,886	12,779,000	8,668,263	(4,110,737)	1
Certification fees	5,343,477	99,523	5,443,000	5,387,642	(55,358)	2
Verification fees	11,109,000	400,000	11,509,000	9,692,227	(1,816,773)	3
Rental income	2,399,322	(322)	2,399,000	1,472,836	(926,164)	4
Sundry income	-	1,153,000	1,153,000	2,002,476	849,476	5
Prescript income	-	-	-	7,382	7,382	
Interest received - investment	1,500,000	4,052,000	5,552,000	5,062,409	(489,591)	6
Reserve funds	5,786,841	50,466,159	56,253,000	-	(56,253,000)	6
<b>Total revenue from exchange transactions</b>	<b>38,337,754</b>	<b>56,750,246</b>	<b>95,088,000</b>	<b>32,293,235</b>	<b>(62,794,765)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grant: Department of Basic Education	124,612,000	-	124,612,000	124,612,000	-	
<b>Total revenue</b>	<b>162,949,754</b>	<b>56,750,246</b>	<b>219,700,000</b>	<b>156,905,235</b>	<b>(62,794,765)</b>	
<b>Expenditure</b>						
Employee costs	(72,981,194)	2,510,194	(70,471,000)	(67,614,409)	2,856,591	7
Depreciation and amortisation	-	-	-	(3,460,335)	(3,460,335)	8
Lease rentals on operating lease	-	(230,000)	(230,000)	(330,814)	(100,814)	
Debt impairment	-	-	-	(1,365,571)	(1,365,571)	
Moderator and verifier costs	(29,475,910)	(4,602,763)	(34,078,673)	(35,069,782)	(991,109)	
Repairs and maintenance	(945,000)	200,000	(745,000)	(911,391)	(166,391)	9
Administrative expenses	(59,547,650)	(4,354,677)	(63,902,327)	(51,364,940)	12,537,387	10
Contingent and capital approved project related- expenses	-	(50,273,000)	(50,273,000)	-	50,273,000	6
<b>Total expenditure</b>	<b>(162,949,754)</b>	<b>(56,750,246)</b>	<b>(219,700,000)</b>	<b>(160,117,242)</b>	<b>59,582,758</b>	
<b>Operating deficit</b>	-	-	-	<b>(3,212,007)</b>	<b>(3,212,007)</b>	
Loss on disposal of assets and -liabilities	-	-	-	(37,637)	(37,637)	
Actuarial gains/losses	-	-	-	(1,056,000)	(1,056,000)	11
				<b>(1,093,637)</b>	<b>(1,093,637)</b>	
<b>Deficit for the year</b>	-	-	-	<b>(4,305,644)</b>	<b>(4,305,644)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	-	-	-	<b>(4,305,644)</b>	<b>(4,305,644)</b>	

## COMMENTS:

1. The accreditation process was revised during the 2016/2017 financial period to allow for private providers to pay in advance for each stage of the accreditation process. This is the second year of implementation and Umalusi is currently monitoring the trends for accurate budgeting. The services are only rendered on demand after payment by the private providers to Umalusi.
2. Certification income for private assessment bodies was above expectations and this can be attributed to the increase in volumes of printing certificates. The demand is difficult to forecast during budget preparation as it is beyond the control of Umalusi.
3. Verification income is derived from the verification of qualifications issued by Umalusi and is dependent on demand. The demand is difficult to forecast during budget preparation as these are factors beyond the control of Umalusi.
4. The actual rental income is reported on the straight lining of the rental income over the period of the contract, in accordance with the requirement of the GRAP. The rental income budget was based on the total cash contractual payments, including the cost of recovery of expenses.
5. Included in the sundry income is revenue recovered from the costs incurred for the services rendered to private assessment bodies. The recovery is based on the net difference between the quality assurance costs and the certificate revenue received from the private assessment body. Umalusi is still monitoring the trends to be able to budget accordingly.
6. Reserve funds not utilised mainly due to cancellation of the building renovation contract. The reserve funds are currently invested in the Corporation for Public Deposits - CPD (Reserve Bank of South Africa).
7. The underspending is due to the time delay in filling vacant positions. The underspending was significantly reduced from the previous reported period due to the vacancy rate drop from 13% to 5% in the current year.
8. Depreciation is not budgeted for as it is a non cash item.
9. Necessary repairs and maintenance were conducted on the building as there had been savings on the administrative expenses budget.
10. Administrative expenses included costs for goods and services. There was an under expense in the ICT Unit on IT development and network fees. There was an under expense in the SIR Unit on printing and consultancy fees. Internal capacity was used in the SIR Unit for commissioned research.
11. The actuarial losses related to the adjustment of the post-retirement medical aid liability for retired employees.

# 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.

### 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 based on the individual assessment of long outstanding debtors and other indicators present at the reporting date. 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.

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 relates to a specific item of property, plant and equipment and will be 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 equipment	Straight line	5 years
Furniture and fixtures	Straight line	4-6 years
Motor vehicles	Straight line	7 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.

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.

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.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 16).

## 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.

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, other	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:

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

### 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.

## 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.

### **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 used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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:

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

## 1.9 EMPLOYEE BENEFITS

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

### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

### Post-employment benefits

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

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

### Defined contribution plans

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

### Other post-retirement obligations

Umalusi provides post-retirement medical aid subsidy benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a 10 year service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately; and
- past service cost, which shall all be recognised immediately.

## 1.10 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that would 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.

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.

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 01/04/2017 to 31/03/2018.

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

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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances, and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its Annual Financial Statements.

## 1.19 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 STANDARDS AND INTERPRETATIONS EARLY ADOPTED

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

STANDARD/ INTERPRETATION	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
GRAP 20: Related parties	1 April 2019	The impact is not material.

## 3. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

STATEMENT OF FINANCIAL POSITION: 2016	As previously reported R	Correction of error R	Restated R
Accumulated surplus	(75,980,281)	2,534,000	(73,446,281)
Employee benefit obligation	-	(2,534,000)	(2,534,000)
	-	-	<b>(75,980,281)</b>

### STATEMENT OF FINANCIAL POSITION: 2017

Accumulated surplus	(81,279,687)	3,136,000	(78,143,687)
Employee benefit obligation	-	(3,136,000)	(3,136,000)
	-	-	<b>(81,279,687)</b>

### STATEMENT OF FINANCIAL PERFORMANCE: 2017

Other income	(2,640,470)	30,364	(2,610,106)
Other operating expenses	16,091,389	(30,364)	16,061,025
Employee cost	59,092,139	505,949	59,598,088
Operating surplus	1,170,230	(505,949)	664,281
Actuarial losses	-	(96,051)	(96,051)
Surplus for the period	(5,299,406)	602,000	(4,697,406)
	<b>68,413,882</b>	<b>505,949</b>	<b>68,919,831</b>

### 3. PRIOR-YEAR ADJUSTMENTS (CONTINUED)

CASH FLOW STATEMENT: 2017	As previously reported R	Correction of error R	Restated R
<b>Cash flow from operating activities</b>			
Payment to employee costs	(59,092,139)	(505,949)	-
Payment to suppliers	(81,769,068)	471,585	(81,297,483)
Net cash flow from operating activities	11,619,276	34,364	11,653,640
	<b>(129,241,931)</b>	<b>-</b>	<b>(129,241,931)</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of property, plant and equipment	5,453	34,364	39,817
Net cash flow from investing activities	(1,240,712)	34,364	(1,206,348)
	<b>(1,235,259)</b>	<b>68,728</b>	<b>(1,166,531)</b>

#### ERRORS

During the current financial year Umalusi corrected an error relating to post-retirement medical aid benefits which was not recognised. The correction was necessary to comply with GRAP 25 and was accounted for retrospectively and comparative amounts have been appropriately restated.

An error concerning the classification of proceeds received on the disposal of assets was corrected.

### 4. CASH AND CASH EQUIVALENTS

	2018 R	2017 R
Cash and cash equivalents consist of:		
Cash-on-hand	4,731	261
Bank balances	1,251,009	1,998,918
Short-term deposits	58,586,636	64,420,272
	<b>59,842,376</b>	<b>66,419,451</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	1,256,009	1,998,918
Short-term deposits - BAA3 rating	58,586,636	64,420,272
	<b>59,842,645</b>	<b>66,419,190</b>

## 5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2018 R	2017 R
Trade receivables	1,329,673	5,685,116
Conference Fund	431,102	-
Deposit held	15,520	520
Operating lease receivables	63,850	60,471
	<b>1,840,145</b>	<b>5,746,107</b>

Umalusi is a member of the Southern African Association of Education Assessment (SAAEA) and will be hosting a conference on behalf of the association in May 2018. The balance of the conference fund relates to the costs incurred to date that are expected to be recovered from the conference revenue.

### TRADE AND OTHER RECEIVABLES IMPAIRED

As of 31 March 2018, trade and other receivables of R 5,634,921 (2017: R 4,381,817) were impaired and provided for. The movement amount in the provision is R 1,253,104 as of 31 March 2018 (2017: R 1,263,818).

The ageing of these receivables is as follows:

Over 120 days	5,634,921	4,381,817
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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.

## 6. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	COST / VALUATION R	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R	COST / VALUATION R	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R
Land	5,800,000	-	5,800,000	5,800,000	-	5,800,000
Buildings	32,061,736	(9,338,549)	22,723,187	32,061,736	(7,562,397)	24,499,339
Plant and equipment	605,349	(570,854)	34,495	605,349	(548,134)	57,215
Furniture and fixtures	2,071,616	(1,380,746)	690,870	2,037,234	(1,233,349)	803,885
Motor vehicles	360,445	-	360,445	-	-	-
Office equipment	1,623,548	(1,138,784)	484,764	1,506,173	(948,427)	557,746
Computer equipment	6,332,148	(4,905,607)	1,426,541	5,775,652	(4,112,571)	1,663,081
Other fixed assets	518,850	(419,876)	98,974	450,920	(394,035)	56,885
Work in progress	4,435,072	-	4,435,072	-	-	-
<b>Total</b>	<b>53,808,764</b>	<b>(17,754,416)</b>	<b>36,054,348</b>	<b>48,237,064</b>	<b>(14,798,913)</b>	<b>33,438,151</b>

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

### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2018

	OPENING BALANCE R	WORK IN PROGRESS R	ADDITIONS R	DISPOSALS R	DEPRECIATION R	TOTAL R
Land	5,800,000	-	-	-	-	5,800,000
Buildings	24,499,339	-	-	-	(1,776,152)	22,723,187
Plant and equipment	57,215	-	-	-	(22,720)	34,495
Furniture and fixtures	803,885	-	71,099	(1,080)	(183,034)	690,870
Motor vehicles	-	-	360,445	-	-	360,445
Office equipment	557,746	-	126,792	-	(199,774)	484,764
Computer equipment	1,663,081	-	914,953	(23,864)	(1,127,629)	1,426,541
Other fixed assets	56,885	-	83,690	-	(41,601)	98,974
Work in progress	-	4,435,072	-	-	-	4,435,072
	<b>33,438,151</b>	<b>4,435,072</b>	<b>1,556,979</b>	<b>(24,944)</b>	<b>(3,350,910)</b>	<b>36,054,348</b>

### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2017

	OPENING BALANCE R	ADDITIONS R	DISPOSALS R	DEPRECIATION R	TOTAL R
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	-	(4,000)	(195,374)	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>35,475,312</b>	<b>1,210,053</b>	<b>(53,362)</b>	<b>(3,193,852)</b>	<b>33,438,151</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, Persekor 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, Persekor Township, Gauteng, and measuring 5,879 square metres, was valued at R11,700,000 and is partially occupied.

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

### PROPERTY, PLANT AND EQUIPMENT IN THE PROCESS OF BEING CONSTRUCTED

Umalusi is currently in the process of refurbishing its property, Van Reyneveld Street 41. The contract for refurbishment was cancelled due to contractual disputes. The amount capitalised relates to invoices paid for work completed to date.

The total value of assets with a zero book value that is currently in use has a value of R6,430,681.

## 7. INTANGIBLE ASSETS

	2018			2017		
	COST / VALUATION R	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R	COST / VALUATION R	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R
Computer software	216,900	(182,215)	34,685	216,900	(161,280)	55,620

RECONCILIATION OF INTANGIBLE ASSETS - 2018	OPENING BALANCE R	AMORTISATION R	TOTAL R
Computer software	55,620	(20,935)	34,685

RECONCILIATION OF INTANGIBLE ASSETS - 2017	OPENING BALANCE R	ADDITIONS R	AMORTISATION R	TOTAL R
Computer software	43,117	36,112	(23,609)	55,620

## 8. PREPAYMENTS

Umalusi is currently in the process of refurbishing its property Van Reyneveld Street 41. The contract for refurbishment was cancelled due to contractual disputes. The prepaid amount relates to the delivery of long lead items.

The matter at hand relates to a tender that was awarded to a joint venture in March 2017. A member of the joint venture alleged that tender documents relating to his company were forged. Council subsequently cancelled the contract due to the alleged irregularities. The matter was reported to the Directorate for Priority Crime Investigation in terms of section 34(1) of the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004. The matter is still under investigation. Umalusi will seek to claim damages from the joint venture through a civil claim action.

## 9. OPERATING LEASE ASSET (LIABILITY)

	2018 R	2017 R
<b>Minimum lease payments due</b>		
- within one year	1,127,964	986,520
- in second to fifth year inclusive	1,795,380	1,101,940
<b>Value of lease receipts</b>	<b>2,923,344</b>	<b>2,088,460</b>
Non-current asset	-	17,160
Current liabilities	(7,071)	-
	<b>(7,071)</b>	<b>17,160</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- 5 years at an average escalation of 7% per annum.

## 10. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	4,710,550	3,817,101
Other accrued expenses	2,172,985	1,460,224
Income received in advance	3,746,564	2,650,845
Payroll accrual	795,263	744,675
Sundry creditors	1,735,029	2,832,337
Unknown deposits	230,088	210,119
Leave pay liability	3,840,035	3,891,788
Conference Fund	-	305,452
	<b>17,230,514</b>	<b>15,912,541</b>

The payroll accrual amount relates to an optional employees' 13<sup>th</sup> cheque amount scheduled to be paid in the next financial year.

## 11. EMPLOYEE BENEFIT OBLIGATIONS

### DEFINED BENEFIT PLAN

#### Post-retirement medical aid plan

The Council offers members and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, a member may continue membership of the medical aid scheme. Umalusi will provide a contribution of R1,014 to retirees who retired before 1 April 2016, and belonged to a medical aid scheme, and R1,850 to employees retiring after 1 April 2016 and who belong to a medical aid scheme. These amounts were assumed to remain fixed, and would not increase with inflation. The post-retirement health care liability is not a funded arrangement. No separate assets have been set aside to meet this liability.

THE AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:

<b>Carrying value</b>		
Present value of the defined benefit obligation - unfunded	(4,766,000)	(3,136,000)

## 11. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

2018  
R

2017  
R

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION ARE AS FOLLOWS:

Opening balance	(3,136,000)	(2,534,000)
Current service cost	(420,000)	(367,000)
Interest cost	(313,000)	(271,000)
Benefits paid	159,000	132,051
Actuarial gain/(loss)	(1,056,000)	(96,051)
	<b>(4,766,000)</b>	<b>(3,136,000)</b>

KEY ASSUMPTIONS USED

### Assumptions used at the reporting date:

Discount rates used	8.18 %	8.99 %
Expected CPI	6.08 %	6.87 %
Expected increase in healthcare costs	7.08 %	7.87 %

## 12. REVALUATION RESERVE

Revaluation surplus relating to property, plant and equipment.

Balance	8,484,261	8,484,261
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## 13. REVENUE

Accreditation	8,668,263	11,314,791
Certification	5,387,642	6,428,049
Verification	9,692,227	9,522,901
Grant: Department of Basic Education	124,612,000	118,678,000
	<b>148,360,132</b>	<b>145,943,741</b>

THE AMOUNTS INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:

Accreditation	8,668,263	11,314,791
Certification	5,387,642	6,428,049
Verification	9,692,227	9,522,901
	<b>23,748,132</b>	<b>27,265,741</b>

THE AMOUNT INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:

### Transfer revenue

Grant: Department of Basic Education	124,612,000	118,678,000
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## 14. OTHER INCOME

Rental income	1,472,836	1,392,823
Prescript income	7,382	563,485
Sundry revenue	2,002,476	653,798
	<b>3,482,694</b>	<b>2,610,106</b>

## 15. PERSONNEL COSTS

	2018 R	2017 R
Basic salary	57,265,532	50,301,748
Medical aid	1,661,704	1,391,108
UIF	464,043	426,123
Post-retirement medical aid - change in defined benefit obligation	574,000	505,949
Pension	7,649,130	6,973,160
	<b>67,614,409</b>	<b>59,598,088</b>

The increase in personnel costs is due to the drop in the vacancy rate from 13% to 5%.

## 16. OPERATING (DEFICIT)/SURPLUS

Operating (deficit)/surplus for the year is stated after accounting for the following:

### OPERATING LEASE CHARGES

<b>Equipment</b>		
Contractual amounts	330,814	238,273
Loss on sale of property, plant and equipment	(37,637)	(13,545)
Amortisation on intangible assets	20,935	23,609
Depreciation on property, plant and equipment	3,350,912	3,193,852
Personnel costs	67,614,409	59,598,088
Repairs and maintenance	911,391	950,875

## 17. INVESTMENT REVENUE

<b>Interest revenue</b>		
Corporation for Public Deposits	5,062,409	4,129,176

## 18. 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.

Umalusi is exempt from the payment of Value Added Tax (VAT) on the transfer received. As a result, any VAT paid by the entity is also not refundable by SARS. Accordingly, some of the items of revenue, expenditure, assets and liabilities include VAT.

## 19. AUDITORS' REMUNERATION

External audit fees	588,139	606,542
Internal audit fees	542,440	517,673
	<b>1,130,579</b>	<b>1,124,215</b>

## 20. NET CASH FLOWS FROM OPERATING ACTIVITIES

	2018 R	2017 R
(Loss)/Surplus for the period	(4,305,644)	4,697,406
<b>Adjustments for:</b>		
Depreciation and amortisation	3,371,847	3,217,461
Loss on sale of assets	37,637	13,545
Movements in operating lease assets and accruals	24,231	81,661
Movements in retirement benefit assets and liabilities	1,630,000	602,000
<b>Changes in working capital:</b>		
Receivables from exchange transactions	3,905,965	(45,690)
Prepayments	(6,554,335)	-
Payables from exchange transactions	1,317,968	3,018,529
	<b>(572,331)</b>	<b>11,584,912</b>

## 21. RELATED PARTIES

<b>Accounting authority</b>	Department of Basic Education
<b>Associated institution</b>	Associated Institutions Pension Fund (AIPF)
<b>Council members</b>	Refer to note 12 of the Council Report
<b>Executive and Senior Management</b>	Refer to note 12 of the Council Report

### RELATED PARTY TRANSACTIONS

Department of Basic Education	(124,612,000)	(118,678,000)
Associated Institutions Pension Fund (AIPF)	7,649,130	6,821,231
Non-executive members - Refer to paragraph 12 of the Council report	520,300	417,226
Executive and Senior Management - Refer to paragraph 12 of the Council Report	15,482,938	13,007,426

## 22. FINANCIAL INSTRUMENTS DISCLOSURE

### CATEGORIES OF FINANCIAL INSTRUMENTS

2018	AT AMORTISED COST R	TOTAL R
<b>Financial assets</b>		
Loans and receivables	8,330,630	8,330,630
Cash and cash equivalents	59,847,376	59,847,376
	<b>68,178,006</b>	<b>68,178,006</b>
<b>Financial liabilities</b>		
Loans and payables	17,230,514	17,230,514

## 22. FINANCIAL INSTRUMENTS DISCLOSURE

2017	AT AMORTISED COST R	TOTAL R
<b>Financial assets</b>		
Loans and receivables	5,685,636	5,685,636
Cash and cash equivalents	66,419,451	66,419,451
	<b>72,105,087</b>	<b>72,105,087</b>
<b>Financial liabilities</b>		
Loans and payables	15,912,541	15,912,541

## 23. 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
AT MARCH 31 2018				
Loans and payables	13,253,862	-	-	-
AT MARCH 31 2017				
Loans and payables	13,051,577	-	-	-

#### 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.

## 23. RISK MANAGEMENT (CONTINUED)

2018  
R

2017  
R

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

Loans and receivables	1,776,295	5,685,636
Cash and cash equivalents	59,842,645	66,419,190

## 24. 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 the 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 2018/2019 to 2021/2022.

## 25. COMMITMENTS

### AUTHORISED CAPITAL EXPENDITURE

#### Already contracted for but not provided for

Building renovation project	-	36,420,108
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### AUTHORISED OPERATIONAL EXPENDITURE

#### Already contracted for but not provided for

Operational expenditure	8,363,751	-
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#### Total operational commitments

Already contracted for but not provided for	8,363,751	-
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### OPERATING LEASES - AS LESSEE (EXPENSE)

#### Minimum lease payments due

• within one year	274,760	238,860
• in second to fifth year inclusive	77,028	238,860
	<b>351,788</b>	<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.

## 26. IRREGULAR EXPENDITURE

	2018 R	2017 R
Opening balance	579,509	81,709
Add: Irregular Expenditure - current year	11,068,727	497,800
Less: Amounts condoned	(259,534)	-
	<b>11,388,702</b>	<b>579,509</b>

### ANALYSIS OF EXPENDITURE AWAITING CONDONATION PER AGE CLASSIFICATION

Current year	11,068,727	497,800
Prior years	319,975	81,709
	<b>11,388,702</b>	<b>579,509</b>

### DETAILS OF IRREGULAR EXPENDITURE – CURRENT YEAR

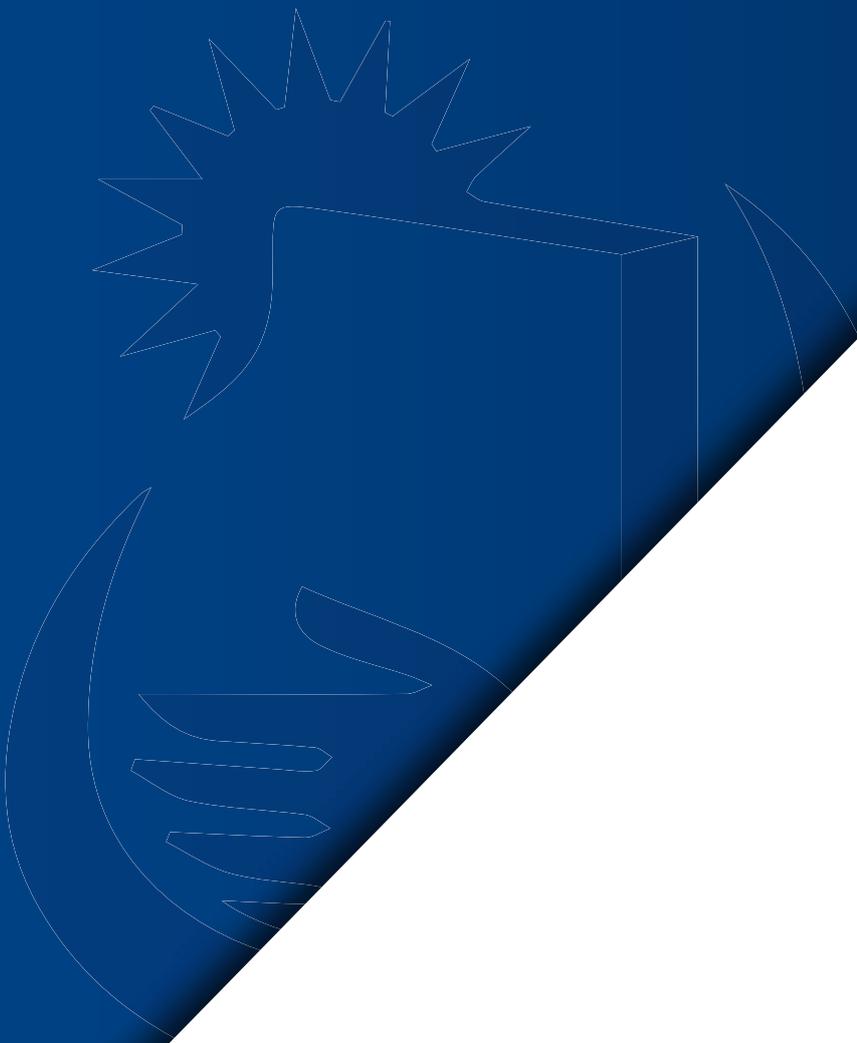
	STATUS	2018 R
Building renovation tender not in full compliance with the Construction Industry Development Board (CIDB) Regulations	Investigation in process	10,989,407
Renewal of contract without going through a competitive process of sourcing three quotations.	In process	79,320
		<b>11,068,727</b>

### DETAILS OF IRREGULAR EXPENDITURE CONDONED

	CONDONED BY (CONDONING AUTHORITY)	
Non-compliance with SCM regulations	Council - Accounting authority	81,709
Acquired goods without going through a competitive process of sourcing three quotations	Council - Accounting authority	140,547
Renewal of contract without going through a competitive process of sourcing three quotations	Council - Accounting authority	37,278
		<b>259,534</b>







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