

# Annual Report

2013/14



COUNCIL ON HIGHER EDUCATION

# Annual Report 2013/14

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# CONTENTS:

## PART A

General Information	4
List of Acronyms	5
Chairperson's Message	7
CEO's Overview – The year in perspective	9
Statement of Responsibility and Confirmation of Accuracy	11
Strategic Overview	12
Legislative mandates	13
Strategic Imperatives	14
Strategic Goals and Objectives	15
Organisational Structure	17

## PART B

Performance by Programme	20
• Advising the Minister	20
• Monitoring of the State of Higher Education	21
• Higher Education Performance Indicators	21
• Review of the State of Higher Education 1994 – 2014	21
• Research Projects	21
• Restructuring the Undergraduate Curriculum	21
• Student Governance in Public Higher Education Institutions	22
• Governance and Management in Higher Education	22
• Reflections on Academic Leadership in South Africa	22
• National Benchmark Test	22
• Private Higher Education Management Information System	23
• Publications	23
• HEQSF Alignment and Linked Alignment Project	23
• Standards Development	24
• HEQCIS	25
• Institutional Audits	25
• Quality Enhancement	26
• Programme Accreditation	27
• National Reviews	30
• Quality Promotion and Capacity Development	31

- Human Resources 33
- Administration and Finance 34
- Overview of the CHE's Performance 37

### **PART C: GOVERNANCE**

Portfolio Committee on Higher Education and Training	46
Executive Authority	46
The Accounting Authority	46
Roles and Responsibility	47
Governance Structure	47
Committees and Sub-committees	50
Remuneration of Council members	53
Risk Management	53
Materiality Framework	54
Internal Audit	54
Auditors	54
Compliance with laws and regulations	54
Audit Report Matters in the Previous Year	54
Fraud and Corruption	54
Subsequent Events	54
Minimising Conflict of Interest	55
Code of Conduct	55
Health, Safety and Environmental Issues	55
Social Responsibility	55
Council Members	56

### **PART D: HUMAN RESOURCE MANAGEMENT**

Overview	60
Human Resources Oversight Statistics	60

### **PART E: FINANCE**

Annual Financial Statements	65
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**Part A:**  
General Information

## GENERAL INFORMATION

Registered Name:	Council on Higher Education
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External Auditors:	Auditor-General South Africa
Bank:	Standard Bank, Brooklyn Branch, Fershen Street, Brooklyn, Tshwane

## LIST OF ACRONYMS

<b>ASB</b>	Accounting Standards Board
<b>APP</b>	Annual Performance Plan
<b>ARC</b>	Audit and Risk Committee
<b>BSW</b>	Bachelor of Social Work
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CESM</b>	Classification of Educational Subject Matter
<b>CHE</b>	Council on Higher Education
<b>DHET</b>	Department of Higher Education and Training
<b>ENE</b>	Estimates of National Expenditure
<b>EXCO</b>	Executive Committee
<b>GAAP</b>	Generally Accepted Accounting Practice
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>HELTASA</b>	Higher Education Learning and Teaching Association of South Africa
<b>HEMIS</b>	Higher Education Management Information System
<b>HEQC</b>	Higher Education Quality Committee
<b>HEQCIS</b>	Higher Education Quality Committee Information System
<b>HEQSF</b>	Higher Education Qualifications Sub-Framework
<b>HR</b>	Human Resources
<b>HRCC</b>	Human Resources and Remuneration Committee
<b>IAC</b>	Independent Actuaries and Consultants
<b>IAS</b>	International Accounting Standards
<b>IASB</b>	International Accounting Standards Board
<b>IFRS</b>	International Financial Reporting Standards
<b>LLB</b>	Bachelor of Law
<b>MBA</b>	Master in Business Administration
<b>MEC</b>	Monitoring and Evaluation Committee
<b>MTEF</b>	Medium Term Expenditure Framework
<b>NIHSS</b>	National Institute for the Humanities and Social Sciences
<b>NBT</b>	National Benchmark Test
<b>NLRD</b>	National Learners' Records Database
<b>NQF</b>	National Qualifications Framework Act 67 of 2008
<b>NRF</b>	National Research Foundation
<b>PAA</b>	Public Audit Act of South Africa, Act 25 of 2004



<b>PFMA</b>	Public Finance Management Act 1 of South Africa, Act 1 of 1999
<b>PPPFA</b>	Preferential Procurement Policy Framework Act
<b>QCTO</b>	Quality Council for Trades and Occupations
<b>QPCD</b>	Quality Promotion and Capacity Development
<b>QEP</b>	Quality Enhancement Project
<b>SAHEPSC</b>	South African Higher Education Platform in Sport Coaching
<b>SAQA</b>	South African Qualifications Authority
<b>SARS</b>	South African Revenue Services
<b>SASCOC</b>	South African Sports Confederation and Olympic Committee
<b>SRC</b>	Students Representative Council
<b>UIF</b>	Unemployment Insurance Fund
<b>UMALUSI</b>	Council for Quality Assurance in General and Further Education and Training
<b>VAT</b>	Value Added Tax

## CHAIRPERSON'S MESSAGE

It was a great honour for me to be appointed as the Chairperson of the Council by the Minister of Higher Education and Training in July 2013. My association with the Council on Higher Education (CHE) goes back to its inception when I was seconded to assist in establishing the then Audit and Evaluation division of the Council and working on the Accreditation framework for the system with colleagues. I am particularly pleased to be coming back to the CHE at a time when developments in the policy environment provide the opportunity to re-visit the role of the higher education system in the context of the policy framework for Post-School Education and Training as outlined in the White Paper that was released in November 2013 by the Cabinet of the Republic of South Africa.

I would like to take this opportunity to thank Dr Letticia Moja for her stewardship of the Council as Acting Chairperson between January and July 2013. Her contribution ensured the stability of the governance arrangements of the CHE.

The administrative, financial and governance systems of the Council are on a sound footing. This is evidenced by the fact that the Council has once again received an unqualified audit report from the Auditor-General. However, although there are minor irregularities of a housekeeping nature, the findings in the management letter suggest that there is room for improvement in the monitoring of internal controls, which are being addressed by management.

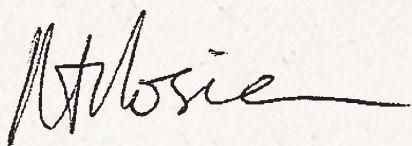
The Council has made significant progress in the year under review. As reported elsewhere, the implementation of a range of new projects, in particular, in relation to the improvement teaching and learning, remain a key challenge in higher education. This is reflected in poor throughput and graduation rates across the system as we have seen over the years. In this regard, the Quality Enhancement Project, which was launched in February 2014 and the proposals for the reform of the undergraduate curriculum, are bold and exciting interventions, which would contribute to ensuring that teaching and learning are put at the forefront of the institutional agenda for change in higher education. The Higher Education Quality Committee has been hard at work to sharpen our focus on the teaching and learning arrangements, the credibility of our accreditation system, following up on quality audits and promoting quality across the system.

Council had a strategic planning workshop at the end of March 2014 facilitated by an external expert to reflect on the contemporary challenges that confront higher education and the role of the Council in contributing to addressing the identified challenges. Although there was agreement that the overall thrust and direction of the Council addressed the challenges, it was felt that greater attention needed to be paid to strengthening the relationship with Department of Higher Education and Training in building a robust higher education system in this country. The visibility of the CHE was identified as one of the areas of improvement as we work towards achieving the main policy objectives of a post-school education and training system.

The Council continues to collaborate with the South African Qualifications Authority, the Council for Quality Assurance in General and Further Education and Training and the Quality Council for Trades and Occupations, in implementing the National Qualifications Framework, including the priorities identified by the Minister with regard to the Recognition of Prior Learning, Credit Accumulation and Transfer and Assessment.

The Council has also been active in collaborating and providing support to quality assurance agencies in the Southern African region and intends strengthening this aspect of its work, including broadening it across the Continent.

In conclusion, I would like to thank all the members of Council, including its standing and sub-committees, as well as the staff, for their commitment, dedication and hard work that enabled the CHE to successfully discharge its mandate. I would like to thank our higher education partners—universities and private higher education institutions, for their support in ensuring the success of our many initiatives and/or programmes by enabling our peers to participate in the work of the CHE. We also thank the Minister of Higher Education and Training, Honourable Dr B.E. Nzimande and his Department for monitoring the CHE's performance and participation in our governance structure. Finally, our thanks go to the Portfolio Committee on Higher Education for the oversight and guidance they have provided to the Council on Higher Education in the past year.



**Professor Themba Mosia**  
**Chairperson**

# CHIEF EXECUTIVE OFFICER'S OVERVIEW

## The Year in Perspective

There were significant strides made in the past year in giving effect to the new direction developed to enhance the impact of the CHE's work in relation to the quality assurance mandate and in contributing to the policy discourse on the key challenges confronting the higher education system.

The release in August 2013 of the Task Team Report, *A proposal for undergraduate curriculum reform in South Africa: The case for a flexible curriculum structure*, represents a major contribution to finding solutions to a seemingly intractable challenge, that is, the poor throughput and graduation rates in higher education. The report generated significant media coverage in both the print and electronic media and has been the subject of widespread and ongoing discussion in higher education institutions. The institutional responses have raised potential technical and other obstacles that are underdeveloped in the Task Team Report, which will be addressed prior to the Council finalising its advice to the Minister of Higher Education and Training in the latter part of 2014.

The launch of the Quality Enhancement Project (QEP) in February 2014 with the release of the *Framework for Institutional Quality Enhancement in the Second Period of Quality Assurance* is similarly focussed on addressing poor throughput and graduation rates. The aim of the QEP is to contribute to enhancing learning and teaching, in order to improve student success, which is understood as increasing the number of graduates with attributes that are personally, professionally and socially valuable. A key aspect of the QEP and which has been embraced by the higher education sector, both public and private, is the recognition that improving throughput and graduation rates is a national challenge and requires the higher education system as a whole to come together to collectively reflect on the challenge, the lessons learned and the solutions required. The enthusiastic response of a wide range and large number of participants in the various meetings and discussions on the QEP in the past year suggest that it is a timely and much-needed intervention.

The 20-year review of the state of higher education, which focusses on the achievements since 1994, the challenges that remain and future directions that need to be chartered, was launched in June 2013 and is making steady progress. The review generated much interest and about 50 researchers, including individuals in senior leadership and management posts in higher education, are participating in the thematic working groups established as part of the review. The level of participation will add to the authority of the review and its contribution to the policy debate on the future direction of the higher education system. The review is planned to be published in early 2015.

The Council provided the Minister with advice on a range of issues at his request and, in addition, provided the Minister with advice on its own initiative following concerns raised by the HEQC on a loophole in the Higher Education Act, which enables private providers to offer tuition services on behalf of foreign higher education institutions not registered in South Africa.

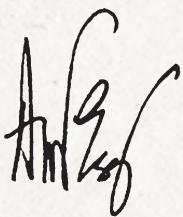
In relation to quality assurance, the revised Higher Education Qualifications Sub-Framework (HEQSF) was gazetted as policy in August 2013. This has facilitated the current process for the alignment of existing qualifications in line with the requirements of the HEQSF. The alignment process, which will be completed in 2016, has enabled higher education institutions to rationalise their programmes, including removing outdated and discontinued programmes from their records.

The pilot development of qualification standards, while slow to take off, is beginning to gain momentum and is contributing to a better understanding of the link between qualification standards and national reviews, which involves the re-accreditation of programmes and qualifications. The national review of the Bachelor of Social Work (BSW) is close to completion and following the development of a qualification standard for the Bachelor of Law (LLB), a national review of the LLB is planned. It is anticipated that the two processes will contribute to the current debate regarding the suitability and appropriateness of the 4-year LLB.

Although the Council's target of limiting under-expenditure to not more than 5% of the budget annually was not met, there was an increase in expenditure, which is reflected in the fact that 82.2% of the approved budget was spent in the 2013/14 financial year as against 79% in the 2012/13 financial year. This is largely due to the fact that progress was made in addressing the capacity constraints in recruiting staff that adversely impacted on the ability of the CHE to discharge its mandate. In 2013/14, 90% of vacant posts were filled, including all the senior posts bar one. This is not to suggest that recruitment challenges are a thing of the past, especially as the small size of the organisation limits the opportunity for career progression for mid-level staff. In addition, the paucity of skilled and experienced staff in higher education policy, planning and quality assurance remains, which is exacerbated by the fact that CHE remuneration levels for senior staff are not competitive in relation to similar posts in higher education institutions. This has, however, been addressed with the approval of the Council's proposal for a flexible remuneration framework for senior staff by the Minister of Higher Education and Training and the Minister of Finance.

In the 2013/14 financial year, a deficit of R 2,9m was incurred, which was funded from roll-overs and an increase in accreditation revenue. The deficit is largely the result of the annual cuts in the MTEF budget in recent years, while the salary budget has increased. The Council recognises the tight fiscal constraints resulting from the global economic downturn but the budget cuts are cause for concern, as it could compromise the capacity of the Council to deliver on its mandate in future.

Finally, I would like to thank the Council and the HEQC, including the various sub-committees, for their continued support and guidance. The success of the CHE is in no small measure due to the commitment of the members and hard work and dedication of the staff.



**Ahmed Essop**  
**Chief Executive Officer**

## STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

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 Auditor-General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the annual report guidelines as issued by National Treasury.

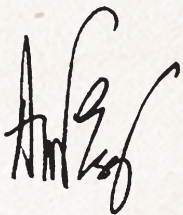
The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board applicable to the Council.

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 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 entity for the financial year ended 31 March 2014.



**Ahmed Essop**  
**Chief Executive Officer**  
31 July 2014.

## STRATEGIC OVERVIEW

### Vision

The CHE as an independent statutory body strives to be an organisation nationally and internationally recognised for the quality of its intellectual contribution to and its impact on the development of the South African higher education system through its core functions of advising the Minister of Higher Education and Training, monitoring trends in the higher education system and assuring and promoting the quality of higher education.

### Mission

The mission of the CHE is to contribute to the development of a transformed, equitable, high quality higher education system capable of responding to the intellectual, ethical and human resource challenges of a democratic society based on social justice principles which operates in a global context.

### Values

In pursuit of its vision and mission the CHE is committed to and guided by the following values:

- Independence
- Transformation
- Integrity
- Public Accountability

## LEGISLATIVE MANDATE

The CHE is a statutory body established under the Higher Education Act (Act 101 of 1997), as amended, and as the Quality Council for Higher Education in terms of the National Qualifications Framework Act (Act 67 of 2008). As a statutory body, the CHE is a Schedule 3A National Public Entity in terms of the Public Finance Management Act (Act 29 of 1999) and the applicable Treasury Regulations.

### Higher Education Act

In terms of the Higher Education Act, the mandate of the CHE includes the following:

- To provide advice to the Minister of Higher Education and Training on all higher education matters on request and proactively.
- To promote quality and quality assurance in higher education through its permanent committee, the Higher Education Quality Committee (HEQC), including auditing the quality assurance mechanisms of, and accrediting programmes offered by, higher education institutions.
- To monitor the state of higher education and publishing information regarding developments in higher education on a regular basis, including arranging and co-ordinating conferences on higher education issues.

### National Qualifications Framework Act

In terms of the National Qualifications Framework Act, as the Quality Council for Higher Education the CHEs mandate includes, in addition, the following:

- To develop and manage the qualifications sub-framework for higher education, namely, the Higher Education Qualifications Sub-Framework (HEQSF), including ensuring the relevance and currency of qualifications.
- To advise the Minister of Higher Education on matters relating to the HEQSF.
- To develop and implement policy and criteria for the development, registration and publication of qualifications, as well as for assessment, recognition of prior learning and credit accumulation and transfer in the context of the policy and criteria developed by the South African Qualifications Authority (SAQA).
- To contribute to the development of level descriptors and to ensure their relevance.
- To maintain a database of learner achievements in higher education and to submit the data to the National Learner Records Database, which SAQA maintains.
- To conduct and publish research, which facilitates the development and implementation of the sub-framework.
- To inform the public of the sub-framework.



## STRATEGIC IMPERATIVES

The CHE, in interpreting and giving effect to its mandate, has adopted five strategic imperatives, which inform the development of its strategic goals and objectives:

- To contribute to informing and influencing the public debate on the policy framework for the transformation of the higher education system.
- To contribute to developing the role of the quality assurance system as a steering tool in conjunction with planning and funding to enhance the quality of higher education and to enable the achievement of national policy goals and objectives.
- To contribute to ensuring the currency and relevance of the Higher Education Qualifications Framework to meet the human resource and knowledge needs of South Africa, including the development and maintenance of standards to enhance the quality of higher education.
- To contribute to building the intellectual capability of the CHE.
- To contribute to the development of an enabling and effective organisational climate.

# STRATEGIC GOALS AND OBJECTIVES

The strategic imperatives have been translated into four strategic goals and eleven linked strategic objectives, which inform the CHE's strategic plan for 2012-2017 and the framework for the CHE's Annual Performance Plan (APP). These are outlined below:

## Goal One

To contribute to informing and influencing the public debate on the policy framework for the transformation of the higher education system and to become a recognised centre for information and policy analysis on higher education.

### Objective One

*To provide advice to the Minister of Higher Education and Training on all higher education matters on request and on the CHE's own initiative.*

### Objective Two

*To monitor the state of higher education, including publishing information and convening conferences, seminars and workshops on developments in higher education.*

## Goal Two

To contribute to the development of qualification standards to ensure the relevance, comparability and currency of qualifications.

### Objective Three

*To develop and manage the HEQSF, including the articulation of qualifications between the three sub-frameworks, namely, the HEQSF, the General and Further Education and Training Qualifications Sub-Framework and the Trades and Occupations Qualifications Sub-Framework.*

### Objective Four

*To develop and implement policy, criteria and standards for higher education qualifications to inform and guide the development, registration and publication of qualifications.*

### Objective Five

*To maintain a database of learner achievements in higher education and to submit the data to the National Learner Records Database (NLRD), which is maintained by SAQA.*

### **Goal Three**

To promote quality and quality assurance in higher education, including enhancing the quality of higher education.

#### **Objective Six**

*To audit the quality assurance mechanisms of higher education institutions.*

#### **Objective Seven**

*To accredit new programmes submitted by public and private higher education institutions and to re-accredit existing programmes offered by private higher education institutions.*

#### **Objective Eight**

*To undertake national reviews of existing programmes in specific subject fields and qualification levels offered by public and private higher education institutions.*

#### **Objective Nine**

*To promote quality and to develop capacity and understanding of the role of quality assurance in improving quality in higher education at both the systemic and institutional levels.*

### **Goal Four**

To ensure the efficient and effective provision of corporate services – administrative, financial, technical and professional, to support the discharge of the core mandate of the CHE.

#### **Objective Ten**

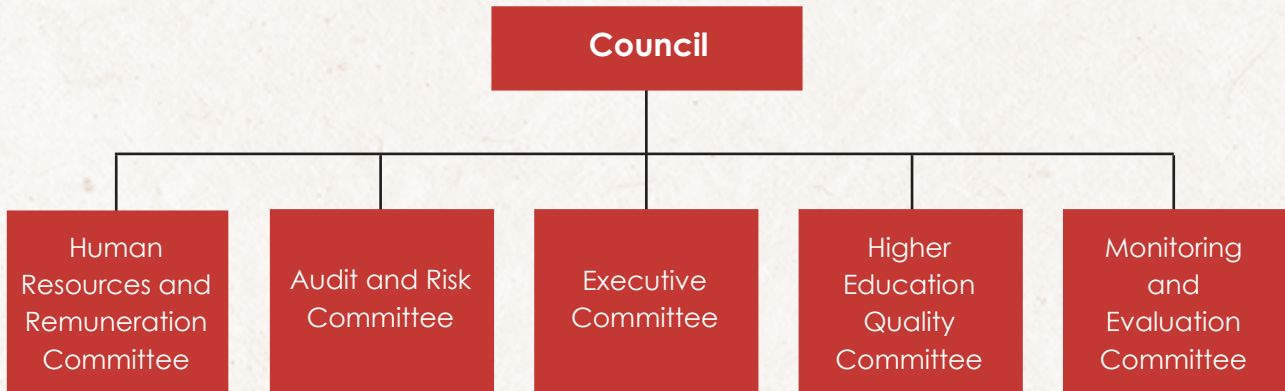
*To ensure the development of human resources management environment that enables staff to develop their full potential.*

#### **Objective Eleven**

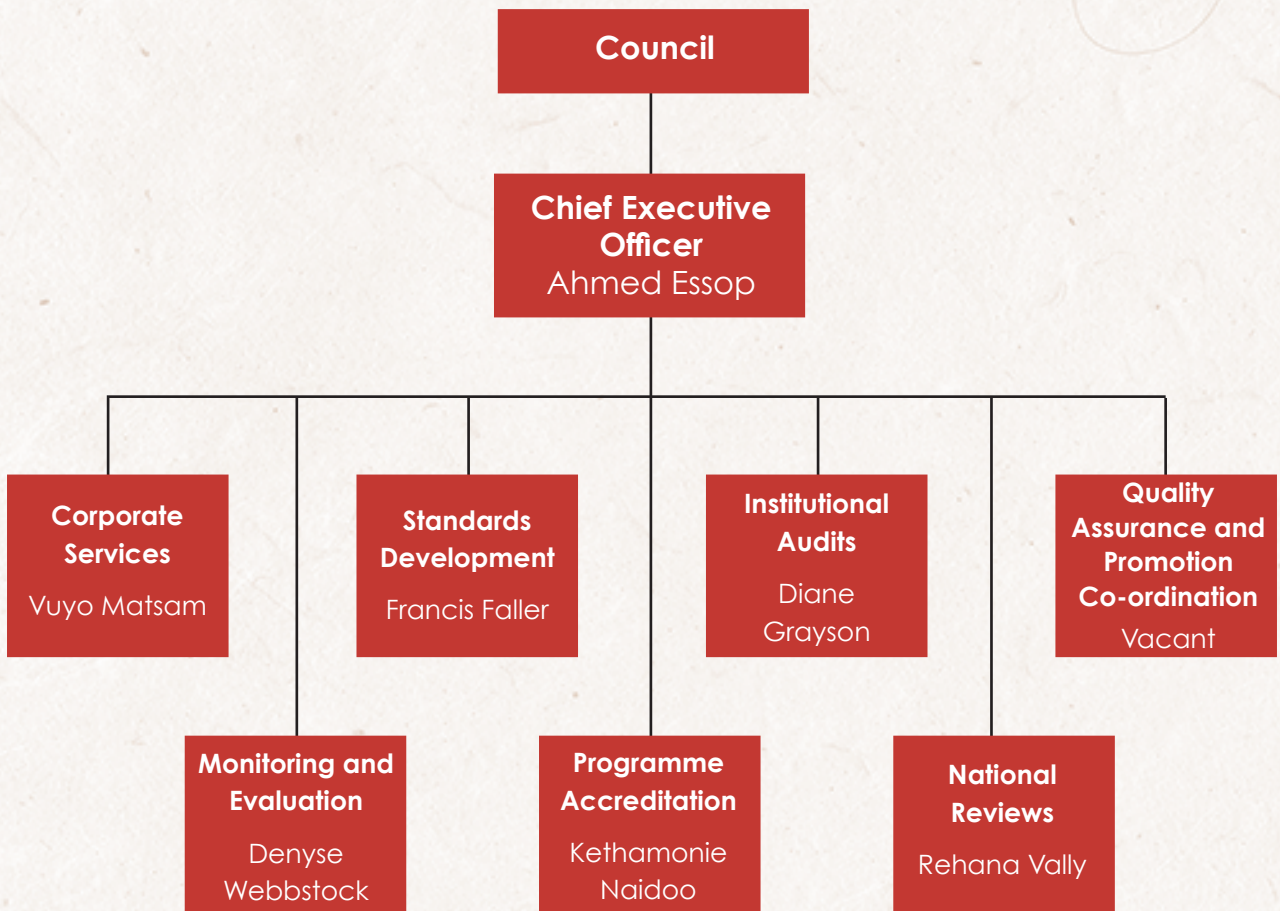
*To ensure that financial, administration and supply chain management is compliant with the requirements of the PFMA, relevant Treasury regulations and laws.*

# ORGANISATIONAL STRUCTURE

## Council Structure



## Management Structure







**Part B:**  
Performance Information

# PERFORMANCE INFORMATION BY PROGRAMME

## Strategic Goal One

*To contribute to informing and influencing the public debate on the policy framework for the transformation of the higher education system and to become a recognised centre for information and policy analysis on higher education.*

### Objective One

*To provide advice to the Minister of Higher Education and Training on all higher education matters on request and on the CHE's own initiative.*

### Advice to the Minister

The CHE has a dual advisory function; providing advice at the request of the Minister of Higher Education and Training and providing advice on its own initiative in response to critical issues and challenges identified by the Council that impact on the higher education system.

In the year under review, the Council provided the Minister with advice and comment at his request on the following:

- Draft Policy on Student Housing at Public Universities and the Minimum Norms and Standards Applicable.
- Draft Regulations for the Establishment of a National Institute for the Humanities and Social Sciences (NIHSS).
- Draft Higher Education and Training Information Policy.
- Draft Policy for the Provision of Distance Education in South African Universities in the context of an integrated post-school system.
- The Minister's intention to disestablish the National Institute's for Higher Education in Mpumalanga and the Northern Cape.

In addition, the Council provided the Minister with advice on its own initiative on the provision of tuition services in South Africa by local private providers on behalf of foreign higher education institutions. This advice resulted from a concern by the HEQC that the amendments to the Higher Education Act (Act 101 of 1997), which were promulgated on 3 December 2010, and which sought to address the outcome of the successful challenge by the CTI Education Group in 2009 in the North Gauteng High Court regarding the lawfulness of the tuition services it offered on behalf of a foreign higher education institution, were not adequate to curtail the practice of offering such tuition services. The legal opinion obtained by the Council confirmed the concern raised by the HEQC.

### Objective Two

*To monitor the state of higher education, including publishing information and convening conferences, seminars and workshops on developments in higher education.*

## Monitoring of the State of Higher Education

The CHE is responsible for monitoring and interpreting trends and progress towards achieving national policy goals and objectives in higher education.

## Higher Education Performance Indicators

*VitalStats 2011*, the second in the annual series of *VitalStats* booklets to provide audited data on key aspects of the higher education system, was published in December 2013. It provides student and staff data in public higher education for the period 2006 to 2011, including cohort data for the 2006 student intake. *VitalStats* will be updated and published annually to ensure the availability of recent audited data on the sector to inform research and analysis.

## Review of the State of Higher Education 1994-2014

A review of the state of higher education to mark the first two decades of democracy was launched in early 2013 with the establishment of 8 working groups to identify and engage with the key challenges in the main focus areas to be covered by the review. These include the following:

- Regulation, private provision and quality assurance.
- Management and governance.
- Teaching and Learning.
- Research.
- Community engagement.
- Academic staffing.
- Funding.

The review is planned to be completed towards the end of 2014 and the findings published in early 2015.

## Research Projects

### **Restructuring the Undergraduate Curriculum**

The report of the Task Team established by the Council to investigate the desirability and feasibility of restructuring the duration of the current three- and four-year undergraduate diplomas and degrees, as a mechanism for both enhancing academic success and for enabling students to grapple with the changing role of knowledge in contributing to social and economic development in the 21<sup>st</sup> century, was released in August 2013 for public comment and consultation. The deadline for the submission of comments was the end of November 2013. In total 39 submissions were received: 22 from public higher education institutions, 9 from organisations and associations and 8 from individuals. An initial reading of the submissions indicates that aside from 3-4 institutions that do not support the proposals, there is general but not unqualified support for the proposals. In the latter case institutions have raised concerns regarding the practicalities of implementing the proposals and have suggested that further work is required to clarify the issues raised. The general plea is that the implications of the Task Team's proposals should be carefully considered to avoid destabilising the higher education system. In the light of this, prior to the Council finalising its advice to the Minister, a small working group



comprising of technical experts will be convened to address the concerns highlighted by institutions and to identify potential solutions.

### ***Student Governance in Public Higher Education Institutions***

This project, which was initiated in the light of the ongoing unrest and disputes relating to different aspects of student governance in public higher education institutions, is making steady progress. It focuses on the participation of student political organisations in Student Representative Council (SRC) elections, as well as the role, function and structure of SRCs in higher education institutions. The empirical research, including interviews with SRC members and Deans of Students at 8 institutions across the country was undertaken in 2013 and is currently being analysed.

### ***Governance and Management in Higher Education***

This project, which focuses on identifying and finding solutions to addressing the underlying factors that contribute to the ongoing governance challenges in some institutions, in particular, the institutions placed under administration, was initiated in late 2012. The initial background research, which included a study of audit and administrator reports was completed in mid-2013. An analysis of the background report highlighted the need for additional research, in particular, in relation to the size, composition, role and *modus operandi* of Councils, which will be completed in mid-2014.

### ***Reflections on Academic Leadership in South Africa***

The role of academic leadership has become increasingly important in the context of the changing nature of higher education world-wide in terms of the pressures for access, the impact of new technologies and funding constraints. In South Africa there is the added complexity of the transformation imperative and the inequities of the past. It is against this background that a project on reflections on academic leadership has been initiated. The aim of the project is to bring together in a book the reflections of a selected group of retired senior leaders in higher education sharing their insights, knowledge and experience for the benefit of current and future leaders in higher education. At this stage between 8-10 retired institutional leaders have expressed an interest in participating in the project, which is anticipated to be completed in late 2015.

### ***Placement Mechanisms***

This project on current and anticipated placement mechanisms and practices, such as the National Benchmark Test (NBT), at South African universities has been initiated in the context of the recently proposed flexible curriculum. Placement is an under-researched area in South African higher education and is becoming increasingly important where a diversity of curriculum streams is used. In the first phase of this project, documents and background research on the current placement mechanisms at higher education institutions in South Africa and internationally are being collected and analysed in terms of their effectiveness. In phase 2, empirical research including case studies of a sample of institutions will be carried out to inform a report proposing possible new placement mechanisms or adjustments to the current mechanisms in light of the proposed flexible curriculum structure.

### **Private Higher Education Management Information System**

The development of the framework for a private higher education management information system that would facilitate the monitoring of trends in private higher education and enable comparative analysis with the public higher education system was completed at the end of 2013. The framework was developed jointly with DHET, SAQA and representatives of private providers. The development of the system software for the framework is in process and should be ready to go online in early 2015.

### **Publications**

The following publications were produced in the year under review:

- *VitalStats: Public Higher Education 2011*, which provides student and staff data in public higher education for the period 2006 to 2011, and includes cohort data for the 2006 student intake, December 2013.
- *A proposal for undergraduate curriculum reform in South Africa: the case for a flexible curriculum structure*, Report of the Task Team on Undergraduate Curriculum Structure, August 2013.
- *Higher Education Qualifications Sub-Framework*, January 2014.
- *Framework for Institutional Quality Enhancement in the Second Period of Quality Assurance*, February 2014.

## **Strategic Goal Two**

*To contribute to the development of qualification standards to ensure the relevance, comparability and currency of qualifications.*

### **Objective Three**

*To develop and manage the HEQSF, including the articulation of qualifications between the three sub-frameworks, namely, the HEQSF, the General and Further Education and Training Qualifications Sub-Framework and the Trades and Occupations Qualifications Sub-Framework.*

### **Higher Education Qualifications Sub-Framework (HEQSF) and Linked Alignment Project**

The revised HEQSF was gazetted as policy in August 2013 (Notice No 549, Government Gazette No 36721, 2 August 2013).

The purpose of the alignment project is to align existing programmes and qualifications offered by public and private institutions of higher education in line with the requirements of the revised HEQSF. The alignment process, which began 2011 with a preparatory phase, is expected to be completed in 2016. The long timeframe is due to the complexity of the process, which is reflected in the fact that at the start of the project it was estimated that there were some 20 000 programmes in the higher education system. To date, a total of 10 733 programmes have been logged onto the HEQSF-*online* system as part of the alignment process. Despite the complexity, the alignment process has been beneficial, as it has enabled higher education institutions to rationalise their offerings, including removing outdated and discontinued programmes from their records.

The first phase of the project which involved the processing of Category A programmes, that is, programmes that required minimal change has been completed. In total 5 381 Category A programmes were aligned and deemed accredited, 1 732 of which were aligned and deemed accredited in the 2013/14 financial year. There was a delay in the processing of Category A programmes due to late submissions by some institutions, as well as the need to re-process Category A doctoral programmes.

The Category A delay resulted in the processing of Category B programmes, that is, programmes requiring less than 50% change, being put on hold in the 2013/14 financial year. The processing of Category B programmes began in 2014 and is anticipated to be completed by the end of 2015. In the case of Category C programmes, that is, programmes that require more than 50% change, these will either be phased-out and/or revised and submitted as new programmes for accreditation. This will take place in parallel with the Category B programme alignment process.

#### **Objective Four**

*To develop and implement policy, criteria and standards for higher education qualifications to inform and guide the development, registration and publication of qualifications.*

#### **Standards Development**

The development of pilot qualification standards has made steady progress since the approval by Council in March 2013 of the *Framework for Qualification Standards in Higher Education*. Standards, as indicated in the *Framework*, are being developed in conjunction with academic expert working groups with the relevant disciplinary knowledge and experience. In terms of process, there are three steps involved in the finalisation of a qualification standard; (i) endorsement of each draft standards statement by both the expert working group and the Standards Development Advisory Committee; (ii) release of the draft standards statement for public comment; and (iii) revised standards statement submitted to the Council for approval and publication to serve as a national benchmark for quality assurance and development.

The focus of the year under review was continued engagement with the sector to expand the scope of the pilot project to include more fields of study and qualification types, and to promote understanding of the *Framework*. The engagement has begun to bear fruit, as evidenced by an increase in the number of requests for meetings with the Directorate, especially by professional bodies. There is mutual recognition of the need to ensure alignment between the CHE's qualification standards process and that of professional bodies in relation to the requirements for registration for professional practice.

Standards development activities for a professional qualification in the field of Social Work (Bachelor of Social Work) and the Master of Business Administration, planned for in the previous year, have, through a number of expert group workshops and statement reviews in each case, made considerable progress, and are now close to completion. The scope of the pilot project has expanded to include more fields of study and qualification types, including Law, which began following discussions at the Law Summit organised jointly by the South African Law Deans Association, the Law Society of South Africa and the General Bar Council of South Africa, as well as in a selected set of Engineering programmes, which will begin in 2014 following discussions with the Engineering Council of South African and the Deans of Engineering to explore possibilities for inclusion in the pilot project.

In addition, discussions are ongoing with the Pharmacy Council of South Africa, which has expressed an interest in working closely with the CHE, in particular to consider possibilities of developing qualification standards for the Higher and Advanced Certificates in Pharmacy.

The CHE also participates in the South African Sports Confederation and Olympic Committee (SASCOC), National Coaching Standards Standing Committee in an advisory capacity. The CHE has been requested to provide guidance and support in relation to standards development in the newly developed South African Higher Education Platform in Sport Coaching (SAHEPSC). The Platform is intended to work closely with SASCOC to optimise the contribution of participating higher education institutions in the implementation of the South African Coach Framework.

Although considerable progress has been made so far, the pace of progress is significantly affected by the constrained availability of academic experts who, as participants in expert groups, are critical to the process, as well as the iterative nature of the standards development process. This involves draft statements having to go through several rounds of revision before agreement is reached on a qualification standard.

### **Objective Five**

*To maintain a database of learner achievements in higher education and to submit the data to the National Learner Records Database (NLRD), which is maintained by SAQA.*

### **HEQCIS**

There was continued progress in collecting data on student enrolment and achievement data in private higher education through the Higher Education Quality Committee Information System (HEQCIS), which has been developed in conjunction with SAQA. The number of unique private providers that have submitted at least one data load increased from 93 (79%) in the previous financial year to 114 (98%) in this financial year, with the number that had successfully uploaded data for a second time or more rising from 105 in the June cycle to 116 for the December cycle. Within the December cycle 87% of all unique private higher education institutions each successfully submitted at least one full data load.

## **Strategic Goal Three**

*To promote quality and quality assurance in higher education, including enhancing the quality of higher education.*

### **Objective Six**

*To audit the quality assurance mechanisms of higher education institutions.*

### **Institutional Audits**

Although the first cycle of institutional audits was completed in mid-2011, there is ongoing monitoring of those institutional audits that remain to be closed, as institutions are still in the process of implementing the recommendations flowing from the institutional audit report. The monitoring of the institutional audits is the responsibility of the Institutional Audits Committee, which is a sub-committee

of the HEQC. In the year under review, the Institutional Audits Committee comprised of the following members:

- Prof Usuf Chikte, Chairperson, Executive Head, Department of Interdisciplinary Health Sciences, Stellenbosch University
- Dr Ngoato Takalo, Consultant
- Prof John Duncan, Retired Dean of Research, Rhodes University. Term ended December 2013
- Prof Rocky Ralebipi-Simela, Regional Director, Limpopo Region, University of South Africa
- Prof Nan Yeld, Director University Teaching and Learning Development, Department of Higher Education and Training
- Prof Bennie Anderson, Chief Executive Officer, Da Vinci Institute
- Prof Xikombiso Mbhenyane, Deputy Vice-Chancellor Academic, University of Venda
- Ms Judy Favish, Director, Institutional Planning, University of Cape Town
- Prof Renuka Vithal, Deputy Vice-Chancellor Teaching and Learning, University of KwaZulu-Natal
- Prof Tinyiko Maluleke, Deputy Vice-Chancellor Internationalisation, Advancement and Student Affairs, University of Johannesburg

### **Audits Closed**

- Cape Peninsula University of Technology
- University of Johannesburg
- University of Limpopo

### **Progress Reports (still under consideration)**

- Mangosuthu University of Technology
- North-West University
- University of South Africa
- University of Venda
- University of Zululand
- Walter Sisulu University

### **Quality Enhancement**

As previously reported, the HEQC and Council agreed that a new cycle of institutional audits should be held in abeyance in order to enable focussed attention to address a key challenge in higher education, that is, the unacceptably poor throughput and drop-out rates. This led to the development of the Quality Enhancement Project (QEP), which focuses on enhancing learning and teaching, specifically, student success, which is conceptualised as increasing the number of graduates with attributes that are personally, professionally and socially valuable.

The QEP was launched on 27 February 2014 with the release of the *Framework for Institutional Quality Enhancement in the Second Period of Quality Assurance* and an associated implementation process

document. The launch was attended by 121 participants, including, amongst others, senior leaders – Deputy Vice-Chancellors (DVCs) and a few Vice Chancellors (VCs), from all the public higher education institutions and representatives from private higher education providers. In addition, the launch was attended by Dr Claire Carney, Head of Enhancement, Scottish Quality Assurance Agency and Prof Frank Cotton, Vice-Principal for Learning and Teaching, Glasgow University who provided participants with an overview of the Scottish experience of quality enhancement in teaching and learning, which has been running since 2003.

The launch of the QEP was preceded by an extensive consultation process following the release in December 2012 of a draft *Framework for Institutional Quality Enhancement in the Second Period of Quality Assurance*. This included meetings with the Deputy Vice-Chancellors: Academic of public higher education institutions, private providers, the statutory professional councils, the quality managers of public higher education institutions, and a series of joint focus group meetings in May 2013 with selected institutions in the Eastern Cape, Free State, KwaZulu-Natal and Gauteng. The participants represented a wide range of institutional types, including large urban, small rural, historically advantaged and historically disadvantaged, as well as traditional and comprehensive universities and universities of technology. In addition, and as part of the process for building support and facilitating understanding of the QEP, three regional symposiums on student success, led by an internationally renowned scholar in the area of student success, Prof Vincent Tinto of Syracuse University in the United States of America, were held in August in Durban, Pretoria and Stellenbosch. The symposia attracted over 820 participants from public and private higher education institutions.

Furthermore, there is strong support and a clear desire on the part private HEIs to be involved in the QEP. In discussions with the representatives of the two associations of private higher education providers it was agreed that further meetings would be held in 2014 in order to develop an appropriate process for the involvement of private HEIs in the QEP.

The QEP has been planned to run for five years. However, while in this period comprehensive institutional audits will not be undertaken, this will not preclude the auditing of specific aspects of higher education institutions should this be necessary.

### Objective Seven

*To accredit new programmes submitted by public and private higher education institutions and to re-accredit existing programmes offered by private higher education institutions.*

### Programme Accreditation

The programme accreditation function is facilitated by the Accreditation Committee, which is a sub-committee of the HEQC and is comprised of the following members:

- Dr Felicity Coughlan, Chairperson, Director and Head, The Independent Institute of Education
- Dr Rolf Becker, Executive Director, South African Council for Natural Scientific Professions
- Ms Gloria Castrillón, Director, Quality Assurance and Regulatory Affairs, Milpark Business School
- Prof Jennifer Clarence-Fincham, Operational Director, Academic Development and Support, University of Johannesburg

- Mr Colin Daniels, Associate Dean, Faculty of Informatics and Design, Cape Peninsula University of Technology
- Prof Sabiha Essack, Dean, Faculty of Health Sciences, University of KwaZulu-Natal
- Prof Marvin Kambuwa, Principal, Regent Business School
- Prof Wendy Kilfoil, Director, Department for Education Innovation, University of Pretoria
- Prof Lesley le Grange, Vice-Dean, Research, University of Stellenbosch
- Dr Nalize Marais, Institutional Research and Academic Planning Directorate, University of the Free State
- Prof Gugu Moche, Executive Dean, College of Science, Engineering and Technology, University of South Africa
- Prof Relebohile Moletsane, Professor and JL Dube Chair in Rural Education, University of KwaZulu-Natal
- Mr Vincent Morta, Director, Quality Assurance and Management Information Systems, Institutional Planning Office, University of the Western Cape
- Ms Nicolene Murdoch, Executive Director, Teaching, Learning and Quality Assurance, Monash South Africa
- Prof Martin Oosthuizen, Deputy Vice-Chancellor, Teaching and Learning, North-West University
- Dr Shaheeda Essack, Deputy Director, Private Higher Education, DHET
- Mr Martiens Loots, Chief Education Specialist, Educator Qualifications and Programmes, DHET
- Ms Jean Skene, Director, Higher Education, Management Information Systems, DHET

### **Accreditation of New Programmes**

Submissions for accreditation of programmes are received and evaluated on an on-going basis throughout the year and therefore applications submitted in one financial year may only receive an HEQC outcome in the following financial year.

There were 356 applications submitted for accreditation of new programmes in 2013/14. These applications are disaggregated per NQF level in Table 1 and per CESM category in Table 2 below.

In the same period, 2013/14, the HEQC approved a total of 429 outcomes which included applications for the accreditation of new programmes, representations and deferrals related to both accreditation and re-accreditation. It should be noted that this could include programmes submitted in the previous financial year and processed in this financial year. This is reflected in Table 3 below. Of the 429 outcomes, 253 programmes were accredited (with or without conditions) and 145 programmes were not accredited. Poorly designed curricula and unsatisfactory teaching and learning approaches were among the most common reasons for programmes not being accredited. 31 programmes were deferred by the HEQC pending the receipt of additional information or verification of information by a site visit.

The majority of applications submitted, were for programmes at National Qualifications Framework (NQF) level 5, 6, 7 and 8, as indicated below in Table 1.

**Table 1: New applications for programme accreditation per NQF level**

	LEVEL 5	LEVEL 6	LEVEL 7	LEVEL 8	LEVEL 9	LEVEL 10	TOTAL
Number of Applications	55	77	101	79	35	9	356

Similarly, as in the previous year, the majority of the applications for programme accreditation were in business, commerce and management sciences, health care and health sciences, education, visual and performing arts, and computer sciences, as shown in Table 2 below.

**Table 2: New applications for programme accreditation per CESM category**

CESM CATEGORY	NUMBER OF APPLICATIONS
Agriculture, Agricultural Operations and Related Sciences	7
Architecture and the Built Environment	7
Visual and Performing Arts	23
Business, Economics and Management Studies	93
Communication, Journalism and Related Studies	7
Computer and Information Sciences	23
Education	44
Engineering	15
Health Professions and Related Clinical Sciences	44
Family Ecology and Consumer Sciences	3
Languages, Linguistics and Literature	2
Law	13
Life Sciences	4
Physical Sciences	5
Mathematics and Statistics	0
Military Sciences	2
Philosophy, Religion and Theology	14
Psychology	1
Public Management and Services	12
Social Sciences	11
<b>Total</b>	<b>356</b>



**Table 3: HEQC Decisions and outcomes for accreditation**

ITEM	TOTAL
<b>Total number of programmes for accreditation</b>	<b>429</b>
<i>Programmes accredited</i>	120
<i>Programmes accredited (with conditions)</i>	133
<i>Programmes not accredited</i>	145
<i>Decisions deferred</i>	31
<b>New / relocated site of delivery</b>	50
<b>Total number of sites of delivery visited</b>	28

### Re-accreditation of Private Higher Education Institutions

On an annual basis the programmes of private higher education institutions, which are due for re-registration with the Department of Higher Education and Training have to be re-accredited. In 2013/2014, as indicated in Table 4 below, 87 programmes for re-accreditation were processed; 46 of which were due for re-accreditation in 2012 and 41 of which were due for re-accreditation in the 2013 cycle. The deferred programmes will be processed in the 2014/15 financial year.

**Table 4: HEQC Decisions and outcomes for re-accreditation**

ITEM	TOTAL
<b>Total number of programmes for Re-Accreditation</b>	<b>87</b>
<i>Programmes re-accredited</i>	5
<i>Programmes re-accredited (with recommendations)</i>	21
<i>Programmes not re-accredited</i>	3
<i>Programmes with accreditation status extended</i>	50
<i>Programmes deferred pending additional information</i>	8

### Objective Eight

*To undertake national reviews of existing programmes in specific subject fields and qualification levels offered by public and private higher education institutions.*

### National Reviews

National reviews focus on the re-accreditation of existing programmes with a view to improving programme quality. The national reviews function is facilitated by the National Reviews Committee, which is a sub-committee of the HEQC and is comprised of the following members:

- Prof Theo Andrew, Chairperson, Executive Dean: Faculty of Engineering and the Built Environment, Durban University of Technology

- Prof Jean Baxen, Dean: Education University of the Witwatersrand
- Prof Dhiro Gihwala, Dean, Faculty of Health Sciences, Cape Peninsula University of Technology
- Prof Ken Harley, Emeritus Professor, University of KwaZulu-Natal
- Ms Kuselwa Marala, Academic Administration, Registrar's Office, Cape Peninsula University of Technology
- Dr Matete Madiba, Director: Student Affairs, University of Pretoria
- Dr Paul Steyn, Academic Head, Akademia Konkordia
- Prof Völker Wedekind, Deputy Dean, Continuing Education, University of KwaZulu-Natal

In the year under review the main focus was on implementing the national review of the Bachelor of Social Work (BSW) programme. The NR-*online* system came on stream in June 2013, which enabled institutions to submit their self-evaluation reports online and, in parallel, the training of panel chairs was undertaken. The 19 site visits to institutions offering the BSW by peer panels were completed in October 2013 and draft reports from the site visits finalised in March 2014. In terms of process, the draft reports will be submitted to institutions in mid-2014 for comment and response prior to final decisions on the re-accreditation of the programmes by the HEQC.

The preparation of the *Report on the National Review of the Bachelor of Social Work Programme* is planned for the latter half of 2014.

In addition, in this period, there was ongoing monitoring of the follow-up related to the previous review of teacher education programmes, which should be closed in the course of 2014.

### Objective Nine

*To promote quality and to develop capacity and understanding of the role of quality assurance in improving quality in higher education at both the systemic and institutional levels.*

### Quality Promotion and Capacity Development

The quality promotion and capacity development function continued to grow in the year under review. There were four quality assurance forums convened, the purpose of which is to exchange information on quality assurance issues and developments:

- Private Providers – 29 October 2013
- Statutory Professional Bodies – 11 March 2014
- Public Providers – 19 March 2014
- Private Providers – 26 March 2014

There were also a range of colloquiums and workshops held, including:

- Three regional symposia on "Conceptualising a coherent approach to student success" were held in August in Durban, Pretoria and Stellenbosch, respectively. The speaker was Vincent Tinto, world-renowned expert on student success at tertiary level and Distinguished Professor of Education at Syracuse University. The symposia were attended by approximately

820 people from all public and a number of private higher education institutions, including lecturers, student affairs and academic development staff, deans, DVCs and VCs.

- A national seminar to discuss the Report of the Task Team, *A Proposal for Undergraduate Curriculum Reform in South Africa: The Case for a Flexible Curriculum Structure* was held on 17 September and was attended by just over 150 delegates from higher education institutions, staff and student associations.
- A workshop was held with higher education institutions to clarify the structure and naming conventions of doctoral degrees in line with the requirements of the HEQSF.
- Four HEQSF training workshops were held with end-users.
- Two re-accreditation 2014 workshops were held with private providers.
- Two continuous professional development workshops were held with existing evaluators.
- A training workshop for chairpersons and panels and recommendation writers was held with panel members for reviews and site visits.

In addition, the fifth CHE-HELTASA (Higher Education Learning and Teaching Association of Southern Africa) National Excellence in Teaching and Learning Awards were announced in November 2013 at the annual HELTASA conference. The purpose of the awards is to signal support for excellence in, and to encourage the professionalisation of, teaching and learning in higher education. Five academics received awards and six received commendations as outlined below.

Name	Category of Award	Institution
Elmarie Costandius	National Excellence in Teaching	University of Stellenbosch
Anthony Collins	National Excellence in Teaching	University of KwaZulu-Natal
Family Medicine Team	National Excellence in Teaching	University of Pretoria
Jenni Case	Leadership in Excellent Teaching	University of Cape Town
Philemon Akach	Leadership in Excellent Teaching	University of the Free State
Enid Schutte	Commendation	University of the Witwatersrand
Cassim Vanker	Commendation	Durban University of Technology
Mohamed Paleker	Commendation	University of Cape Town
Ed Jacobs	Commendation	University of Stellenbosch
Teaching and Learning Centre Team	Commendation	University of Fort Hare
Michael Rowe	Commendation	University of the Western Cape

The CHE hosted three international delegations interested in exploring the role of the CHE and the discharge of the quality assurance function through the HEQC:

- Ministry of Education and Sports, Republic of Uganda on 7 June 2013.
- Ministry of Higher Education and Scientific Research, Republic of Burundi on 17 October 2013.
- Council for Quality Assurance and Accreditation, Republic of Yemen on 14 November 2013.

## Strategic Goal Four

*To ensure the efficient and effective provision of corporate services – administrative, financial, technical and professional, to support the discharge of the core mandate of the CHE.*

### Objective Ten

*To ensure the development of human resources management environment that enables staff to develop their full potential.*

### Human Resources

The Human Resources function continued to make progress in operationalising and giving effect to one of the CHE's key strategic imperatives, namely, to build the CHE's intellectual capability and to ensure that the CHE has the human capacity and capability to execute its mandate and strategy. The human resources function is overseen by the Human Resources and Remuneration Committee, which is a sub-committee of Council.

The focus on ensuring that the CHE has appropriate human capacity and capability has been given effect through a range of interventions in the year under review that are outlined below.

### Staff Turnover, Recruitment and Retention

Although there has been a reduction in staff turnover from 23.8% in 2012/13 to 10.86% in 2013/14 and the staff retention rate is 87%, the challenge of attracting and retaining staff remains. This is largely due to two factors; (i) the small size of the organisation limits the opportunity for career progression in relation to mid-level staff; (ii) the remuneration framework for senior staff is not competitive with remuneration levels in higher education institutions, in particular, in academic administration posts, which is the main source of recruitment of senior staff. In this regard, the Council is pleased that the Minister of Higher Education and Training and the Minister of Finance have approved the Council's proposal for a flexible remuneration framework for senior staff, which should contribute to facilitating the recruitment and retention of senior staff in the organisation.

### Performance Management Framework

The CHE has a performance management system that facilitates the management of performance, the rewarding of deserving employees and dealing with poor performance. It also provides for individual development plans to address performance gaps and to facilitate career development. Performance reviews are conducted bi-annually. In order to strengthen the Performance Management Framework a Competency Framework was developed in the past year to ensure consistency across the different job categories in the organisation. The Competency Framework will be used to develop job profiles, new naming conventions as well as key performance areas and indicators for each post.

### Staff Training and Development

In line with the CHE's Staff Training and Development Policy, the provision of focussed training programmes to address skills gaps within the organisation remains a priority. In the past year staff members attended 30 training programmes covering in broad terms office management, finance administration and management, health and safety, IT and qualitative research methods. However,

it has not been possible to implement the full training plan due to the unavailability of staff because of work pressures.

In addition, personal career development through pursuing formal qualifications is encouraged and 7 staff members received bursaries.

### **Employee Wellness Programme**

The CHE recognises that the health and well-being of its employees, including the challenges – social, personal and work-related they may face in their daily lives, could negatively affect work performance. In line with this, a comprehensive Employee Wellness Programme “*Impilo Wellness*” was launched in July 2013 to improve the health of employees, reduce absenteeism and to improve employee morale and increase productivity. The programme, which is offered in partnership with a service provider, Ergoways, provides support and assistance to staff on a 24/7 basis in the following areas:

- Family challenges;
- Work related challenges;
- Relationships and legal advice;
- Financial advice;
- Stress management; and
- Any socio- psychological and health management interventions.

### **Internship Programme**

An internship was initiated in 2013 to provide graduates interested in pursuing a research or professional career in higher education policy, planning and quality assurance with an opportunity to obtain practical work experience and to improve their skills. The purpose of the programme is to ensure that accelerated learning opportunities provided in the training period enhance the intern’s workplace competencies, thus contributing to providing a pool of skilled human resources in higher education policy, planning and quality assurance. Three interns were appointed in the following categories: Information and Communications Technology, Media and Communications and Programme Accreditation.

### **Objective Eleven**

*To ensure that financial, administration and supply chain management is compliant with the requirements of the PFMA, relevant Treasury regulations and laws.*

### **Administration and Finance**

In the financial year under review, there was ongoing focus on governance and accounting policy reviews and enhancements in order to ensure compliance with the applicable guidelines from National Treasury, Accounting Standards and best practices.

The accreditation fee policy for private providers was changed into an upfront non-refundable fee to facilitate administrative processes.

Further, there was ongoing enhancement of current procedures and processes to address internal control deficiencies, including in supply chain, identified by both the internal and external auditors. This included the development of supplier evaluation forms and the updating of the contracts register, which sends expiry notices to project owners three months before the expiry of a contract.

### Summary of financial information

Sources of Revenue	2013/14			2012/13		
	Estimate	Actual Amount Collected	Over/ (Under) Collection	Estimate	Actual Amount Collected	Over/ (Under) Collection
	R'000	R'000	R'000	R'000	R'000	R'000
DHET	41 888	41 888	-	39 993	39 993	-
Rollover Funds	13 854	13 854	-	6 434	6 434	-
Deferred Income Recognised (Standards Development)	2 179	1 297	(882)	3 281	1 109	(2 172)
Accreditation	1 641	3 861	2 220	1 289	3 474	2 185
Investment	525	812	287	644	881	237
<b>TOTAL</b>	<b>60 087</b>	<b>61 712</b>	<b>1 625</b>	<b>51 641</b>	<b>51 891</b>	<b>250</b>

Programme/ Directorate Name		2013/14			2012/13		
		Estimates	Actual	Over/ (Under) expenditure	Estimates	Actual	Over/ (Under) expenditure
		R'000	R'000	R'000	R'000	R'000	R'000
Administration	Goods and Services	12 303	10 288	(16%)	10 567	11 668	(10%)
	Personnel	8 563	9 203	(7%)	7 124	7 216	(1%)
Quality Promotion and Capacity Development	Goods and Services	3 357	3 620	(8%)	1 876	1 277	32%
	Personnel	2 388	436	82%	2 252	1 882	16%
Monitoring and Evaluation	Goods and Services	5 173	3 218	38%	3 608	1 053	71%
	Personnel	2 441	3 636	(49%)	2 301	2 428	(6%)
Programme Accreditation	Goods and Services	8 215	6 857	16%	5 863	6 093	(4%)
	Personnel	5 717	5 016	12%	4 878	3 325	32%
National Reviews	Goods and Services	2 082	407	80%	2 763	767	72%
	Personnel	2 040	1 925	6%	1 924	1 077	44%

		2013/14			2012/13		
Programme/ Directorate Name		Estimates	Actual	Over/ (Under) expendi- ture	Estimates	Actual	Over/ (Under) expendi- ture
		R'000	R'000	R'000	R'000	R'000	R'000
Institutional Audits	Goods and Services	1 928	1 971	(22%)	1 825	375	79%
	Personnel	3 278	2 588	21%	3 091	2 387	23%
Standards Development	Goods and Services	1 450	667	54%	1 790	328	82%
	Personnel	1 698	930	45%	1 523	781	49%
<b>TOTAL</b>		<b>60 087</b>	<b>50 762</b>	<b>14%</b>	<b>51 385</b>	<b>40 659</b>	<b>21%</b>

## OVERVIEW OF THE CHE'S PERFORMANCE

Strategic Objective	Programme	Performance Indicator	Annual Cumulative Output 2012/2013	Annual Target as per Strategic Plan 2013 - 2014	Annual Cumulative Output 2013 - 2014	Comments
Advising the Minister	Advise the Minister on request or on own initiative	Number of responses to requests for advice	0	100%	100% 5	Target achieved. The number of responses cannot be predetermined as it is dependent on the number of requests received from the Minister.
		Number of proactive pieces of advice given	1	1	1	Target achieved.
Monitoring the state of higher education	Research Projects	Production of performance indicators report	1	1	1	Target achieved. Website data updated.
		Projects in progress	2	2	2	Target achieved. The projects are: <ul style="list-style-type: none"> <li>• Governance Challenges in Public Higher Education</li> <li>• Student Governance at Public Higher Education Institutions</li> </ul>
		Projects initiated	1	2	3	Target achieved. The three projects initiated are: <ul style="list-style-type: none"> <li>• 20-year review of higher education.</li> <li>• Reflections on academic leadership</li> <li>• Placement mechanisms in higher education such as the National Benchmark Test (NBT).</li> </ul>



Strategic Objective	Programme	Performance Indicator	Annual Cumulative Output 2012/2013	Annual Target as per Strategic Plan 2013 - 2014	Annual Cumulative Output 2013 - 2014	Comments
	Dissemination of research findings	Number of publications	4	2	2	<p>Target achieved.</p> <ul style="list-style-type: none"> <li>A proposal for undergraduate curriculum reform in South Africa.</li> <li>VitalStats 2011.</li> </ul>
Development and management of the HEQSF *	Alignment of existing programmes with the HEQSF	Total number of programmes to be assessed and realigned	100% 2519 assessed 320 received	100% of initial processing of category B's for Group 1 institutions	0% Category B	<p>66% of Category A submissions were completed between 2011/12 and 2012/13. The remaining 34% (1732) were processed during 2013/14 due to a delay in late submission of Category A programmes from some institutions, as well as the need to re-process Category A doctoral programmes.</p> <p>Processing of Category B programmes was put on hold until the 2014/15 financial year due to the delay in the processing of Category A programmes.</p> <p>* The Higher Education Qualifications Framework (HEQF) was promulgated in October 2007 (Government Gazette No 30353 of 5 October 2007). Given the CHE's expanded mandate as the Quality Council for Higher Education in terms of the National Qualifications Framework Act of 2008 (Act No 67 of 2008), the CHE initiated a review of the HEQF in October 2010. As determined by the Minister of Higher Education and Training the name of the HEQF was amended to the Higher Education Qualifications Sub-Framework (HEQSF) and the Framework was published as policy of the Council on Higher Education by SAQA in Government Gazette No. 36721, Notice 549, 2 August 2013).</p>

Strategic Objective	Programme	Performance Indicator	Annual Cumulative Output 2012/2013	Annual Target as per Strategic Plan 2013 - 2014	Annual Cumulative Output 2013 - 2014	Comments
Development, registration and publication of qualifications	Development of qualifications standards	Consultation on models	0	1	0	It was not possible to undertake consultation as the pilots are still in progress as reported below.
		Pilots for development of standards	0	10 (6QTV; 4FS)	0 (6 pilots – 3QTV and 3FS in process)	There were 6 pilots initiated, which are at different stages of completion; (i) Bachelor of Social Work (3 <sup>rd</sup> draft); (ii) Master of Business Administration (2 <sup>nd</sup> draft); (iii) Bachelor of Law (1 <sup>st</sup> draft). The delay in completion is due to the nature of the standards development process, which is dependent on the availability of academic experts to participate in working groups and it is also iterative, as draft statements have to go through several rounds of revision before agreement is reached.
NLRD Database	Collecting data from private institutions	Number of private providers that will be contributing to the HEQCIS database	81%	75%	98%	Target achieved. 114 private providers uploaded information

Strategic Objective	Programme	Performance Indicator	Annual Cumulative Output 2012/2013	Annual Target as per Strategic Plan 2013 - 2014	Annual Cumulative Output 2013 - 2014	Comments
Auditing institutional quality assurance mechanisms	Analyse and approve institutional improvement plans and progress reports based on recommendations made in audit report	Monitoring of Improvement Plans and progress reports	2	100% monitoring of all improvement plans and progress reports received	100% 3 audits were closed and 6 continue to be monitored.	Target achieved. It is anticipated that the 6 remaining audits reports will be closed in the 2014/15 financial year.
	Development of framework for institutional quality enhancement of teaching and learning.	Framework for institutional quality enhancement of teaching and learning developed	n/a	1	1	Target achieved. Strategic Objective Six in the current strategic plan states: To audit the quality assurance mechanisms of higher education institutions. Work had commenced in 2011/12 on the development of a framework for the second cycle of audits which would have run between 2013 and 2017. In 2012 a decision was taken by the Higher Education Quality Committee (HEQC) and Council rather than run a second cycle audit on the same lines as the first cycle audits a Quality Enhancement Project would be implemented. In the first phase of this project Teaching and Learning would be the main focus.
	Pilot institutional quality enhancement framework	Pilot quality enhancement framework	n/a	100%	0% 0	It was decided that instead of running a pilot, the focus should be on building support for, and facilitating understanding of, the Quality Enhancement Project (QEP), through consultation. The QEP was formally launched on 27 February 2014.

Strategic Objective	Programme	Performance Indicator	Annual Cumulative Output 2012/2013	Annual Target as per Strategic Plan 2013 - 2014	Annual Cumulative Output 2013 - 2014	Comments
Institutional programme accreditation and re-accreditation	Accreditation of new programmes submitted by public and private higher education institutions	Number of candidacy phase programmes recommended for approval by the HEQC	95% 288 programmes recommended 302 received	100% of applications received	93% 398 decisions	<p>The number of applications received varies annually.</p> <p>The percentage is calculated as the number of decisions taken by the HEQC (excluding deferrals) in relation to the number of recommendations from the Accreditation Committee tabled at the HEQC.</p> <p>It should be noted that following discussions after the 2012/13 audit, the target was changed to 75% to take into account the time-lag between the receipt of applications and a final decision made by the HEQC. The Minister of Higher Education and Training approved the change but indicated that this should be reported separately as the Framework for Strategic Plans and Annual Performance Plans (APP) does not allow changes once the APP has been tabled in Parliament.</p>
			100% 51 sites	n/a	n/a	
		Number of new/additional sites of delivery recommended; and	100% 50	n/a	n/a	
		Number of site visits undertaken				

Strategic Objective	Programme	Performance Indicator	Annual Cumulative Output 2012/2013	Annual Target as per Strategic Plan 2013 - 2014	Annual Cumulative Output 2013 - 2014	Comments
		Number of new/additional sites of delivery processed including site visits	n/a	100% of applications received	100% of applications received	Target achieved. The percentage is calculated as number of decisions taken by the HEQC (excluding deferrals) in relation to the number of recommendations from the Accreditation Committee tabled at the HEQC.
	Re-accreditation of programmes offered by private higher education institutions	Number of programmes recommended for re-accreditation by the HEQC	88% 66 were recommended 75 received	100%	100%	Target achieved. The percentage is calculated as number of decisions taken by the HEQC (excluding deferrals) in relation to the number of recommendations from the Accreditation Committee tabled at the HEQC.
National Reviews, i.e. re-accreditation of programmes in specific fields and qualification level		Conducting of national review site visits. Bachelor of Social Work programmes Draft reports	0  0	100% of sites where the programme is offered  100% for all institutions reviewed	100% 19  18	Target achieved.  Target achieved. Although there were 19 site visits, 18 reports have been prepared, as in the case of one institution, 2 sites were visited but a combined report prepared.

Strategic Objective	Programme	Performance Indicator	Annual Cumulative Output 2012/2013	Annual Target as per Strategic Plan 2013 - 2014	Annual Cumulative Output 2013 - 2014	Comments
Quality promotion and capacity building	Training of evaluators for programme accreditation and re-accreditation	Number of training workshops for evaluators	1	1	8	Target exceeded due to an increase in accreditation applications and need to train and retrain evaluators and recommendation writers. It also included end-user training for Institutional Administrators for the HEGSF-Category B and the 2014 re-accreditation processes.
	Training of evaluators for national reviews	Number of training workshops for evaluators	0	1	2	Target exceeded.
	Quality assurance forums for public and private institutions and professional bodies	Number of fora	6	3	4	Target exceeded.
	HELTASA/CHE Awards Project	Annual awards	5	5	5	Target achieved. Awards presented at the annual HELTASA Conference on 28 November 2013. Five awards and six commendations were presented to awardees.

Strategic Objective	Programme	Performance Indicator	Annual Cumulative Output 2012/2013	Annual Target as per Strategic Plan 2013 - 2014	Annual Cumulative Output 2013 - 2014	Comments
Human Resources Management	Skills Development Plan	Development and implementation of the Skills Plan	57% of funds budgeted	100% implementation of the plan	50% 30 training interventions	It was not possible to implement the full plan due to the impact on internal work processes in terms of staff time and availability. In addition, one large training programme had to be rescheduled and will take place in 2014/15.
	Recruitment and retention strategy	Filling of all vacant positions, including reduced turnaround time – maximum three months	100%	95% of vacancies filled	87%	There are 53 approved posts on the organogram. However, the Council agreed that 2 should not be filled until dictated by operational requirements. In the case of the remaining 2 posts, these were advertised but not filled. It should be noted that until December 2013 49 posts had been filled. This represents 96% of the posts filled based on 51 posts and 92% based on 53 posts. At the end of the financial year, as a result of resignations, 90% were filled based on 51 posts and 87% based on 53 posts.
Supply Chain Management system maintained and improved	Achieve organisational growth and sustainability	Functioning performance management system	100%	100% of performance contracts signed	100%	Target achieved.
	Employment Equity	Implementation of employment equity strategy and plan	100%	25% implementation of the EE plan	21,5%	The recruitment of males and people with disabilities remains a challenge.
	Establishing BEE procurement targets for the organisation	Development of CHE BEE procurement targets	n/a	50%	0%	The drafting of the BEE procurement target was postponed due to the new BEE codes that were legislated during the financial year.
	Contracts Management	Develop Key Supplier Management Tool	n/a	30%	100%	Target achieved.



**Part C:**  
Governance



## Portfolio Committee on Higher Education and Training

The Annual Performance Plan and MTEF Budget for 2013/14 – 2015/2016 was presented to the Portfolio Committee on Higher Education and Training in the National Assembly on 22 May 2013.

The Annual Report for the 2012/13 financial year was presented to the Portfolio Committee on Higher Education in the National Assembly on 10 October 2013.

In both cases, the presentations were well-received and there were no major issues of concern raised regarding the discharge of the CHE's mandate by the portfolio committee.

## Executive Authority

The Minister of Higher Education and Training met with the Council on 3 July 2013. The purpose of the meeting was to exchange views on the challenges facing the higher education system, including clarifying issues relating to the CHE's strategic plan.

## The Accounting Authority

### **Mandates and Objectives of the Council on Higher Education**

The CHE is established as a juristic person in terms of section 4 of the Higher Education Act (Act 101 of 1997), as amended, and as the Quality Council for Higher Education in terms of section 25 and 27 of the National Qualifications Act (Act 67 of 2008). In summary, the main areas of work of the CHE are:

- To provide advice to the Minister of Higher Education and Training on all higher education matters, at the Minister's request and at its own initiative;
- To develop and implement a system of quality assurance for all higher education institutions, including private providers of higher education, which includes programme accreditation, institutional audits, national reviews, and capacity development and quality promotion;
- To develop and manage the Higher Education Qualifications Sub-Framework (HEQSF) and the development of higher education qualifications;
- To monitor the state of the higher education system in relation to national policy goals and international trends;
- To contribute to the development of higher education through facilitating intellectual engagement on key issues in partnership with relevant stakeholders.

## Roles and Responsibilities

The CHE is a public entity listed under Schedule 3A of the Public Finance Management Act (PFMA) (Act 1 of 1999), as amended. In this regard, the Council fulfils the role of the Accounting Authority in terms of section 49 of the Public Finance Management Act (PFMA) (Act 1 of 1999), as amended.

As the Accounting Authority, the Council adheres to principles of good governance, financial and performance management and acts in a fiduciary capacity. Its responsibilities include:

- Effective, efficient and transparent systems of financial and risk management and internal control, internal audit and procurement;
- Effective and appropriate steps to collect revenue due, prevent irregular, fruitless and wasteful expenditure, losses from criminal conduct and expenditure as a result of non-compliance with operational policies;
- Management, including safeguarding, of the assets, liabilities, revenue and expenditure of the CHE;
- Compliance with applicable legislation and regulations; and
- An effective and appropriate disciplinary system for failure to comply with the PFMA and the internal control system.

## Governance Structure

The Council is comprised of a Chairperson appointed for five (5) years and thirteen (13) ordinary Council members appointed by the Minister of Higher Education and Training for a period of four (4) years following a public nomination process. Eight (8) non-voting members are appointed by the Minister from nominations respectively by the Director-General of the Department of Higher Education and Training, the Provincial Heads of Education, the Director-General of the Department of Science and Technology, the Director-General of the Department of Labour, the National Research Foundation and the Chief Executive Officers of the South African Qualifications Authority (SAQA), the General and Further Education and Training Quality Assurance Council (Umalusi) and the Quality Council for Trades and Occupations (QCTO), in their official capacities. Three members can be co-opted by the Council.

The term of office of the current Council ends on 14 December 2014, except for the Chairperson whose term of office ends on 14 July 2018.

COUNCIL					
Name	Designation	Appointed in own right	Appointed	Number of meetings attended	Fees (in rands)
Prof Themba Mosia	Chairperson	Vice Principal, Student Affairs and Residence Affairs and Accommodation, University of Pretoria	July 2013	3 of 3	26 160
Prof Yunus Ballim	Member	University of the Witwatersrand	Re-appointed December 2010	4 of 5	NR
Dr Yvonne Dladla	Member	Consultant	Re-appointed May 2013	4 of 5	23 744
Prof Magda Fourie-Malherbe	Member	University of Stellenbosch, Centre for Higher and Adult Education, Department of Curriculum Studies, Faculty of Education.	Re-appointed December 2010	3 of 5	20 352
Ms Malebo Ledwaba	Member	Lecturer, Waterberg Further Education and Training College.	December 2010	4 of 5	23 744
Dr Nyambeni Luruli	Member	Principal Scientist, Sasol Polymers, PTC	December 2010	5 of 5	30 528
Dr Bandile Masuku	Member	Chris Hani Baragwanath Hospital, Gauteng Department of Health	Re-appointed May 2013	5 of 5	30 528
Dr Letticia Moja – Acting Chair	Member	Rob Ferreira Hospital, Mpumalanga Department of Health	Re-appointed May 2013	5 of 5	33 432
Prof Shireen Motala	Member	Director: Postgraduate Centre for Education and Innovation, University of Johannesburg.	December 2010	3 of 5	20 352
Ms Dora Ndaba	Member	Consultant	December 2010	5 of 5	30 528
Mr Edmund Nxumalo	Member	Consultant	December 2010	4 of 5	23 744
Dr Zilungile Sosibo	Member	Head of Department, Further Education and Training, Cape Peninsula University of Technology	December 2010	5 of 5	30 528
Prof Beverley Thaver	Member	Faculty of Education, University of the Western Cape	December 2010	5 of 5	30 528
Dr Molapo Qhobela	Co-opted Member	Vice-Principal Institutional Development, University of South Africa.	October 2012	3 of 5	NR

COUNCIL					
Name	Designation	Appointed in own right	Appointed	Number of meetings attended	Fees (in rands)
Prof Sophie Mogotlane	Co-opted Member	Consultant	October 2012	5 of 5	30 528
Dr Edmund Zingu	Co-opted Member	Deceased April 2013	October 2012	0	0
<b>Non-voting members</b>		<b>Representing organisation</b>			
Ms Joyce Mashabela	QCTO	Chief Executive Officer, Qualifications Council for Trades and Occupations	n/a	3 of 5	NR
Mr Joe Samuels	SAQA	Chief Executive Officer, South African Qualifications Authority	n/a	5 of 5	NR
Dr Diane Parker	DHET	Acting Deputy Director General, Department of Higher Education and Training	n/a	3 of 5	NR
Dr Thomas Auf der Heyde	DST	Deputy Director General: Human Capital and Knowledge Systems, Department of Science and Technology	n/a	3 of 5	NR
Dr Mafu Rakometsi	Umalusi	Chief Executive Officer, the Council for Quality Assurance in General and Further Education and Training (Umalusi)	n/a	3 of 5	NR
Dr Albert van Jaarsveld	NRF	President and Chief Executive Officer National Research Foundation	n/a	2 of 5	NR

The details of Council members, including their qualifications, areas of expertise and directorships/ membership of other organisations are listed in the table on page 58.

## Committees and Sub-Committees

### Permanent Committee

The Council has one (1) permanent committee, the Higher Education Quality Committee (HEQC) established in terms of section 7 (3) of the Higher Education Act. The HEQC has executive responsibility in terms of section 5 (1) (c) of the Higher Education Act and the NQF Act for quality promotion and quality assurance in higher education, specifically to:

- promote quality in higher education
- audit the quality assurance mechanisms
- of higher education institutions
- accredit programmes of higher education.

HIGHER EDUCATION QUALITY COMMITTEE (HEQC)						
Name	Designation	Appointed in own right	Appointed	Resigned	Number of meetings attended	Fees (in rands)
Prof Yunus Ballim*	Chairperson	University of the Witwatersrand	April 2012		6 of 8	NR
Prof Theo Andrew	Member	Executive Dean: Faculty of Engineering and the Built Environment, Durban University of Technology	April 2012		8 of 8	47 488
Prof Narend Baijnath	Member	Pro Vice-Chancellor, University of South Africa	April 2012		6 of 8	33 920
Prof Usuf Chikte	Member	Executive Head: Interdisciplinary Health Sciences, University of Stellenbosch.	April 2012		8 of 8	47 488
Dr Felicity Coughlan	Member	Director and Head: The Independent Institute of Education	April 2012		8 of 8	51 360
Dr Andrew Kaniki	Member	Executive Director: Knowledge Management and Strategy, National Research Foundation	April 2012		4 of 8	NR

## HIGHER EDUCATION QUALITY COMMITTEE (HEQC)

Name	Designation	Appointed in own right	Appointed	Resigned	Number of meetings attended	Fees (in rands)
Mr Thamsanqa Ledwaba	Co-opted member	Independent Consultant	April 2012		7 of 8	47 488
Ms Kuselwa Marala	Member	Director: Academic Administration, Cape Peninsula University of Technology.	April 2012		2 of 8	6 784
Prof John Mubangizi	Member	Deputy Vice-Chancellor and Head of the College of Law and Management Studies, University of KwaZulu-Natal	April 2012		8 of 8	47 488
Ms Nicolene Murdoch	Member	Executive Director Teaching, Learning and Quality Assurance, Monash University, South Africa.	April 2012		6 of 8	40 704
Prof Nthabiseng Ogude	Member	Vice-Chancellor, Tshwane University of Technology	April 2012		3 of 8	20 352
Prof Martin Oosthuizen	Member	Deputy Vice Chancellor: Teaching and Learning, North-West University	April 2012		6 of 8	33 920
Prof Rocky Ralebipi-Simela	Member	Regional Director: University of South Africa, Limpopo Region	April 2012		7 of 8	40 704
Dr Edmund Zingu	Council member	Independent Consultant	April 2012	Deceased April 2013	0 of 8	0
Dr Diane Parker	Ex-officio Member	Acting Deputy Director General: Universities, DHET			3 of 8	NR

### Sub-committees

The Council has four (4) sub-committees, namely:

- Executive Committee (EXCO) established in terms of section 13 of the Higher Education Act;
- Audit and Risk Committee (ARC);
- Human Resources and Remuneration Committee (HRRC);
- Monitoring and Evaluation Committee (MEC).

The members of sub-committees are appointed for the specific knowledge and skills relating to the work the sub-committees.

The Council and its sub-committees, including its permanent committee responsible for quality assurance, the HEQC, have functioned effectively in terms of the CHE's statutory mandate and adherence to principles of good governance.

EXECUTIVE COMMITTEE					
Members	Designation	Appointed	Resigned	Number of meetings attended	Fees (in rands)
Prof Themba Mosia	Chairperson	July 2013	-	4 of 5	8 720
Prof Yunus Ballim	Council Member	Re-appointed June 2011	-	4 of 6	NR
Dr Bandile Masuku	Council Member	Re-appointed June 2011	-	6 of 6	20 352
Dr Letticia Moja	Council Member	Re-appointed June 2011 Acting-Chair until July 2013	-	5 of 6	24 224
Dr Diane Parker	Council Member	Re-appointed June 2011	-	3 of 6	NR

AUDIT AND RISK COMMITTEE						
Members	Designation	Appointed in own right	Appointed	Resigned	Number of meetings attended	Fees (in rands)
Dr Doeke Tromp	Chairperson	Independent Consultant	Re-appointed June 2011 Chairperson from September 2013	-	5 of 5	32 688
Mr Malson Chilenge	Expert Member	Independent Consultant	April 2013	-	4 of 5	20 560
Mr Joe Samuels	Council Representative	Council Representative	March 2012	-	3 of 5	NR
Ms Daisy Naidoo	Expert Member	Independent Consultant	June 2011	August 2013	3 of 3	12 336
Prof Anthony Melck	Expert Member	University of Pretoria	Re-appointed June 2011 Chairperson until August 2013	August 2013	3 of 3	NR

**HUMAN RESOURCES AND REMUNERATION COMMITTEE**

Members	Designation	Appointed in own right	Appointed	Resigned	Number of meetings attended	Fees (in rands)
Dr Yvonne Dladla	Chairperson		June 2011	-	2 of 2	13 568
Ms Jennie Browning	Expert Member	Independent Consultant	June 2011	-	2 of 2	8 224
Ms Tina Georgoulakis	Expert Member	Independent Consultant	August 2012	-	2 of 2	8 224
Ms Dora Ndaba	Council Member		June 2011	-	2 of 2	8 224
Mr Edmund Nxumalo	Council Member		August 2013	-	2 of 2	8 224

**MONITORING AND EVALUATION COMMITTEE**

Members	Designation	Appointed in own right	Appointed	Resigned	No of meetings attended	Fees (in rands)
Dr Nyambeni Luruli	Council Member		June 2011	-	0 of 1	0
Prof Shireen Motala	Council Member		June 2011	-	1 of 1	2 056
Mr Edmund Nxumalo	Council Member		June 2011	-	1 of 1	2 056
Prof Beverley Thaver	Council Member		June 2011	-	1 of 1	2 056

**Remuneration of Council Members**

Members of Council and its permanent and sub-committees who are not CHE employees or government officials qualify for daily allowances for services rendered to the CHE in accordance with the Treasury Regulations and Directives.

**Risk Management**

The CHE has reviewed its risk profile during the course of the year to consider the extent to which potential events may have an impact on the achievement of the organisation's objectives. Emerging events were assessed from two perspectives – likelihood and impact – and a number of risks, predominantly on a strategic level, were identified and weighed.



## **Materiality Framework**

As required by the Treasury Regulations, the Council has developed a materiality and significance framework appropriate to its size and circumstances.

## **Internal Audit**

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

## **Auditors**

As required by the PFMA, the external auditor of the CHE is the Auditor-General of South Africa.

## **Compliance with laws and regulations**

The ARC is responsible for monitoring compliance with applicable laws and regulations regarding financial matters and management and other related matters.

## **Audit Report Matters in the Previous Year**

There was progress made in addressing audit findings, with all findings either addressed or in process of being addressed.

## **Supply Chain Management**

There were no unsolicited bids.

## **Fraud and Corruption**

The CHE has policies in place on fraud prevention, detection and reporting.

No cases of fraud occurred during the year under review. However, the Council was made aware of fraud, which occurred in the 2007/08 financial year as a result of information provided by SARS in November 2012. This was reported to the South African Police Services and a criminal case opened on 14 March 2014.

## **Subsequent events**

On the 9<sup>th</sup> of April 2014, the CHE was cited as a respondent in the case brought against the North-West University by an applicant to the University who was not granted exemption from courses

obtained in a prior degree by the University. Aside from the CHE, the respondents include the Minister of Higher Education and Training, SAQA and Higher Education South Africa.

The applicant is seeking damages to the value of R10.950 million plus 15.5% interest from the date of the filing of papers from the respondents. The CHE together with other respondents will be opposing the application.

## Minimising Conflict of Interest

Council and sub-committee members are required to declare any conflict of interest for the record at the beginning of each Council or sub-committee meeting.

## Code of Conduct

There is a code of conduct in place for staff but not Council and sub-committees members. The Council recognises that this is a shortcoming and is committed to developing a Code of Conduct for members going forward.

## Health, Safety and Environmental Issues

The CHE regards the health and safety of its employees and people affected by the organisation's operations to be of vital importance. The CHE's primary objective is therefore to achieve and maintain the highest practicable level of health and safety control.

In line with this and in fulfilment of the requirements stipulated in the Occupational and Safety Act, 1993 (Act No. 85 of 1993), the CHE has established a Health and Safety Committee that monitors the health and safety of employees in the work environment and identifies potential health and safety threats that require addressing.

The CHE is also cognisant of the need to ensure that the work environment is environmentally sustainable. In this regard, efforts have been made to ensure that lights and other appliances are switched off appropriately at the end of the working day and paper is recycled. The Council is, however, aware that the actions taken to date are limited and require further development.

## Social Responsibility

The CHE has been involved in two corporate social responsibility initiatives during the year under review. These are:

- *Cell C's Take a Girl Child to Work* initiative held on 30 May 2013. The CHE hosted 12 girls as part of the programme that aims to inspire girls and expose them to the world of work.
- *Nelson Mandela Day* initiative held on 18 July 2013. The CHE staff spent the day at an orphanage, *Dimponyana Tsa Lapeng* in Olievenhoutbosch, Centurion cooking, cleaning and painting the home. The CHE has undertaken to adopt the home and will continue to provide support where possible, on an ongoing basis.

## Audit Committee Report

See page 68, in Part E, for the full report.

**Council Members (Appointed by the Minister of Higher Education and Training)**

Name	Designation	Other CHE committees	Qualification	Area of Expertise	Directorships / Council Memberships
Prof Themba Mosia	Chairperson	EXCO	PhD	<ul style="list-style-type: none"> <li>Medical education</li> <li>Governance</li> <li>Quality assurance</li> <li>Management</li> <li>Leadership</li> </ul>	<ul style="list-style-type: none"> <li>NSFAS</li> </ul>
Prof Yunus Ballim	Member	EXCO HEQC - Chairperson	PhD	<ul style="list-style-type: none"> <li>Civil engineering education</li> <li>Higher education leadership and management</li> </ul>	
Dr Yvonne Dladla	Member	HRRC - Chairperson	PhD Sociology and Social Work	<ul style="list-style-type: none"> <li>Organisational development</li> <li>Social policy administration</li> <li>Human resource management</li> <li>Research</li> <li>Productivity management and</li> <li>Strategy development and Implementation</li> </ul>	<ul style="list-style-type: none"> <li>Thebe Tourism Group (Pty) Ltd</li> <li>Thebe Foundation</li> <li>Kelly Group (Pty) Ltd</li> <li>YD Consulting (Pty) Ltd.</li> <li>YAME Unique Crafts (Pty) Ltd</li> </ul>
Prof Magda Fourie- Malherbe	Member		PhD	<ul style="list-style-type: none"> <li>Higher Education management and leadership.</li> <li>Teaching and learning, student success</li> </ul>	<ul style="list-style-type: none"> <li>Umalusi</li> </ul>
Ms Malebo Ledwaba	Member		BTech Management	<ul style="list-style-type: none"> <li>Management</li> <li>Quality assurance</li> </ul>	
Dr Nyambeni Luruli	Member	MEC	PhD (Polymer Science)	<ul style="list-style-type: none"> <li>Analytical chemistry</li> <li>Polymer science</li> <li>Polymer conversion</li> <li>Student training</li> </ul>	

Name	Designation	Other CHE committees	Qualification	Area of Expertise	Directorships / Council Memberships
Dr Bandle Masuku	Member	EXCO	Fellow of the College of Obstetrics and Gynaecology (FCOG)	<ul style="list-style-type: none"> <li>Communications</li> <li>Policy development</li> <li>Community work</li> <li>Medical skills</li> <li>Leadership</li> </ul>	<ul style="list-style-type: none"> <li>Tshwane University of Technology</li> </ul>
Dr Letticia Moja (Acting Chair, 1 January 2013 – 14 July 2013)	Member	EXCO	MMed (O & G)	<ul style="list-style-type: none"> <li>Health professions education and training</li> <li>Management of health profession's training</li> <li>Medical education</li> </ul>	
Prof Shireen Motala	Member	MEC	PhD	<ul style="list-style-type: none"> <li>Higher education policy</li> </ul>	
Ms Dora Ndaba	Member	HRRC	BTech Transport and Logistics	<ul style="list-style-type: none"> <li>Business and economy</li> <li>Industrial relations</li> <li>Research and marketing</li> </ul>	<ul style="list-style-type: none"> <li>Water Research Commission</li> <li>National Regulator for Compulsory Specifications</li> <li>Agricultural Research Council</li> </ul>
Mr Edmund Nxumalo	Member	MEC HRRC	Masters Public Administration	<ul style="list-style-type: none"> <li>Quality assurance</li> <li>Skills development training</li> <li>Human resource management</li> <li>Human resource development</li> </ul>	<ul style="list-style-type: none"> <li>Technology Demonstration Centre</li> <li>Tshwane South College</li> </ul>
Dr Zilungile Sosibo	Member		PhD (Adult Education)	<ul style="list-style-type: none"> <li>Teacher education (T&amp;L)</li> <li>Curriculum development</li> <li>Research</li> </ul>	<ul style="list-style-type: none"> <li>Umalusi</li> </ul>
Prof Beverley Thaver	Member	MEC	PhD (Education)	<ul style="list-style-type: none"> <li>Higher education</li> </ul>	
Prof Sophie Mogoilane	Co-opted member		PhD	<ul style="list-style-type: none"> <li>Community health</li> <li>Research</li> </ul>	
Dr Molapo Qhobela	Co-opted member		PhD	<ul style="list-style-type: none"> <li>Higher education</li> <li>Governance</li> <li>Planning</li> </ul>	<ul style="list-style-type: none"> <li>Trustee – Cradle of Human Kind</li> <li>Director – South African Actuaries Development Programme</li> </ul>

Name	Designation	Other CHE committees	Qualification	Area of Expertise	Directorships / Council Memberships
Dr Edmund Zingu	Co-opted member	HEQC	PhD (Physics)	<ul style="list-style-type: none"> <li>Physics</li> <li>Education</li> </ul>	
<b>Non-Voting</b>					
Dr Thomas Auf der Heyde (DST)	Department of Science and Technology		PhD (Chemistry)	<ul style="list-style-type: none"> <li>Higher education and science and technology management and policy</li> </ul>	<ul style="list-style-type: none"> <li>Africa Institute of South Africa</li> </ul>
Mr Essop Ahmed	CHE - CEO		Masters in International Development Education	<ul style="list-style-type: none"> <li>Higher education</li> </ul>	<ul style="list-style-type: none"> <li>Umalusi</li> <li>SAGA</li> <li>QCTO</li> <li>Old Mutual Education Trust</li> </ul>
Ms Joyce Mashabela (QCTO)	Quality Council for Trades and Occupations		MA	<ul style="list-style-type: none"> <li>Education and administration</li> </ul>	<ul style="list-style-type: none"> <li>Umalusi</li> <li>SAGA</li> <li>QCTO</li> </ul>
Dr Diane Parker (DHET)	Department of Higher Education and Training	EXCO HEQC	PhD	<ul style="list-style-type: none"> <li>Teacher education</li> <li>Higher education</li> <li>Mathematics education</li> </ul>	<ul style="list-style-type: none"> <li>Peta Source cc (50% partnership)</li> </ul>
Dr Mafu Rakomeisi (Umalusi)	Umalusi		PhD	<ul style="list-style-type: none"> <li>General and further education and training – curriculum and examinations</li> </ul>	<ul style="list-style-type: none"> <li>Umalusi Council</li> <li>SAGA Board</li> <li>QCTO</li> <li>Helderberg College Council</li> </ul>
Mr Joe Samuels (SAQA)	South African Qualifications Authority	ARC	MPhil	<ul style="list-style-type: none"> <li>Adult education</li> <li>Continuing education policy</li> <li>Qualifications</li> <li>Quality assurance</li> </ul>	<ul style="list-style-type: none"> <li>SAGA</li> <li>QCTO</li> <li>Umalusi</li> </ul>
Dr Albert van Jaarsveld (NRF)	National Research Foundation		PhD	<ul style="list-style-type: none"> <li>Zoology</li> </ul>	<ul style="list-style-type: none"> <li>Angelfish Investments 334 (Dormant)</li> </ul>



**Part D:**  
Human Resource  
Management

## OVERVIEW

For an overview of the human resources section please see page 33 Part B.

## HUMAN RESOURCES OVERSIGHT STATISTICS

### Personnel cost by programme

Directorate	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel expenditure as a % of total expenditure (R'000)	Number of employees	Average personnel cost per employee (R'000)
Administration*	20 698 656	9 174 158	44%	17	534 892
QPCD	2 068 218	435 638	21%	1	435 638
Monitoring and Evaluation	6 334 574	3 632 368	57%	7	518 910
Programme Accreditation	11 587 769	5 048 488	43%	10	501 609
National Reviews	4 820 709	1 924 974	39%	3	641 658
Institutional Audits	3 893 270	2 588 745	66%	6	431 458
Standards Development	1 358 951	930 478	68%	2	465 239
<b>TOTAL</b>	<b>50 762 147</b>	<b>23 734 849</b>	<b>47%</b>	<b>46</b>	<b>533 510</b>

\* Administration refers to Corporate Services and the CEO's office

### Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel expenditure to total personnel cost (R'000)	Number of employees	Average personnel cost per employee (R'000)
Top Management	1 212 813	5%	1	1 212 813
Senior Management	6 565 720	28%	7	937 960
Professional qualified	7 229 184	31%	12	602 432
Skilled	8 481 874	36%	24	348 686
Semi-skilled	0	0	0	0
Unskilled	245 258	1%	2	122 629
<b>TOTAL</b>	<b>23 734 849</b>	<b>100%</b>	<b>46</b>	<b>513 510</b>

## Performance Rewards

Level	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	0	1 212 813	0%
Senior Management	277 436	6 565 720	4.23%
Professional qualified	241 913	7 229 184	3.35%
Skilled	258 245	8 481 374	3.04%
Semi-skilled	0	0	0
Unskilled	9 817	245 258	4%
<b>TOTAL</b>	<b>787 411</b>	<b>23 742 904</b>	<b>3.32%</b>

## Training Costs

Directorate	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of personnel cost	Number of employees trained	Average training cost per employee
Administration*	9 174 158	119 782	1%	19	6 304.
QPCD	435 638	9 977	2%	1	9 977
Monitoring and Evaluation	3 636 368	90 882	2%	7	1 2983
Programme Accreditation	5 048 488	17 086	0,3%	11	1 553
National Reviews	1 924 974	10 470	0,1%	4	2 618
Institutional Audits	2 588 745	82 375	3%	6	13 729
Standards Development	930 478	1 941	0.2%	2	971
<b>TOTAL</b>	<b>23 734 849</b>	<b>332 513</b>	<b>1%</b>	<b>50</b>	<b>6 650</b>

\* Administration refers to Corporate Services and the CEO's office



## Employment and vacancies

Directorate	2012/2013 Number of Employees	2013/2014 Approved posts	2013/2014 Number of Employees	2013/2014 Vacancies	% of vacancies
Administration*	15	18	17	1	5.56%
QPCD	3	3	1	2	66.67%
Monitoring and Evaluation	7	7	7	0	0
Programme Accreditation	8	11	10	1	9.09%
National Reviews	3	4	3	1	25%
Institutional Audits	5	7	6	1	14.28%
Standards Development	2	3	2	1	33%
<b>TOTAL</b>	<b>43</b>	<b>53</b>	<b>46</b>	<b>7</b>	<b>13%</b>

\* Administration refers to Corporate Services and the CEO's office

Level	2012/2013 Number of Employees	2013/2014 Approved Posts	2013/2014 Number of Employees	2013/2014 Vacancies	% of Vacancies
Top Management	1	1	1	0	0
Senior Management	7	8	7	1	12.5%
Professional qualified	10	14	12	2	14%
Skilled	22	28	24	4	14%
Semi-skilled	0	0		0	0
Unskilled	2	2	2	0	0
<b>TOTAL</b>	<b>42</b>	<b>53</b>	<b>46</b>	<b>7</b>	<b>13%</b>

Although the CHE had 53 approved positions, the Council agreed to freeze 2 based on organisational requirements. Currently 46 positions are filled permanently (excluding two Interns) and there are 7 vacancies (including the 2 frozen posts). Numbers above reflecting total personnel and vacancies are split according to directorate and level.

## Employment Changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	0	0	1
Senior Management	7	0	0	7
Professional qualified	10	3	1	12
Skilled	22	6	4	24
Semi-skilled	0	0	0	0
Unskilled	2	0	0	2
<b>TOTAL</b>	<b>42</b>	<b>9</b>	<b>5</b>	<b>46</b>

## Reasons for Staff Leaving

Reason	Number	% of total number of staff leaving
Death	0	
Resignation	5	10.86%
Dismissal	0	
Retirement	0	
Ill Health	0	
Expiry of contract	0	
Other	0	
<b>TOTAL</b>	<b>5</b>	<b>10.86%</b>

## Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	1
Final Written Warning	0
Dismissal	0

## Equity Target and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	1	0	0	0
Senior Management	0	0	0	0	0	0	1	0
Professional qualified	2	0	0	1	0	0	0	0
Skilled	6	0	1	0	0	0	0	0
Semi-skilled	0	0	0	0	0	0	0	1
Unskilled	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>8</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>
Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	2	0	0	0	2	0	2	0
Professional qualified	7	0	0	0	0	0	3	0
Skilled	14	0	0	0	1	0	2	0
Semi-skilled	2	0	0	1	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>7</b>	<b>0</b>

Levels	Disabled Staff	
	Current	Target
Top Management	0	0
Senior Management	0	0
Professional qualified	0	1
Skilled	0	0
Semi-skilled	0	0
Unskilled	0	0
<b>TOTAL</b>	<b>0</b>	<b>1</b>

There is a variance between the targets set in the CHE Employment Equity Plan and the current staff complement. The targets set for males and people with disabilities have not been met. Two males were recruited into the organisation during the year under review but both resigned before the end of the financial year. Plans are underway to target the two areas in the new year. The current Employment Equity Plan lapses at the end of 2015.

# Part E: Annual Financial Statements

## Index

	<b>Page</b>
Statement of Responsibility	66
Audit and Risk Committee Report	68
Report of the Auditor-General to Parliament on the Council on Higher Education	70
Accounting Authority Report	73
Statement of Financial Position	76
Statement of Financial Performance	77
Statement of Changes in Net Assets	78
Cash Flow Statement	79
Statement of Comparison of Budget and Actual Amounts	80
Accounting Policies	82
Notes to the Annual Financial Statements	94

## STATEMENT OF RESPONSIBILITY

The Council is required, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Council 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.

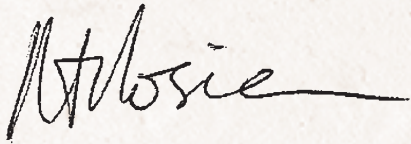
The Council is of the opinion, based on the information and explanations given by management in response to the internal and external audit reports, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. Where deficiencies were noted, the controls are being strengthened. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The entity is financially dependent on a transfer payment from the Department of Higher Education and Training for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the Department of Higher Education and Training will transfer the payment as listed in the Estimates of National Expenditure (ENE) to the entity.

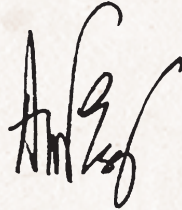
Although the Council is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 70.

The annual financial statements set out on pages 73 to 111, which have been prepared on the going concern basis, were approved by the Council on 30 July 2014 and were signed on its behalf by:



**Prof Themba Mosia**  
Chairperson



**Mr Ahmed Essop**  
Chief Executive Officer

# AUDIT AND RISK COMMITTEE REPORT

## Audit and Risk Committee members and attendance

The Audit and Risk Committee consists of the members listed hereunder and should meet 4 times per annum in accordance with its approved terms of reference. During the current year 5 meetings were held.

Name of member	Number of meetings attended
Dr D Tromp (Chairperson)	5 of 5
Mr M Chilenge	4 of 4
Mr J Samuels	3 of 5
Ms D Naidoo *	3 of 3
Prof A Melck *	3 of 3

\* Resigned July 2013

## Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 55(1)(a) of the PFMA and Treasury Regulations section 27.1.

The audit and risk committee also reports that it has adopted appropriate formal terms of reference through its audit and risk committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## The effectiveness of internal control

In line with the PFMA requirements, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the audit report on the annual financial statements, and the management report of the Auditor-General of South Africa, it was noted that some matters were reported that indicate some minor deficiencies in the system of internal control and deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was satisfactory. Assurance was obtained that the identified problems are receiving the necessary attention.

## Evaluation of annual financial statements

The Audit and Risk Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Council;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

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

## Internal audit

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

## Auditor-General of South Africa

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

## Recommendation

At its meeting held on 24 July 2014, the Audit and Risk Committee recommended the adoption of the financial statements to the Council.



**Dr Doeke Tromp**  
**Chairperson of the Audit and Risk Committee**



# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE COUNCIL ON HIGHER EDUCATION

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the Council on Higher Education (CHE) as set out on pages 73 to 111, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

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

2. The council, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the CHE as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

### Emphasis of matter

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

### Restatement of corresponding figures

8. As disclosed in note 25 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of errors discovered during the year ended 31 March 2014 in the financial statements of the CHE at, and for the year ended, 31 March 2013.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

### Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2014:
- Programme 1: advise the minister, on page 37
  - Programme 2: auditing institutional quality assurance mechanisms, on page 40
  - Programme 3: institutional programme accreditation and re-accreditation, on pages 41 to 42
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.
13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

### **Compliance with legislation**

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

### **Annual financial statements**

16. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 55(1)(b) of the PFMA. Material misstatements of intangible assets, property, plant and equipment, finance leases, operating leases, commitments, finance costs and depreciation identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records provided, resulting in the financial statements receiving an unqualified audit opinion.

### **Procurement and contract management**

17. Quotations were accepted from bidders who did not submit a declaration as to whether they are employed by the state or connected to any person employed by the state, contrary to treasury regulation 16A8.3.

### **Internal control**

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

### **Financial and performance management**

19. In certain instances, the annual financial information prepared by management was not supported and evidenced by accurate and complete information. As a result, material adjustments were made to the annual financial statements submitted for auditing.

**Pretoria**  
**31 July 2014**



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

*Auditing to build public confidence*

# ACCOUNTING AUTHORITY REPORT

The Council on Higher Education submits its report for the year ended March 31, 2014.

## 1. Mandate and Objectives of the Council on Higher Education

The Council on Higher Education (CHE) is a public entity listed under Schedule 3A of the Public Finance Management Act (PFMA) (Act 1 of 1999), as amended. It adheres to principles of good governance, financial and performance management and is held accountable for these to the Parliament of the Republic of South Africa.

The CHE was established as a juristic person in terms of section 4 of the Higher Education Act (Act 101 of 1997), as amended and as the Quality Council for Higher Education in terms of the National Qualifications Act (Act 67 of 2008). In summary, the main areas of work of the CHE are:

- To provide advice to the Minister of Higher Education and Training on all higher education matters, at the Minister's request and proactively.
- To develop and implement a system of quality assurance for all higher education institutions, including private providers of higher education, which includes programme accreditation, institutional audits, national reviews, and capacity development and quality promotion.
- To develop and manage the Higher Education Qualifications Sub-Framework (HEQSF) and the development of higher education qualifications.
- To monitor the state of the higher education system in relation to national policy goals and international trends.
- To contribute to the development of higher education through facilitating intellectual engagement on key issues in partnership with relevant stakeholders.

## 2. Role and responsibilities

The Council fulfils the role of the Accounting Authority in terms of section 49 of the Public Finance Management Act (PFMA) (Act 1 of 1999), as amended.

As the Accounting Authority, the Council acts in a fiduciary capacity and its responsibilities include:

- effective, efficient and transparent systems of financial and risk management and internal control, internal audit and procurement;
- effective and appropriate steps to collect revenue due, prevent irregular, fruitless and wasteful expenditure, losses from criminal conduct and expenditure as a result of non compliance with operational policies;
- management, including safeguarding, of the assets, liabilities, revenue and expenditure of the CHE;
- compliance with applicable legislation; and
- an effective and appropriate disciplinary system for failure to comply with the PFMA and the internal control system.

### 3. Going concern

The CHE is financially dependent on a transfer payment from the Department of Higher Education and Training.

On the basis that the transfer payment has been listed in the Estimates of National Expenditure, the Council believes that the CHE will continue to be a going concern in the year ahead. For this reason, the Council continued to prepare the annual financial statements on a going concern basis.

### 4. Governance of the Council on Higher Education

#### Council

The Council is comprised of a Chairperson appointed for five (5) years and thirteen (13) ordinary Council members each appointed for a period of four (4) years. Eight (8) non-voting members are appointed to the Council, nominated respectively by the Director-General of the Department of Higher Education and Training, the Provincial Heads of Education, the Director-General of the Department of Science and Technology, the Director-General of the Department of Labour, the National Research Foundation and the Chief Executive Officers of the South African Qualifications Authority (SAQA), the General and Further Education and Training Quality Assurance Council (Umalusi) and the Quality Council for Trades and Occupations (QCTO) in their official capacities. Three members can be co-opted by the Council.

All members who served on the Council during the year under review were appointed in terms of the Higher Education Act (Act 101 of 1997) as amended.

#### Committees and Sub-committees

##### Permanent Committee

*The Council has one (1) permanent committee, the Higher Education Quality Committee (HEQC). The HEQC has executive responsibility for quality promotion and quality assurance in higher education.*

*The functions of the HEQC in terms of the Higher Education Act are to:*

- promote quality in higher education
- audit the quality assurance mechanisms of higher education institutions
- accreditation of programmes of higher education

##### Sub-committees

On 31 March 2014 four (4) Council sub-committees were in place and fully functional, namely:

1. Executive Committee (EXCO)
2. Audit and Risk Committee (ARC)
3. Human Resources and Remuneration Committee (HRRC)
4. Monitoring and Evaluation Committee (MEC)

The members of sub-committees are appointed for the specific knowledge and skills they bring to the Sub Committee.

During the year, the Council and its sub-committees, including its permanent committee responsible for quality assurance, the HEQC, have functioned effectively in terms of the CHE's statutory mandate and adherence to principles of good governance.

## **5. Subsequent events**

The Council is aware of one subsequent event arising after the end of the financial year which is disclosed in the financial statements as note 26.

## **6. Controlling entity**

The CHE has reviewed its risk profile during the course of the year to consider the extent to which potential events may have an impact on the achievement of the organisation's objectives. Emerging events were assessed from two perspectives – likelihood and impact – and a number of risks, predominantly on a strategic level, were identified and weighed.

## **7. Economic entity**

As required by the Treasury Regulations, the Council has developed and agreed on a materiality and significance framework appropriate to its size and circumstances.

## **8. Internal audit**

The internal audit function is under the direction of the Audit and Risk Committee and ultimately the Council in evaluating the effectiveness of its system of internal controls in place, and recommending improvements where appropriate. The internal audit function is currently outsourced.

## **9. Auditors**

As required by the PFMA, the current external auditor of the CHE is the AG SA.

# Statements on Financial Position

## for the year ended 31 March 2014

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	19,730,204	22,024,528
Receivables from exchange transactions	2	386,447	559,406
Prepayments	4	136,501	160,213
		<b>20,253,152</b>	<b>22,744,147</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	5	32,751,660	27,213,173
Intangible assets	6	3,291,036	2,555,857
		<b>36,042,696</b>	<b>29,769,030</b>
<b>Total Assets</b>		<b>56,295,848</b>	<b>52,513,177</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	7	5,069,491	1,879,416
Provisions	9	687,931	808,931
		<b>5,757,422</b>	<b>2,688,347</b>
<b>Non-Current Liabilities</b>			
Unspent conditional grants	10	5,231,439	6,528,286
<b>Total Liabilities</b>		<b>10,988,861</b>	<b>9,216,633</b>
<b>Net Assets</b>		<b>45,306,987</b>	<b>43,296,544</b>
<b>Reserves</b>			
Revaluation reserve		4,914,475	-
Accumulated surplus		40,392,512	43,296,544
<b>Total Net Assets</b>		<b>45,306,987</b>	<b>43,296,544</b>

\* See Note 25

# Statement of Financial Performance

for the year ended 31 March 2014

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Revenue</b>			
Exchange Revenue		3,861,005	3,473,428
Interest received - investment	11	812,263	881,371
Non exchange revenue	12	43,184,847	41,101,860
<b>Total revenue</b>		<b>47,858,115</b>	<b>45,456,659</b>
<b>Expenditure</b>			
Personnel	13	(23,734,849)	(19,096,814)
Depreciation and amortisation		(1,858,963)	(1,568,359)
Interest on late payment-SARS	21	(154,532)	(18,570)
Debt impairment		(126,553)	-
Repairs and maintenance		(2,193,240)	(354,101)
Loss on disposal of assets		(35,825)	(5,035)
General expenses	14	(22,658,185)	(19,543,184)
<b>Total expenditure</b>		<b>(50,762,147)</b>	<b>(40,586,058)</b>
<b>(Deficit) surplus for the year</b>		<b>(2,904,032)</b>	<b>4,870,601</b>

\* See Note 25



## Statement of Changes in Net Assets

for the year ended 31 March 2014

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at April 01, 2012</b>	-	<b>36,003,793</b>	<b>36,003,793</b>
Changes in net assets			
Surplus for the year	-	4,796,368	4,796,368
Total changes	-	4,796,368	4,796,368
Opening balance as previously reported	-	40,800,161	40,800,161
Adjustments			
Prior year adjustments	-	2,496,383	2,496,383
<b>Restated* Balance at April 01, 2013 as restated*</b>	-	<b>43,296,544</b>	<b>43,296,544</b>
Changes in net assets			
Deficit for the year	-	(2,904,032)	(2,904,032)
Land and Buildings Revaluation	4,914,475	-	4,914,475
Total changes	4,914,475	(2,904,032)	2,010,443
<b>Balance at March 31, 2014</b>	<b>4,914,475</b>	<b>40,392,512</b>	<b>45,306,987</b>

# Cash Flow Statement

for the year ended 31 March 2014

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		43,246,953	41,101,860
Interest income		812,263	881,371
Other receipts		3,861,005	3,473,935
		<b>47,920,221</b>	<b>45,457,166</b>
<b>Payments</b>			
Employee costs		(23,734,849)	(19,096,814)
Suppliers		(23,052,617)	(21,322,658)
Finance costs		(173,102)	-
		<b>(46,960,568)</b>	<b>(40,419,472)</b>
<b>Net cash flows from operating activities</b>	15	<b>959,653</b>	<b>5,037,694</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(2,201,150)	(680,827)
Proceeds from insurance claims on property, plant and equipment		24,359	32,178
Purchase of other intangible assets	6	(1,077,188)	(784,842)
<b>Net cash flows from investing activities</b>		<b>(3,253,979)</b>	<b>(1,433,491)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,294,326)</b>	<b>3,604,203</b>
Cash and cash equivalents at the beginning of the year		22,024,528	18,420,327
<b>Cash and cash equivalents at the end of the year</b>	3	<b>19,730,204</b>	<b>22,024,528</b>

\* See Note 25

# Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2014

Budget on Cash Basis					
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					

## Statement of Financial Performance

### Revenue

#### Revenue from exchange transactions

Exchange Revenue	1,641,000	-	<b>1,641,000</b>	3,861,005	<b>2,220,005</b>
Interest received - investment	525,000	-	<b>525,000</b>	812,263	<b>287,263</b>

#### Total revenue from exchange transactions

<b>2,166,000</b>	-	<b>2,166,000</b>	<b>4,673,268</b>	<b>2,507,268</b>
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### Revenue from non-exchange transactions

#### Taxation revenue

Non exchange revenue	41,888,000	-	<b>41,888,000</b>	41,888,000	-
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#### Transfer revenue

Deferred income recognised	2,178,670	-	<b>2,178,670</b>	1,296,847	<b>(881,823)</b>
Roll-over funds	-	13,854,000	<b>13,854,000</b>	13,854,000	-

#### Total revenue from non-exchange transactions

<b>44,066,670</b>	<b>13,854,000</b>	<b>57,920,670</b>	<b>57,038,847</b>	<b>(881,823)</b>
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### Total revenue

<b>46,232,670</b>	<b>13,854,000</b>	<b>60,086,670</b>	<b>61,712,115</b>	<b>1,625,445</b>
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### Expenditure

Personnel	(26,096,000)	-	<b>(26,096,000)</b>	(23,734,849)	<b>2,361,151</b>
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Depreciation and amortisation	(1,642,120)	-	<b>(1,642,120)</b>	(1,858,963)	<b>(216,843)</b>
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Finance costs	(303,526)	-	<b>(303,526)</b>	(154,532)	<b>148,994</b>
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Debt impairment	-	-	-	(126,553)	<b>(126,553)</b>
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Repairs and maintenance	(1,761,981)	-	<b>(1,761,981)</b>	(2,193,240)	<b>(431,259)</b>
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Loss on disposal of assets	-	-	-	(35,825)	<b>(35,825)</b>
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General expenses	(16,732,569)	-	<b>(30,283,043)</b>	(22,658,185)	<b>7,624,858</b>
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### Total expenditure

<b>(46,536,196)</b>	-	<b>(60,086,670)</b>	<b>(50,762,147)</b>	<b>9,324,523</b>
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# Statement of Comparison of Budget and Actual Amounts (continued)

for the year ended 31 March 2014

## Reconciliation

2014 Surplus including prior roll-overs	10,949,968
<b>Adjusted non cash items</b>	-
Depreciation	1,858,963
Debt impairment	126,553
Loss on disposal	35,825
<b>Funds available for Roll over</b>	<b>12,971,309</b>

## Budget differences

Revenue from exchange transactions was higher than budget due to more applications for accreditation being received from private institutions.

Revenue from non-exchange transaction is lower than budget due to standards development still being in pilot phase at the end of the financial year and hence operating under capacity. Once the developments are rolled over, this Directorate will then operate at full capacity.

Employee costs are under budget due to vacancies that are in the organogram being unfilled during the financial year.

General expenses were under budget due to delayed projects in directorates. These projects have been carried forward into the new financial year and completion is expected in the new financial year.

# Accounting Policies

## 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### **Comparative information**

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

### **1.1 Significant judgements and sources of estimation uncertainty**

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

#### **Trade receivables**

The CHE assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the CHE 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 loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

## Accounting Policies (continued)

### **Provisions**

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

### **Effective interest rate**

The entity used the prime interest rate to discount future cash flows.

### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### **1.2 Property, plant and equipment**

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

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

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

#### ***Property, plant and equipment is initially measured at cost***

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

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

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

## Accounting Policies (continued)

recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

An impairment loss is only recognised when the recoverable amount of an asset is less than its carrying amount and is measured as the amount by which the carrying amount of an asset exceeds its recoverable amount.

## Accounting Policies (continued)

Subsequent to the recognition of an impairment loss on an asset, the related depreciation or amortisation charge should be adjusted for future periods.

An impairment loss is recognised immediately in the surplus or deficit, except where an asset is carried at a revalued amount in accordance with another GRAP standard on property plant and equipment. Such an impairment loss is treated as a revaluation decrease to the extent of the revaluation surplus available.

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

<b>Item</b>	<b>Average useful life</b>
Land	Indefinite
Buildings	10-30 years
Furniture and fixtures	10-14 years
Office equipment	3-21 years
IT equipment	7-10 years

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

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

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

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

Items of 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.

### **Revaluation of Land and Building**

Land and Buildings held for administrative purposes are carried at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses.

Revaluations are done by an independent valuer every 3 years so that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. The fair value of Land and Buildings measured using the valuation model is based on market values.



## Accounting Policies (continued)

### 1.3 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset;
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial recognition intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

## Accounting Policies (continued)

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

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

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

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	1-8 years
Internally generated intangible assets	10-20 years

Intangible assets are derecognised:

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

### 1.4 Financial instruments

Financial assets and financial liabilities are recognised on the CHE's Statement of Financial Position when the CHE becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value, including transactional costs. Subsequent to initial recognition these instruments are measured as set out below.

#### Financial Assets

CHE's principal financial assets are accounts receivable and cash and cash equivalents

- Accounts receivables are subsequently measured at their amortised costs using the effective interest rate method and reduced by appropriate allowances for estimated irrecoverable amounts which represents fair value.
- Cash and Cash equivalents are measured at fair value.

Financial assets or a portion thereof are derecognised when the contractual rights to the benefits specified in the contract expire and the CHE surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial assets and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets is included in surplus or deficit for the period.

## Accounting Policies (continued)

### **Trade and other payables**

Trade and other payables are stated at amortised using the effective interest rate method.

### **1.5 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.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### **Operating leases - lessee**

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

### **1.6 Employee benefits**

#### **Short-term employee benefits**

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service to the CHE.

The provisions for employee entitlements to wages, salaries and annual leave represent the amount that CHE has a present obligation to pay as a result of employees' services provided to the statement of financial position date. The provisions have been calculated at undiscounted amounts on current wages and salary rates.

The expected cost of compensated absence is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

## Accounting Policies (continued)

The expected costs of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payment as a result of past performance.

### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement schemes are dealt with as defined contribution plans where the entities obligation under the schemes is equivalent to those arising in a defined contribution retirement plan.

### 1.7 Provisions and contingencies

Provisions are recognised when the entity has a present obligation as a result of a past event, for which it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation. All the provisions of the CHE are short-term in nature and thus ignore the effect of discounting.

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

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

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

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

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

### 1.8 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the CHE directly in return for services rendered, the value of which approximate the consideration received or receivable.

The CHE receives exchange revenue from the private institutions as indicated below;

- Private institutions application for accreditation: Institutions pay a non refundable fee which is recognised as revenue based on the stage of completion;
- Site Visits: Site visit fees including the associated costs incurred are invoiced to the institutions and recognised in revenue on accrual basis;

## Accounting Policies (continued)

- Other revenue such as conditions, representations, reaccreditation and referrals for private institutions are recognised as revenue on accrual basis.

### **Interest received**

Interest received from favourable bank deposits is recognised as revenue from exchange transactions through statement of financial performance in the period it is received.

### **1.9 Revenue from non-exchange transactions**

The transfer from DHET is recognised when it is probable that future economic benefits will flow to the CHE and when the amount can be measured reliably. A transfer is recognised as revenue to the extent that there is no further obligation arising from the receipt of transfer payment.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

### **Unspent conditional grant**

Unspent conditional grants are disclosed as liabilities and only realised as revenue through the statement of financial performance when the conditions related to the grant are met.

### **1.10 Translation of foreign currencies**

#### **Foreign currency transactions**

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

## Accounting Policies (continued)

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### 1.11 Fruitless and wasteful expenditure

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

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

### 1.12 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) the PFMA; 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.

All expenditure relating to irregular 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 expenses and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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):

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.

### 1.13 Budget information

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

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

The financial statements and budget are not presented on the same basis as the financial statements are prepared on accrual basis and the budget on a cash basis of accounting. A reconciliation

## Accounting Policies (continued)

between the surplus/(deficit) for the period as per statement of financial performance and the budgeted surplus/(deficit) is included in the statement of comparison of budget and actual amounts.

### 1.14 Related parties

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

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

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

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

### 1.15 Standards of GRAP not yet effective

The following standards have been approved but are not effective at 31 March 2014

GRAP 105 on Transfers of Functions between Entities under Common Control

GRAP 106 on Transfers of Functions Between Entities not under Common Control

GRAP 20 on Related Party Disclosures

GRAP 25 on Employee Benefits.

### 1.16 Events after reporting date

Events after the reporting date are those events, both favourable and unfavorable, that occur between the reporting 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).

#### **Adjusting events after the reporting date**

The CHE shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting date.

## Accounting Policies (continued)

### ***Non-adjusting events after the reporting date***

The CHE shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

The CHE shall disclose the following for each material category of non-adjusting event after the reporting date:

- a) The nature of the event.
- b) An estimate of its financial effect, or a statement that such an estimate cannot be made.



# Notes to the Annual Financial Statements

for the year ended 31 March 2014

Figures in Rand 2014 2013

## 2. Receivables from exchange transactions

Trade debtors	411,142	525,734
Less: Provision for Doubtful debts	(96,553)	-
Deposits	22,580	22,580
Over payment to supplier	45,225	-
Staff loans	4,053	11,092
	<b>386,447</b>	<b>559,406</b>

### **Trade and other receivables pledged as security**

Trade and other receivables were not pledged as security for any financial liability.

### **Credit quality of trade and other receivables**

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

### **Fair value of receivables from exchange transactions**

The fair value of short term receivables approximates the carrying amount of the balance due to their short term maturity.

### **Trade and other receivables past due but not impaired**

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At March 31, 2014: R123,841 (2013: R214,973) were past due but not impaired.

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

1 month past due	18,000	88,456
2 months past due	13,000	18,090
3 months past due	97,208	253,173

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable stated above. The CHE does not hold any collateral as security.

Trade receivables have not been discounted as the amount is not considered material.

## Notes to the Annual Financial Statements (continued)

### for the year ended 31 March 2014

Figures in Rand	2014	2013
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#### Receivables from exchange transactions impaired

As of March 31, 2014, trade and other receivables of R 96,553 (2013: R0) were impaired and provided for.

The amount of the provision was R 96,553 as of March 31, 2014 (2013: R0).

The ageing of these amounts is as follows:

Over 6 months	96,553	-
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The maximum exposure to credit risk at the reporting date is the fair value of each class of the amounts stated above. The CHE does not hold any collateral as security.

### 3. Cash and cash equivalents

Cash on hand	1,932	(40)
Standard Bank: Current Account	1,427,266	8,290,296
Investec Investment Account	8,415,193	7,995,429
South African Reserve Bank Account	17,922	17,023
Standard Bank: Private Accreditation funds	9,867,891	5,721,820
	<b>19,730,204</b>	<b>22,024,528</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:

### 4. Prepayments

#### Prepaid insurance fees

Opening balance	160,213	242,547
Amounts realised to expenses during the year	(160,213)	(242,547)
Additions for the period	136,501	160,213
	<b>136,501</b>	<b>160,213</b>

## Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2014

Figures in Rand

### 5. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	6,360,120	-	6,360,120	5,314,747	-	5,314,747
Buildings	27,665,650	(4,125,769)	23,539,881	23,041,879	(3,285,608)	19,756,271
Furniture and fixtures	1,820,324	(1,072,053)	748,271	1,811,758	(1,110,567)	701,191
Office equipment	1,743,624	(526,025)	1,217,599	943,207	(360,749)	582,458
IT equipment	2,716,540	(1,830,751)	885,789	2,405,053	(1,546,547)	858,506
<b>Total</b>	<b>40,306,259</b>	<b>(7,554,599)</b>	<b>32,751,660</b>	<b>33,516,644</b>	<b>(6,303,471)</b>	<b>27,213,173</b>

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	5,314,747	-	-	1,045,373	-	6,360,120
Buildings	19,756,271	754,668	-	3,869,103	(840,161)	23,539,881
Furniture and fixtures	701,191	251,434	(49,420)	-	(154,934)	748,271
Office equipment	582,458	816,490	(3,336)	-	(178,013)	1,217,599
IT equipment	858,506	378,558	(7,428)	-	(343,847)	885,789
	<b>27,213,173</b>	<b>2,201,150</b>	<b>(60,184)</b>	<b>4,914,476</b>	<b>(1,516,955)</b>	<b>32,751,660</b>

# Notes to the Annual Financial Statements (continued)

## for the year ended 31 March 2014

Figures in Rand

### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Land	5,314,747	-	-	-	5,314,747
Buildings	20,386,152	181,370	-	(811,251)	19,756,271
Furniture and fixtures	863,248	-	(9,217)	(152,840)	701,191
Office equipment	423,736	271,618	-	(112,896)	582,458
IT equipment	940,719	227,839	(27,996)	(282,056)	858,506
	<b>27,928,602</b>	<b>680,827</b>	<b>(37,213)</b>	<b>(1,359,043)</b>	<b>27,213,173</b>

During the year Assets with a cost price of R1,395,393.81 (2013: R623,353) have fully depreciated, but are still in use.

### Details of properties

#### Property 1

The property is located at 1 Quintin Brand Street, Persekor Technopark, Pretoria. The title deed number is T4934/2009 and the extent of the property is 7,580 square metres. The property was revalued at 31<sup>st</sup> March 2014 by Onyx Valuation Services under Mr Barry Richardson a professional valuer registration number 4500/7.

- Purchase price: 1 December 2008	28,356,629
- Additions since purchase	754,664
- Accumulated depreciation	(4,125,769)
- Revaluation	4,914,476
	<b>29,900,000</b>

## Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2014

Figures in Rand

### 6. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Internally generated	3,783,320	(786,509)	2,996,811	2,939,879	(553,004)	2,386,875
Computer software, other	826,431	(532,206)	294,225	592,685	(423,703)	168,982
<b>Total</b>	<b>4,609,751</b>	<b>(1,318,715)</b>	<b>3,291,036</b>	<b>3,532,564</b>	<b>(976,707)</b>	<b>2,555,857</b>

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Internally generated	2,386,874	843,441	(233,504)	2,996,811
Computer software, other	168,982	233,747	(108,504)	294,225
	<b>2,555,856</b>	<b>1,077,188</b>	<b>(342,008)</b>	<b>3,291,036</b>

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Internally generated	1,892,110	663,606	(168,842)	2,386,874
Computer software, other	99,038	121,236	(51,292)	168,982
	<b>1,991,148</b>	<b>784,842</b>	<b>(220,134)</b>	<b>2,555,856</b>

#### Pledged as security

No intangible assets are pledged as security.

## Notes to the Annual Financial Statements (continued)

### for the year ended 31 March 2014

Figures in Rand	2014	2013
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#### **Internally generated Intangibles**

Internally generated intangible assets relates to development costs of the Higher Education Quality Committee (HEQC) and the Higher Education Quality Sub-Framework online systems. These two systems are owned by the CHE and were developed to enhance the CHE process of receiving and processing applications for accreditation from institutions and meets the definition of internally generated intangible assets according to GRAP 31 on Intangibles.

These systems are continuously developed with additional functionality and these development costs are capitalised as soon as they meet the Intangibles criteria.

## 7. Payables from exchange transactions

Trade payables	4,403,203	1,521,881
Accreditation fees received in advanced	637,250	309,788
Accrued bonus	29,038	28,345
Other payables	-	19,402
	<b>5,069,491</b>	<b>1,879,416</b>

CHE pays all its trade and other payables within 30 days of receipt of invoice in accordance with the terms of the PFMA and Treasury Regulations.

The fair value of payables approximate the carrying amount due to their short term nature.

## Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2014

Figures in Rand

2014

2013

### 8. Operating lease liability

Current liabilities	186,730	222,049
Overpayment to Supplier	(45,225)	-
	<b>141,505</b>	<b>222,049</b>

### 9. Provisions

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Leave pay provision	492,400	195,531	-	687,931
SARS	316,531	-	(316,531)	-
	<b>808,931</b>	<b>195,531</b>	<b>(316,531)</b>	<b>687,931</b>

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Leave pay provision	510,946	(18,546)	492,400
SARS interests and penalties	-	316,531	316,531
	<b>510,946</b>	<b>297,985</b>	<b>808,931</b>

#### Leave pay provision

The leave pay provision relates to vesting leave pay to which employees may become entitled upon leaving the employment of the entity. The provision is utilised when employees are paid for their accumulated leave. There are no expected reimbursements of this provision.

#### Provision for doubtful debts

Included in the Trade Debtors are old outstanding invoices from 2012 that are unlikely to be recovered. The CHE continues to pursue payments from these institutions and if the debt is recovered, the provision will be reversed.

## Notes to the Annual Financial Statements (continued)

### for the year ended 31 March 2014

Figures in Rand	2014	2013
Transitional provisions		

## 10. Unspent conditional grants

National Treasury granted approval to the DHET to transfer an additional R9 million to the CHE for the implementation of the Standard Setting directorate which is part of the expanded mandate of the CHE resulting from the promulgation of the NQF Act.

**Unspent conditional grants and receipts comprises of:**

### Unspent conditional grants and receipts

Deferred Income	5,231,439	6,528,286
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### Movement during the year

Balance at the beginning of the year	6,528,286	7,637,146
Income recognition during the year	(1,296,847)	(1,108,860)
	<b>5,231,439</b>	<b>6,528,286</b>

## 11. Investment revenue

### Interest revenue

Interest earned	812,263	881,371
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## 12. Non exchange revenue

### Operating grants

Grants received from DHET	41,888,000	39,993,000
Deferred Income - Standards Development	1,296,847	1,108,860
	<b>43,184,847</b>	<b>41,101,860</b>



## Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2014

Figures in Rand

2014

2013

### 13. Employee related costs

Basic	20,406,835	16,321,290
Bonus	787,411	686,529
Medical aid - company contributions	746,753	558,576
UIF	58,722	54,626
Group Insurance	-	8,114
NEHAWU	7,920	11,880
Other short term costs	9,990	10,630
Defined contribution plans	1,392,256	1,104,483
Provident Fund: Administration Fees	323,682	339,086
Staff benefits - Computer Loans	1,280	1,600
	<b>23,734,849</b>	<b>19,096,814</b>

## Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2014

Figures in Rand	2014	2013
<b>14. General expenses</b>		
Assessment rates and municipal charges	172,046	205,657
Auditors' remuneration	1,349,525	1,611,753
Bank charges	38,385	40,033
Cleaning	390,786	399,251
Consulting and professional fees	8,029,443	6,917,530
Consumables	124,790	147,372
Sundry expenses	495	-
Garden services	39,522	31,464
Insurance	247,691	248,254
Conferences and seminars	9,599	16,294
Bursaries	46,040	85,981
IT expenses	2,450,611	1,681,114
Lease rentals on operating lease	277,941	276,678
Promotions and sponsorships	116,786	30,028
Levies	23,919	25,236
Magazines, books and periodicals	23,122	12,447
SARS penalties and liabilities	-	297,962
Recruitment costs	414,153	901,911
Office supplies	495	1,270
Postage and courier	91,560	75,488
Printing and stationery	719,397	693,728
Project maintenance costs	348,115	52,650
Security services	235,959	190,650
Staff welfare	294,964	-
Subscriptions and membership fees	56,687	112,817
Telephone and fax	233,738	223,581
Training	362,291	425,728
Travel - local	3,674,036	2,563,034
Travel - overseas	100,701	121,800
Electricity	413,978	371,846
Honorarium	449,900	242,259
Venue & Catering	978,918	559,099
Small Assets below R5,000 expensed	933	163,299
Remuneration of Council Members	941,659	816,965
	<b>22,658,185</b>	<b>19,543,179</b>

## Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2014

Figures in Rand

2014

2013

### 15. Cash generated from operations

(Deficit) surplus	(2,904,032)	4,870,601
<b>Adjustments for:</b>		
Depreciation and amortisation	1,858,963	1,568,359
Loss on disposal of assets	35,825	5,035
Debt impairment	126,553	-
Movements in provisions	(121,000)	297,985
<b>Changes in working capital:</b>		
Receivables from exchange transactions	172,959	(425,775)
Prepayments	23,712	29,805
Payables from exchange transactions	3,063,520	(199,456)
Unspent conditional grants	(1,296,847)	(1,108,860)
	<b>959,653</b>	<b>5,037,694</b>

### 16. Auditors' remuneration

External Auditors	744,267	908,465
Internal Auditors	605,258	703,288
	<b>1,349,525</b>	<b>1,611,753</b>

## Notes to the Annual Financial Statements (continued)

### for the year ended 31 March 2014

Figures in Rand

2014

2013

### 17. Commitments

Operating leases - as Lessee

#### Minimum lease payments due

- Within one year
- In second to fifth year inclusive

141,505	133,230
-	88,819
<b>141,505</b>	<b>222,049</b>

Operating lease payments represent rentals by the Council for photocopying machines. These leases are negotiated for periods ranging from 12 months to 120 months. The operating lease liability at the end of the period is R141,505 (2013: R222,049).

The Council has capital commitments (PPE) of R120,610 (2013: R0) for the forthcoming year.

Other commitments of R5,734,233 (2013: R4,435,595) relates to contracts and orders made by the Council for goods or services that have yet to be received.

### 18. Contingencies

The CHE has the following contingency,

- The CHE is a respondent in a constructive dismissal case brought by a former employee. The employee resigned at the end of February 2014 and referred the matter to the CCMA on the 31<sup>st</sup> of March 2014 and subsequent to a conciliation meeting held on the 11<sup>th</sup> of April 2014, the case was unresolved. This meant that the employee could proceed to request an Arbitration on the matter. The CHE received the request for arbitration on the 10<sup>th</sup> of July and are awaiting a date from the CCMA. The applicant is seeking compensation to the value of R500,000 which is equivalent to the applicants annual salary including an allowance she claims she should have received for a period of 9 months in lieu of an alleged acting allowance. The CHE will be opposing the application.

## Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2014

Figures in Rand

2014

2013

### 19. Related parties

#### Relationships

Executive Authority	DHET
Public Entities under the DHET	SAQA
Members of Key Management	Refer to note 20

#### Related party balances:

##### Unspent conditional owed to related parties

DHET	(5,231,439)	(6,528,286)
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#### Related party transactions:

##### Consulting fees paid to related parties

SAQA	1,285,708	1,285,000
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##### Grant received from related parties

DHET	(41,888,000)	(39,993,000)
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### 20. Members of Key Management and Council Emoluments

#### Executive Management

2014

	Emoluments	Bonuses & performance related payments	Total
Chief Executive Officer	1,280,730	-	1,280,730
Chief Financial Officer	1,117,758	64,830	1,182,588
Director: Corporate Services	908,571	70,869	979,440
Director: Institutional Audits	908,571	70,869	979,440
Director: National Reviews*	191,326	-	191,326
Director: Standard Development*	83,837	-	83,837
Director: Monitoring and Evaluation	908,571	70,869	979,440
	<b>5,399,364</b>	<b>277,437</b>	<b>5,676,801</b>

\* Seconded

The Director: Accreditation is seconded from the University of Limpopo-Medunsa on a 5 year contract and her full costs are paid to the university. These costs are disclosed under consultancy costs and are therefore not included in employee costs nor executive remuneration above.

## Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2014

Figures in Rand

### Executive Management

2013

	Emoluments	Bonuses & performance related payments	Total
Chief Executive Officer	1,212,813	-	1,212,813
Chief Financial Officer	705,656	60,509	766,165
Executive Director: Quality Assurance	850,388	98,945	949,333
Director: Corporate Services	501,893	45,170	547,063
Director: Institutional Audits	573,592	-	573,592
Director: Accreditation	731,776	-	731,776
Director: National Reviews	846,893	-	846,893
Director: Standards Development	331,095	-	331,095
Director: Monitoring and Evaluation	795,444	86,039	881,483
	<b>6,549,550</b>	<b>290,663</b>	<b>6,840,213</b>

### Council Members Remuneration

2014

	Emoluments	Total
For services as Council Members	941,659	941,659

2013

	Emoluments	Total
For services as Council members	817,618	817,618

## Notes to the Annual Financial Statements (continued)

### for the year ended 31 March 2014

Figures in Rand

2014

2013

### 21. Fruitless and wasteful expenditure

Opening balance	316,531	-
Current year	154,532	316,531
	<b>471,063</b>	<b>316,531</b>

Fruitless and wasteful expenditure relates to SARS interest and penalties for the late payment of employee tax (PAYE) from 2007. The CHE drew a cheque payable to SARS in 2007 but only discovered during the current year that the PAYE payment was in fact not made to SARS as intended. See below:

#### Components of Sars payment

Liability	270,874	-
Penalty at 10 %	27,087	-
Interest	173,102	-
	<b>471,063</b>	<b>-</b>

#### Fraud

During the current financial year, the CHE discovered a fraudulent incident that occurred in February 2007 involving a cheque written out to the South African Revenue Services meant for Employee tax (PAYE) for January 2007. The cheque for R270,874.26 was drawn in favour of SARS on the 31<sup>st</sup> January 2007, but it was deposited into an unknown and non-existent company. This fraudulent activity was only discovered in January 2014.

A fraud case with the South African Police Services has been opened and investigations are currently underway.

## Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2014

Figures in Rand

### 22. Financial instruments disclosure

#### Categories of financial instruments

2014

##### Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	386,447	386,447
Cash and cash equivalents	19,730,204	19,730,204
	<b>20,116,651</b>	<b>20,116,651</b>

##### Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	5,069,487	5,069,487
Provisions	687,931	687,931
	<b>5,757,418</b>	<b>5,757,418</b>

2013

##### Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	559,406	559,406
Cash and cash equivalents	22,021,257	22,021,257
	<b>22,580,663</b>	<b>22,580,663</b>

##### Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	1,879,416	1,879,416
Provisions	808,931	808,931
	<b>2,688,347</b>	<b>2,688,347</b>



## Notes to the Annual Financial Statements (continued)

### for the year ended 31 March 2014

Figures in Rand

### 23. Taxation

The CHE is exempt from normal income tax as more than 80% of its income is defrayed from funds voted by Parliament. The CHE is exempted from the payment of Value Added Tax (VAT) on the transfer received. As a result, any VAT paid by the CHE is also not refundable by SARS.

### 24. Risk management

#### Financial risk management

##### Liquidity risk

The CHE is only exposed to liquidity risk with regards to the payment of its trade payables. These trade payables are all due within the short-term. The CHE manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in a money market account.

The table below analyses the CHE's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of 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.

<b>At March 31, 2014</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Payables from exchange transactions	5,069,487	-	-	-
<b>At March 31, 2013</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Payables from exchange transactions	1,879,416	-	-	-

##### Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

##### Credit risk

Credit risk consists mainly of cash deposits with banks and the Corporation for Public Deposits, staff loans and other receivables. The CHE only deposits cash with Institutions with high quality credit standing and limits exposure to any one counter-party.

## Notes to the Annual Financial Statements (continued)

### for the year ended 31 March 2014

Figures in Rand

	2014	2013
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The receivables are exposed to a high credit risk and their exposure to credit risk at year end were as follows:

#### Financial instrument

Bank	11,297,089	8,287,025
Trade debtors	411,142	525,734
Short term deposits	8,433,115	13,734,272

#### Trade Debtors age analysis as at 31st March 2014.

	Current	30 Days	60 Days	Over 90 Days	Total
	186,380	18,000	13,000	193,762	411,142

## 25. Prior period errors

In 2010, the CHE entered into a lease agreement to acquire copier machines. This lease agreement was a rental agreement but the CHE erroneously classified it as a finance lease despite the ownership of these machines not transferring to the CHE. This error was only discovered in this financial year and the reclassification of the finance lease to operating lease has now been made.

Prior year error discovered in this financial year relates to the expensing of development costs relating to the internally generated intangible assets of the Higher Education Quality Committee (HEQC) as well as the Higher Education Quality Sub-Framework (HEQSF) online systems. These systems were developed to enhance the CHE process of processing applications for accreditation from institutions and meet the definition of internally generated intangible assets according to GRAP 31. These costs were incorrectly expensed to the statement of financial performance.

The impact of these errors resulted in the following retrospective adjustments to the financial statements;

#### Statement of Financial Performance

IT expenses overstated	(2,939,878)
Amortisation understated	553,002
Finance costs overstatement	(373,102)
Depreciation over stated	(472,511)
Operating lease rentals understated	516,294
Repairs and maintenance understated	219,812
<b>Accumulated surplus understated</b>	<b>(2,496,383)</b>

## Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2014

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Figures in Rand

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**Reconciled by:**

**Statement of Financial Position**

**Intangible Assets**

Intangible Assets cost	2,939,878
Accumulated amortisation	(553,002)
<b>Carrying amount</b>	<b>2,386,876</b>

**Finance lease**

Finance lease Cost	(727,815)
Finance lease Obligation	364,811
Accumulated depreciation	472,511
	<b>109,507</b>

**Total adjustment**

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**2,496,383**

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## 26. Events after the reporting date

On the 9<sup>th</sup> of April 2014, the CHE was cited as a respondent in the case brought against the North-West University by an applicant to the University who was not granted exemption from courses obtained in a prior degree by the University. Aside from the CHE, the respondents include the Minister of Higher Education and Training, SAQA and Higher Education South Africa.

The applicant is seeking damages to the value of R10.950 million plus 15.5% interest from the date of the filing of papers from the respondents. The CHE together with other respondents will be opposing the application.

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