

# A GOOD STORY TO TELL



**QCTO**  
Quality Council for Trades & Occupations

ANNUAL REPORT  
**2016/17**





**Quality Council for Trades and Occupations**

# **Annual Report**

2016/17 Financial Year

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# PART A: GENERAL INFORMATION

“ I have truly gained  
experience and knowledge  
which will benefit my career  
eternally. ”



## 1. PUBLIC ENTITY'S GENERAL INFORMATION

<b>REGISTERED NAME:</b>	<b>Quality Council for Trades and Occupations</b>
<b>REGISTRATION NUMBER (if applicable):</b>	Not applicable
<b>PHYSICAL ADDRESS:</b>	256 Glyn Street Hatfield Pretoria 0083
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<b>WEBSITE ADDRESS:</b>	www.qcto.org.za
<b>EXTERNAL AUDITORS:</b>	Auditor-General of South Africa PO Box 446 Pretoria 0001
<b>BANKERS:</b>	ABSA, 2nd Floor, Lourie Place Hillcrest Office Park 177 Dyer Street Hillcrest 0083
<b>COUNCIL SECRETARY:</b>	Ms Adri H Solomon

## 2. LIST OF ABBREVIATIONS / ACRONYMS

<b>AGSA</b>	Auditor-General of South Africa
<b>APP</b>	Annual Performance Plan
<b>APPETD</b>	Association of Private Providers for Education, Training and Development
<b>AQP</b>	Assessment Quality Partner
<b>BBBEE</b>	Broad Based Black Economic Empowerment
<b>CAT</b>	Credit Accumulation Transfer
<b>CEO</b>	Chief Executive Officer
<b>CD</b>	Chief Directorate
<b>CFO</b>	Chief Financial Officer
<b>CIPPT</b>	Chartered Institute for Professional Practitioners and Trainers
<b>CHE</b>	Council on Higher Education
<b>COIDA</b>	Compensation for Occupational Injuries and Diseases Act
<b>CoL</b>	Commonwealth Of Learning
<b>CGICTPF</b>	Corporate Governance of Information Communication Technology Framework
<b>DBE</b>	Department of Basic Education
<b>DG</b>	Director General
<b>DHET</b>	Department of Higher Education and Training
<b>DoL</b>	Department of Labour
<b>EISA</b>	External Integrated Summative Assessment
<b>ETQA</b>	Education and Training Quality Assurance body
<b>FET</b>	Further Education and Training
<b>HAQAA</b>	Harmonisation of African Higher Education Quality Assurance and Accreditation
<b>HR</b>	Human Resources
<b>IT</b>	Information Technology
<b>ITC</b>	Information Technology and Communication
<b>IQ</b>	Institute for Quality
<b>INDLELA</b>	Institute for the Development of Learnerships, Employment Skills and Labour Assessments
<b>LQDF</b>	Learner Qualifications Development Facilitator
<b>MHET</b>	Minister of Higher Education and Training
<b>MIS</b>	Master Information System
<b>MOA</b>	Memorandum of Agreement
<b>MoI</b>	Minister of Labour
<b>MSP</b>	Master Systems Plan
<b>MTEF</b>	Medium Term Expenditure Framework
<b>N/A</b>	Not applicable
<b>NAMB</b>	National Artisan Moderating Body

<b>NATED</b>	National Education Report 191 (Part 2) N4 to N6
<b>NCPDPSA</b>	National Council for Persons with Physical Disabilities in South Africa
<b>NCV</b>	National Certificate Vocational
<b>NLRD</b>	National Learner Records Database
<b>NQF Act</b>	National Qualifications Framework Act (No. 67 of 2008)
<b>NSA</b>	National Skills Authority
<b>OQA</b>	Occupational Quality Assurance
<b>OQM</b>	Occupational Qualifications Management
<b>OQSF</b>	Trades and Occupations Qualifications Sub-Framework (commonly known as Occupational Qualifications Sub-Framework for Trades and Occupations)
<b>PAYE</b>	Pay As You Earn
<b>PFMA</b>	Public Finance Management Act
<b>PPPFA</b>	Preferential Procurement Policy Framework Act
<b>PSET</b>	Post School Education and Training
<b>QA</b>	Quality Assurance
<b>QAP</b>	Quality Assurance Partner
<b>QC</b>	Quality Council
<b>QCTO</b>	Quality Council for Trades and Occupations
<b>QDF</b>	Qualifications Development Facilitators
<b>RPL</b>	Recognition of Prior Learning
<b>SAQA</b>	South African Qualifications Authority
<b>SARS</b>	South African Revenue Services
<b>SAQAN</b>	Southern African Quality Assurance Network
<b>SASCE</b>	Southern African Society for Cooperative Education
<b>SCM</b>	Supply Chain Management
<b>SDA</b>	Skills Development Act (No 97 of 1998)
<b>SDP</b>	Skills Development Provider
<b>SETA</b>	Sector Education and Training Authority
<b>SLA</b>	Service Level Agreement
<b>SOP</b>	Standard Operating Procedure
<b>TVET</b>	Technical Vocational Education and Training
<b>TAU</b>	Technical Assistance Unit
<b>UIF</b>	Unemployment Insurance Fund
<b>Umalusi</b>	Council for Quality Assurance in General and Further Education and Training
<b>WBL</b>	Work Based Learning
<b>WEL</b>	Work Experience Learning
<b>WIL</b>	Work Integrated Learning

### 3. FOREWORD BY THE CHAIRPERSON

Since assuming the leadership role of the Quality Council for Trades and Occupations (QCTO), it has been my mantra that the QCTO be known and exist as an organisation that looks after the interests of the public. Simply put, this means the organisation must be a relevant entity that addresses real issues and challenges. I am delighted to report that the QCTO (Council and staff) have kept our commitment to the public and for this year's report we take as our theme:

#### **A GOOD STORY TO TELL.**

The work of the QCTO has been on an upward trajectory:

- Over 150 new occupational qualifications are registered on the Occupational Qualifications Sub-Framework (OQSF)
- More than 30 qualifications External Integrated Summative Assessments (EISAs) have been developed.
- Certification of all occupational qualification types are processed within record time by the QCTO or its affiliates

The story to be told is that the QCTO, with its partners, is looking after the occupational space with great care.

As a Quality Council, the QCTO is responsible for the development of occupational qualifications. To this end the organisation has developed a suite of demand-led qualifications that support national development efforts and initiatives, including the growing renewable energy sector and supporting artisan development. This in turn supports job creation and a widening skills base through activities such as the War on Leaks and the Strategic Integrated Projects. In addition, the QCTO, by developing qualifications, supports the nation's mission to drive compliance and improved social delivery.

The QCTO is also responsible for ensuring the quality of training through the accreditation and monitoring of both public and private training providers. Quality is further assured by making certain that appropriate assessment systems are in place and well-executed.



**PROF PELIWE P LOLWANA**  
**CHAIRPERSON**

*"QCTO, with its partners, is looking after the occupational space with great care."*

To conclude, the QCTO ensures the proper and timely issue of certificates. The result of these efforts is a credible system that is recognised both nationally and internationally.

The Council is delighted with the journey of the organisation thus far and looks forward to being of continued service to the nation as we focus on **looking after the interests of the public.**

Lastly I would hereby like to acknowledge the outstanding contributions made by the previous Chief Executive Officer (CEO), Ms G Joyce Mashabela whose contract came to an end on 31 March 2017. The QCTO wishes her all of the best in a new chapter of her life.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peliwe Lolwana'.

**Prof Peliwe P Lolwana**  
**Chairperson**  
**Quality Council for Trades and Occupations**  
**31 July 2017**

## 4. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER



**MR VIJAYEN NAIDOO**  
**CHIEF EXECUTIVE OFFICER**

The QCTO does indeed have a **A Good Story to Tell**. The story is now starting to unfold as the fruits of years of planning, development and implementation start to ripen. For the year under review, the QCTO achieved 89% of its Key Performance Indicators (KPIs). This shows considerable improvement over previous years considering that at a stage the organisation's achievement on KPIs was as low as 39%. The KPIs are based on the two strategic goals that direct the organisation's activities. In essence these goals are:

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

The QCTO is now an established organisation within the broader education and training sector in South Africa. Through the QCTO occupational qualifications, accreditation, assessment and certification processes, the QCTO ensures that South African citizens have access to credible skills training.

During the 2016/17 financial year the QCTO's total revenue was R91,696 million. The total revenue consisted of the fiscal grant from the Department of Higher Education and Training (DHET) (R23,138 million), approved accumulated surplus (R7,960 million) and the Sector Education and Training Authorities (SETA) levy grant allocation (R60,598 million). The remainder of the revenue relates to interest generated from fees levied for certification and certificate verifications. The funding received by the QCTO constrains the entity to fully execute its mandate. To address the financial challenges, the QCTO has developed and presented a business case to the DHET. The business case advocates for increased funding over the next five years with immediate effect. The additional funding is required to capacitate the QCTO to fulfil the role assigned to it in legislation and to respond adequately to changes and demands in a transitioning education and training environment.

During October 2016 the QCTO hosted the Portfolio Committee on Higher Education and Training. Presentations made to the Portfolio Committee and to the Select Committee on Education and Recreation and Research were well received. The committee engaged fully with management, expressed their appreciation and noted, with pleasure, the hard work and accomplishments of the QCTO. The committee in its report back on the visit made the following six recommendations:

1. The entity should improve its monitoring and evaluation function to ensure that private training providers do not offer unaccredited programmes.
2. Additional resources should be made available to the entity so that it can increase its financial and human capacity in the post-school education and training (PSET) sector.
3. The development process of qualifications should be improved to increase access to occupational programmes.
4. The digitisation process of the old qualifications dating back to the 1960s should be expedited.
5. The entity should assist the DHET to review and reconstruct the report 191 (NATED) qualifications so that they are aligned to industry needs.
6. The occupational qualifications learner uptake, especially scarce and critical skills programmes, should be expanded to support development.



## 4. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER (Cont.)

The QCTO embraced the recommendations and has already begun to address them, starting firstly, with the implementation of the first phase of the new organogram. The new cluster-based organogram is designed to provide a vehicle that will allow for continuous expansion of the organisation through the addition of clusters. Secondly, the business case (referred to above) was submitted to the DHET to request additional funding to implement these recommendations.

Previously, the emphasis of the organisation's plans were on operational matters in order to develop structures and processes and achieve operational efficiencies. The future sees the organisation giving greater attention to the establishment of goals and indicators that show a more direct impact on national development initiatives.

The established supply chain management function together with bid committee structures continue to operate in line with the set protocols. No unsolicited bid proposals were concluded during the year.

The QCTO received an unqualified audit outcome in the previous financial year and the organisation put in place an action plan to address the findings raised. The results of these efforts are that the QCTO has achieved a clean audit report for the year under review. The QCTO is an organisation with very limited resources and it is working in a very pressurised delivery environment. Compliance is a principle that the QCTO holds dear. However, given limited resources, the organisation prioritised resources and made a strategic decision to focus on mandatory level compliance and advance to higher levels of compliance as the organisation matures.

Although the major focus in the past has been on operational matters we are still able to boast of achievements that have had impact on national drives.

To date, 154 occupational qualifications are registered on the Occupational Qualifications Sub-framework (OQSF) and of these, 20 have learner uptake. The QCTO organises national road shows to sensitise skills development providers, as well as learners, about the availability of all newly-registered occupational qualifications.

The QCTO fully supports the DHET's 'decade of the artisan' initiative. Based on the Gazette of Trades List as published by the Minister of Higher Education and Training, containing 125 trades, the QCTO has developed and registered (via the SAQA) 48 cross-sectoral trades qualifications. Of the registered trade occupational qualifications more than 25% have learner enrolment.

In terms of the provisions of the White Paper on Post-School Education and Training, TVET colleges are to play an important role in the PSET system. The QCTO has directed its activities to support this and is working to reconstruct NATED report 190/1 part qualifications (N4 – N6 programmes). At present there are 23 NATED Report 190/1 qualifications (N programmes and N Diplomas) that have a series of part qualifications attached to them (N4 – N6 programmes). The QCTO is prepared to recommend to the DHET 14 qualifications to replace many of the existing ones. This leaves only nine of the 23 NATED Report 190/1 part qualifications to be addressed. Furthermore, in the quest to make TVET colleges places of choice for learning, the QCTO has developed an ICT communications (computer technician) qualification. It is hoped that this will enhance the TVET college offerings. The process of addressing the NATED Report 190/1 part qualifications excluded the review of the N Diploma awarded to a learner after completing work experience learning.

Finally with respect to the TVET college system, the QCTO also collaborated with DHET's dual system pilot project (DSPP). This is a pilot project on the implementation of a dual system of training in a South African context. In this project, two QCTO trade qualifications are piloted by DHET at four TVET colleges. This pilot aims to study how work-based qualifications can be managed as part of preparing a national roll-out to TVET colleges.

The assessment unit of the QCTO is dedicated to ensuring that all external assessments are based on a standard benchmarked instrument. This protects learners from being unfairly advantaged or disadvantaged because the External Integrated Summative Assessment (EISA) is either too difficult or too easy. Qualification Development



## 4. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER (Cont.)

Facilitators (QDFs) and Assessment Quality Partners (AQP)s are trained on developing the benchmarking assessment blueprint, called the qualification assessment specifications addendum. The training of assessment partners on designing assessment tools has increased both the number and quality of assessment blueprints developed. As stated, these blueprints are developed in order to ensure that all assessment instruments for a particular qualification are benchmarked against the required standard. To date, the team has ensured the development of blueprints, exemplars and assessment instruments for all qualifications with enrolled learners.

The verification and accreditation of assessment centres is an important activity for the quality assurance of trades, and the QCTO, National Artisan Moderating Body (NAMB) and SETAs are working closely to set an acceptable standard for assessment centres for trades. This process

ensures that all areas that need strengthening are identified and addressed. The moderation of trade testing and capacity building of assessment centres on NAMB and QCTO requirements is of utmost importance and measures are being implemented to ensure full compliance. Prioritising the clearance of certificate backlogs with SETAs has drastically lowered the quantity of certificate queries from the public. Engaging with trade test centres, providers and other stakeholders through workshops and meetings ensures a common understanding of certification and verification processes. These efforts help in the quick and easy resolution of identified challenges.

In closing, we are not aware of any events after the reporting date, both adjusting and non-adjusting, which could be favourable or unfavourable, that occurred between the end of the reporting period and the date that the financial statements were authorised and approved for issue.

Truly, the QCTO has **A Good Story to Tell.**



Sincerely,

A handwritten signature in black ink, appearing to read 'V. Naidoo'.

**Mr Vijayen Naidoo**  
**Chief Executive Officer**  
**Quality Council for Trades and Occupations**  
**31 July 2017**

## 5. A GOOD STORY TO TELL

The years of nurturing and growing the organisation are finally bearing fruit and the QCTO can proudly share the impact of, in particular, its *occupational qualifications* on individuals in the workplace. Occupational learning improves both the skills and earning potential of employed people, as well as empowering unemployed people with industry-needed skills. However, the good stories don't end with the recipients of qualifications; they also include success with recognition of prior learning (RPL), developing demand-led qualifications and smarter and simpler quality assurance resulting in less bureaucracy.

### Qualifications with impact

Between 2014 and 2016, the QCTO has quality assured and certified 491 candidates for the newly registered occupational qualifications for tax professional, compliance officer, financial markets practitioner, health promotion officer (by far the greatest number of candidates at 398), and electrical line mechanic. The impact of these qualifications is captured in the responses of some of the recipients.

#### **Occupational qualification: Compliance Officer**

**Chantelle Sampson**

**Current position: Control, Compliance and Ethics Manager at United National Breweries (SA) Ltd**

**Assessment Quality Partner: The Compliance Institute Southern Africa (CISA)**

When I started my career in compliance I had no idea what I had to do or what a Compliance Officer actually does. I decided to ask the most intelligent person I know, Google. Even Google could not help me in my day to day job. For a year I struggled to figure out the puzzle and eventually defined my job as "someone who helps the bank implement processes and policies that comply with all legislation". But I only really got to grips with what the work entailed when my previous employer, Nedbank Ltd, launched the Compliance Academy in 2015 and I finally qualified as a Compliance Officer. The most important question addressed by the training was HOW do I put into practice what I have learnt? University degrees do not always prepare you for the work environment but occupational qualifications such as these require work experience in order to qualify.

"I have truly gained experience and knowledge which will benefit my career eternally."

#### **Occupational qualification: Tax Professional**

**Benjamin Mbana**

**Current position: Ernst & Young**

**Assessment Quality Partner: South African Institute of Tax Professionals (SAIT)**

I am the son of a single mother and my life started in Krugersdorp, a small town in the west of Johannesburg. From a young age I had a strong will to work hard and commit fully to everything I got involved in. I also realised that by staying true to these attributes I could achieve whatever I put my mind to. With any form of success there will be hurdles along the way that can come in the form of failures or setbacks. These hurdles test one's character, resolve and ability to learn from our mistakes and to keep improving. In 2016, after successfully completing the Tax Professional EISA (having failed it in my first attempt), I won the Ernst & Young Global Young Tax Professional of the Year Competition. This achievement showed me that I truly had the ability to be great at whatever I put my mind to. Success is not a destination but rather a journey. One has to keep breaking through boundaries throughout life. Winning the competition has been a great stepping stone in my career. It provided me with opportunities to travel and meet some great minds within the profession. It really opened my eyes to the career opportunities this profession holds.

"My goal now is to enrich myself with knowledge for various sources and develop my technical skills and business acumen with the hope of one day being amongst the top tax professionals in South Africa, for which the QCTO's OC: Tax Professional qualification has been an inspiration."

**Current position: Ernst & Young**

**Daniel Dias**

**Assessment Quality Partner: South African Institute of Tax Professionals (SAIT)**

I began my university career believing that at the end of it I would be sailing into an audit firm as a chartered accountant article clerk. Accounting had always been my passion and becoming a CA had always been my dream. However, in second year my studies took a cruel twist when I didn't achieve the mark required to remain in the CA stream. I dropped out of the CA stream but remained in third year where I discovered my passion for tax. At the end of third year, after attaining my undergraduate degree in BCom Accounting, I chose to pursue the tax route rather than doing a bridging year back into the CA route. At the end of 2012, I completed my Honours degree in Accounting and Tax *cum laude* - the only student to do so in my year. I struggled to find a job but eventually received a call from Ernst & Young asking me whether I wanted to interview for their three-year tax graduate programme. I went to the interview and received a job offer the next day. I started in January 2013 and I was excited at the prospect of receiving a professional qualification. The experience we received was remarkable. We would rotate in and out of a different tax department every six months, and this provided each candidate an opportunity to gain exposure and experience in different types of taxes.

In 2015 I won the Ernst & Young's Young Tax Professional of the Year and went on to represent South Africa in Amsterdam. In Amsterdam I was awarded the Patrick Dibout Inclusive Leadership award for diversity and inclusivity at the global competition.

Upon completing my articles at Ernst & Young, I moved to PricewaterhouseCoopers as a Senior Associate in the Mergers and Acquisitions Tax team.

SAIT is about to receive another grant from the Finance and Accounting Services Sector Education and Training Authority (FASSET), which will enable them to work with an accredited provider to upskill a group of selected African Black and Coloured candidates from the Western and Northern Cape, as well as candidates with disabilities who are employed in a finance environment, with the *Tax Professional* Qualification.

"I took the opportunity to grow and learn with both hands and benefited from the hard work and dedication."

**Occupational qualification: Health Promotion Officer**

**Assessment quality partner: Health and Welfare Sector Education and Training Authority (HWSETA)**

The implementation of the *Health Promotion Officer* qualification reflects a model of collaboration. The QCTO and the HWSETA worked closely on both the development of the qualification and on its roll-out. This qualification is critical for the Department of Health (DoH) as it aims to meet its target to ensure qualified Health Promotion Officers are in place to service communities. In this regard the DoH was a key stakeholder in the implementation of the qualification. There were a number of other stakeholders involved, including an external funder and a private company providing administrative support. The number of stakeholders involved required a coordinated and collaborative approach.

*Some highlights of the positive feedback received by participants from the various districts:*

"I can confidently promote healthy living within my community and report health hazards to the relevant services."

"We are ready to go back to our community because we have knowledge and can help our community."

"I feel that we are going to bring changes and differences in our community and now be more competent in the service we are going to offer."

"I believe I will be able to do my work properly and with confidence as I will be competent."

"We are empowered to advocate better than before; we are exposed and empowered about all issues of health promotion."

## RPL is Working

Recognition of Prior Learning or RPL is being viewed as a 'redress' tool and a mechanism to correct some of the ills of the Apartheid past. It allows adults to obtain credible certification for the jobs they have been doing, often for many years, without any formal recognition. The QCTO's RPL systems and processes are being reviewed in the light of various learnings gleaned from the experiences listed below:

- The SAIT project, INTELLA, involved 150 candidates who were given the opportunity to obtain the *Tax Professional* qualification.
- The South African Revenue Service (SARS) and SAIT are in the process of RPL'ing 85 candidates nationwide for the *Tax Technician* qualification. This project will take two years to complete. The first 40 learners (staff members with years of experience but no formal qualification), will start in June 2017.
- Both the Insurance Sector Education and Training Authority (INSETA) and Batseta (Council for Retirement Funds for South Africa) are having computer-based RPL assessments developed for the *Insurance Underwriter* and *Professional Principal Executive Officer* qualifications respectively. These can be taken by candidates in their work environment.
- The QCTO, The National Artisan Moderation Body (NAMB) and Eskom assessed and quality-assured a group of candidates who followed the RPL process for the *Electrical Line Mechanic* qualification at NQF level 4. These were part of the first group of learners to receive the new QCTO Occupational Certificate.

## The pioneering Bookkeeper Qualification

The new *Bookkeeper* qualification represents a pioneering effort from the QCTO to introduce innovative competency-based assessments. The qualification replaces the complex and lengthy N4-N6 Financial Management Part qualification previously examined by the Department of Higher Education and Training (DHET). The Bookkeeper Qualification will consist of a single external integrated summative assessment (EISA) with the QCTO as custodian of the assessment. **The assessment will be computer-based and marked electronically.**

## A blueprint for benchmarking assessment tools

The development of assessment blueprints to benchmark

assessment tools has improved and 32 occupational qualifications already have blueprints that are being quality assured by QCTO. Not only will the assessment blueprints ensure that assessments are of the required standards, the blueprint would also allow for the decentralisation of assessments without compromising the quality of such assessments. This will facilitate assessment on demand.

Innovation of quality assurance systems is unavoidable and an E-assessment guideline document has been developed for referencing by providers, and the E-learning and distance education guidelines are currently being researched. There is a great demand for computer-based learning as it is easier to reach a broader scope of learners and also to accommodate individual and adult learning that takes place after hours.

## QCTO addresses skills needs for artisans

In responding to the skills development needs in the area of trades, the QCTO has worked with various players in developing priority trades qualifications that are urgently required to support economic growth in our country. To this end, the QCTO has developed cross-sectoral trades qualifications based on the Gazette of Trades List as published by the Minister of Higher Education and Training. The development of the trades qualifications will benefit learners because the skills acquired through these newly-developed qualifications are portable and will enable learners to be employable across sectors.

In developing trades qualifications, the QCTO took special care to focus on input from the industry to ensure that qualifications reflected the skills required of 21st century artisans and that they are internationally comparable. The QCTO worked cooperatively with various SETAs and Professional Bodies involved in skills development for artisans, including MERSETA, CHIETA, MQA, LGSETA, EWSETA, FP&M SETA, CETA and PSETA. Maritime and car manufacturing role players were also involved.

To date, 53 qualifications have been developed and registered as trade qualifications. Over 90% of the priority trades required to support government's Strategic Infrastructure Projects have been developed and registered. These include: Electrician, Welder, Boilermaker, Pipe Fitter, Fitter and Turner, Automotive Motor Mechanic, Diesel Mechanic, Millwright, Mechanical Fitter, Plumber,



Armature Winder: Heavy Coil, Bricklayer and Carpenter. Rigger is the only outstanding qualification that is in development and this qualification is expected to be finalised soon. The priority trades are pivotal to the success of the Strategic Infrastructure Projects.

The use of the trades qualifications by TVET colleges will broaden access to learning opportunities for young people and will capacitate them with the requisite skills to ensure they are employable.

### **QCTO develops demand-led occupational qualifications**

The photovoltaic industry is but one example of how the QCTO has fulfilled its commitment to develop demand-led, industry-approved Occupational Qualifications.

The photovoltaic (a method for generating electric power by using solar cells to convert energy from the sun into a flow of electrons by the photovoltaic effect) industry in South Africa has been experiencing growth since its introduction in the 1980s. Until a few years ago, the solar photovoltaic industry consisted of small scale installations in predominantly off-grid and rural areas. In the 1990s, large commercial projects were implemented. In 2010, due to rapidly increasing electricity costs and an ever-increasing demand and awareness of global warming issues, there was a marked increase in large-scale projects as an alternative energy source provider. In 2013, construction began on 18 large, utility-scale projects. These projects are a result of the Department of Energy's Renewable Energy Independent Power Producers Procurement Programme (REIPPPP). Key aspects to note are that the REIPPPP projects are dispersed around the country with the major gatherings being in the high solar resource areas, away from city centres.

Skills that are needed for the growth and sustainability of the industry were identified and priority occupational qualifications were developed, namely Solar Photovoltaic Service Technician, Wind Turbine Service Technician, Hot water System Installer (Heat Pump Installer), Hot water System Installer (Solar Water Heater Installer).

### **QCTO re-engineers NATED Programmes (N4 – N6)**

A QCTO team was established in 2015 to convert the NATED Programmes (N4 – N6) into Occupational Qualifications. This conversion will increase the availability of accessible occupational qualifications for grade 12 graduates. The

## **TVET Colleges and skills development**

Many other Occupational Qualifications have been developed and registered to service a variety of industries. These qualifications are available for use by any accredited provider. The QCTO is of the opinion that the geographical location spread of TVET Colleges positions them in such a way that they can use their local enrolments to support skills development via the use of Occupational Qualifications.

TVET Colleges have an opportunity to choose Occupational Qualifications that are suitable for their local delivery needs. Each TVET College needs to use its discretion when deciding on the qualifications' offerings that will enhance the college's contribution in the development of skills.

team ensured that personnel from TVET Colleges played a pivotal role during the development of these qualifications, ensuring the qualifications are relevant to the sectors. The qualifications are at various stages of readiness:

- The Bookkeeper Occupational Qualification has been registered. It is expected that this qualification will replace Financial Management N4 – N6.
- The ICT Communications (Computer Technician) qualification was evaluated and approved by the Occupational Qualifications Committee. This qualification has gone through the public comments process. It is now awaiting Council approval in March 2017 and thereafter it will be submitted to SAQA for registration. It must be noted that TVET Colleges never had an information technology qualification as part of their programme offerings. It is because of this QCTO initiative that such a qualification will, for the first time, be made available at the TVET Colleges.
- Office Administrator and Personal Assistant (Management Assistant) is complete.
- Travel and Tourism Consultant (Tourist Information Officer) and the Events Manager (Event and Conference Organiser) are at an advanced stage of completion.

### **QCTO assistance to address DHET backlog with “N” Diploma certification**

In the second part of 2016, the DHET began to consult the QCTO, as custodian of the N Diploma Qualification, on the challenges the department was experiencing with processing of applications. DHET informed QCTO that around 10 000 applications had been received between 2012 and 2016 and that the backlog is a result of those applications considered “not easy” not being assessed and processed.

The QCTO decided to assist in the processing of the applications in order to eliminate the backlog and also to investigate how future applications should be dealt with.

As part of the solution, the QCTO, in consultation with the DHET, took a decision to develop a standardised assessment tool to assist in evaluating the applications. The tool that will be developed will address the immediate challenges of issuing the backlog diplomas. Most of the applications that form part of the backlog are from three programmes, namely Financial Management, Human Resource Management and Public Management. The QCTO has so far received approximately 3 000 applications and will commence assessing these. The assessed applications and the decisions taken on each will be sent to DHET to finalise and issue N Diplomas to competent learners.

A competency framework is being developed to address the remaining applications, as well as to address new applications received. Currently invitations and requests are being forwarded to colleges to nominate person/s to assist in developing the Framework. The QCTO is delighted that the DHET has made available a number of its officials to assist in the process.

It is envisaged that the QCTO will have completed the framework by end of April 2017 and that the DHET would have issued outstanding N Diplomas by end of July 2017.

Going forward and once the backlog has been resolved, the QCTO will support the DHET in assessing the N Diploma, by following a panel evaluation approach utilising the Competency Framework Document. The N Diploma would still be issued by DHET until the QCTO fully establishes its Certification System.

### **QCTO addresses backlog in trade certification**

An astonishing total of 58 948 trade certificates were issued by the QCTO for the period 1 November 2013 to 30 March 2017, of which approximately 15% were issued for trade testing conducted prior to July 2013. This indicates that there has been a great effort from all SETAs to attend to backlogs in certification of trades that were reported as a challenge to the QCTO in early 2014. The QCTO provided support to many SETAs with regards to these backlogs.



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

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General.

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

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

The annual financial statements (Part E) have been prepared in accordance with the standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this report.

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

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2017.

Yours faithfully



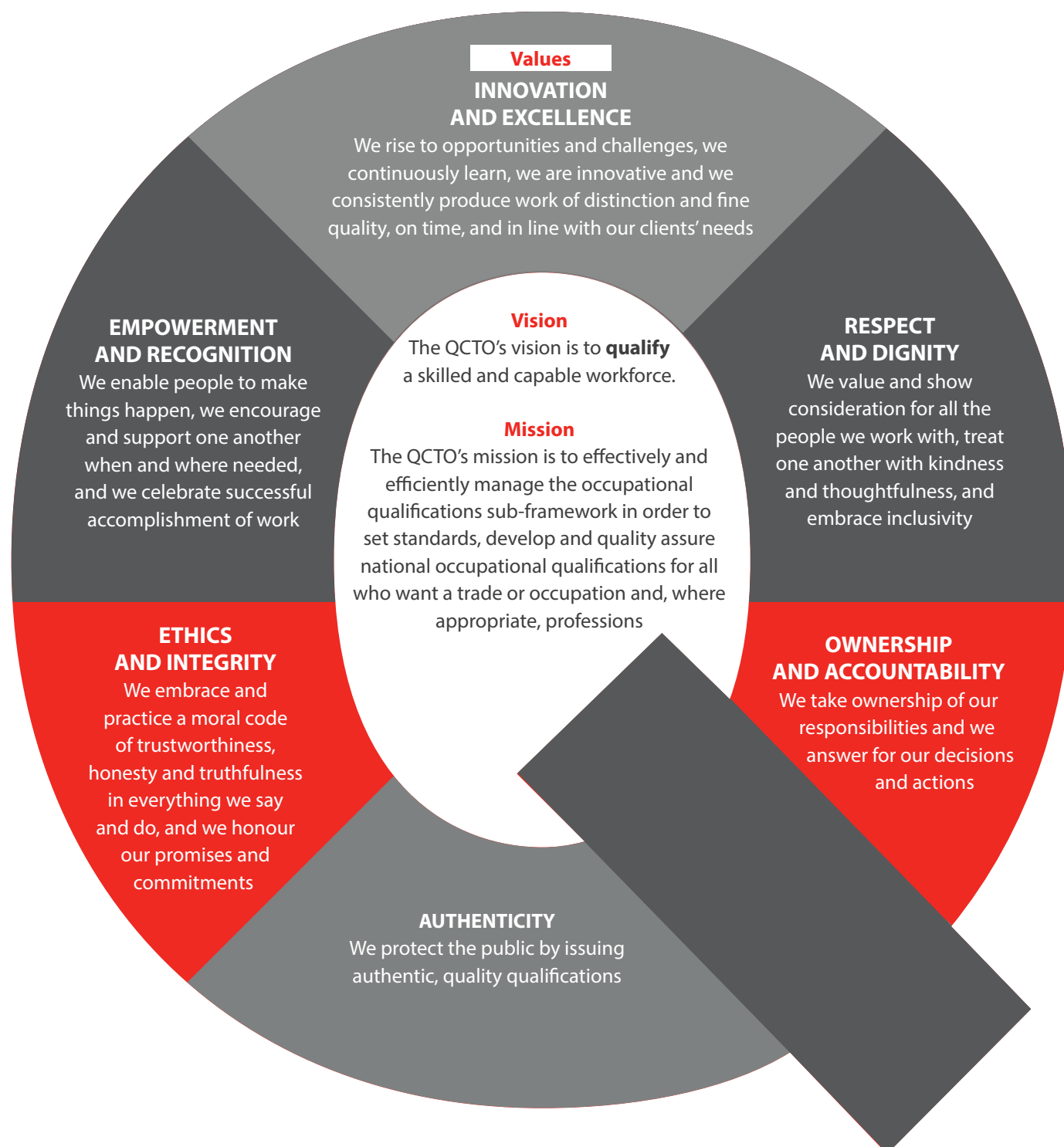
**Mr Vijayen Naidoo**  
**Chief Executive Officer**  
**Quality Council for Trades and Occupations**  
**31 July 2017**



**Prof Peliwe P Lolwana**  
**Chairperson of the Council**  
**Quality Council for Trades and Occupations**  
**31 July 2017**

## 7. STRATEGIC OVERVIEW

The QCTO commenced with the implementation of its second strategic plan on 1 April 2015. This strategic plan intends to cover the five-year period 2015/16 to 2019/20. Throughout the previous five year planning period, the organisation was in an establishment phase where the time was utilised to set baselines and define operations. For this five-year period we have been able to set targets as per the baselines determined. While only 50% of the set targets was achieved in the 2015/16 financial year, 89% was achieved during the 2016/17 financial year. This clearly demonstrates that the organisation is now on an upward trajectory towards achieving 100% success.





## 8. LEGISLATIVE AND OTHER MANDATES

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

### 8.1 Constitutional Mandate

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

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

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

#### 29. Education

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

In ensure the quality of occupational qualifications, which include qualifications leading to trades, other occupations and professions, the QCTO contributes to Section 22.

In developing and quality assuring occupational qualifications that augment the menu of qualifications in the various sub-frameworks of the National Qualifications Framework (NQF), it is also contributes to Section 29(1)(b).

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

### 8.2 Legislative Mandate

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

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

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

#### The NQF Act specifies that the QCTO should:

- Develop and manage its sub-framework, make recommendations and advise the Minister on matters relating to its sub-framework;
- Consider and agree level descriptors ensuring that they remain current and appropriate;
- Develop and recommend qualifications to SAQA for registration;
- Develop and implement quality assurance policy for registered qualifications;
- Maintain a database of learner achievements and submit learners achievement data to SAQA for recording on the National Learner Records Database (NLRD);
- Conduct or commission and publish research; and
- Inform the public about its sub-framework.

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

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

## Public Finance Management Act

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

## Government Policy Frameworks

The overall policy mandate of the QCTO has been further clarified through the publication of the Minister's Government Gazette 36003 on the determination of the three sub-frameworks that make the National Qualifications Framework (NQF). This Gazette was followed by No. 36803. Together the two Gazettes propose that the focus of the OQSF should be on levels 1 to 6 of the NQF even though the OQSF extends to level 8. Based on the content of the two Gazettes, the QCTO finalised the Occupational Qualifications Sub-Framework policy document that was published via gazette in July 2014.

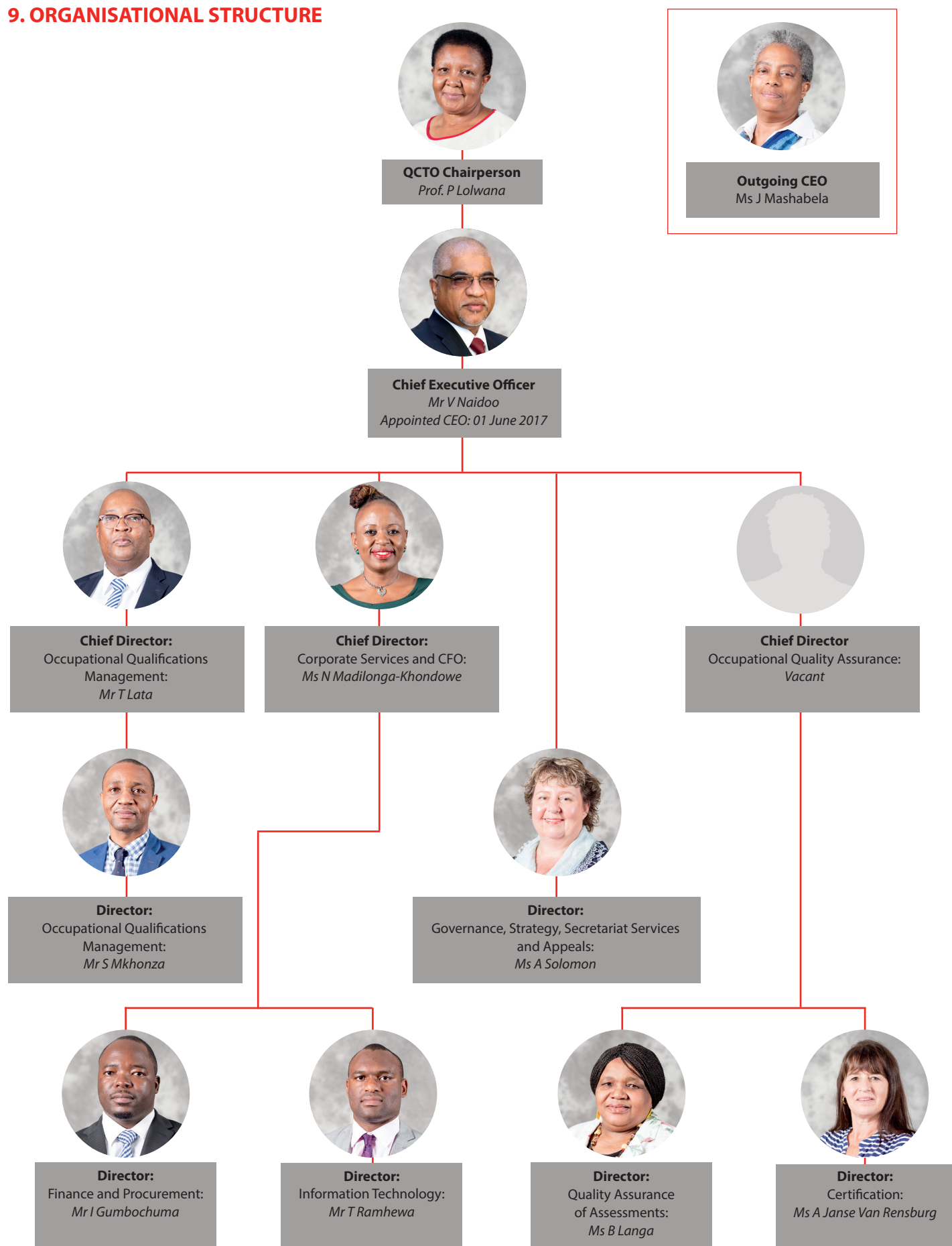
Furthermore, a decision has been made that the QCTO should take on responsibility for the quality assurance

and reconstruction of the NATED Report 190/1 Part Qualifications offered generally by TVET colleges. The QCTO continues to manage the historically registered (Unit standards, NATED Programmes and Provider Based) qualifications, for which the delegation of quality assurance functions is being incrementally recalled by the QCTO from the SETAs and relevant Professional Bodies

Lastly, but very important, is the publication of the White Paper on Post-School Education and Training by the Minister. The White Paper's focus on the expansion of TVET Colleges has been a significant driver of the QCTO's operations. Significant work has been performed on converting the NATED qualifications into occupational qualifications that have significant relevance to industry. For the 2017/2018 period this work will continue to be a major focus of the QCTO. Improved quality assurance regimes are being implemented and will continue to be enhanced. External assessments, a corner-stone of occupational qualification, will continue as an important mechanism to validate learner competence.



## 9. ORGANISATIONAL STRUCTURE





# PART B: PERFORMANCE INFORMATION

“ My goal now is to enrich myself with knowledge for various sources and develop my technical skills and business acumen with the hope of one day being amongst the top tax professionals in South Africa, for which the QCTO's OC: Tax Professional qualification has been an inspiration. ”

# B



## 1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material adjustments being reported under the *Predetermined Objectives* heading in the *Report of the audit of the annual performance report* section of the auditor's report.

Refer to page 66 of the Report of the Auditor General, published as Part E: Financial Information.

## 2. SITUATIONAL ANALYSIS

### 2.1. Service Delivery Environment

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

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

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

- White Paper for PSET;
- National Development Plan;
- Industrial Policy Action Plan;
- National Skills Development Strategy III; and
- Ministerial Guidelines.

Regarding the national policy initiatives the QCTO has fully embraced the White Paper for PSET contributing to its success by executing the QCTO's mandate. In

particular, the QCTO contributes to the following aspects of the White Paper:

- The relationship between education and training institutions, and the workplace is strengthened through the model of qualification design that defines workplace activities;
- Strengthen and expand the TVET College System;
- Review and rationalise occupational qualifications;
- Improve quality assurance processes and standardise these across the PSET System; and
- Continue to standardise qualification development.

In addition to the legislative imperatives listed in the NQF Act and the SDA, the overall policy mandate of the QCTO has been further clarified through published Government Gazette 36003 on the determination of the three sub-frameworks that constitute the NQF. This Gazette was followed by Gazette No. 36803. The two Gazettes propose that the focus of the OQSF should mainly be on levels 1 to 6 of the NQF even though the OQSF extends to level 8. Based on the content of the two Gazettes, the QCTO revised the OQSF policy document that was published in a Gazette in July 2014. The revised OQSF policy will be published in 2017/18 and will replace the current OQSF policy.

A Communique 1 of 2016 was issued by the DHET informing Skills Development Providers (SDPs) to register with DHET. The QCTO informed all SETAs and Professional Bodies about this latest development and urged SETAs and Professional Bodies to comply. The QCTO is monitoring this process and continues to assist SDPs that experience challenges relating to the registration process.

After a number of engagements with INTEC College a decision was taken by the college to expire all its qualifications on the OQSF. They then approached the Council on Higher Education (CHE) for accreditation of their qualifications. The QCTO has begun to engage other stakeholders about this matter to ensure that no learner is disadvantaged during the transitioning of INTEC College to CHE.

The reconstruction or converting of NATED Report 190/1 part qualifications to occupational qualification is progressing well. The Bookkeeper occupational qualification has been registered and it will replace the N4 – N6 Financial Management Courses. It is planned that all NATED Report 190/1 part qualifications will be reconstructed by 2018 with the exception of Engineering programmes and other programmes that attract few or no enrolments.

The QCTO has developed almost a quarter (25%) of the priority qualifications from the listed trades. This is a notable achievement because in each of these trade areas there is a national qualification setting a national standard of competence required for that specific trade. All the national trade qualifications are internationally comparable.

The QCTO is moving forward with the replacement of qualifications that are encompassed in the newly developed occupational qualifications. A Management Plan has been developed and implemented. SETAs and Professional Bodies have been informed about this. All qualifications replaced by occupational qualifications will be expired by 2018.

Regarding the delegations made to the SETAs to quality assure the unit standards based qualifications (which still remain on the QQSF), the QCTO continued to monitor the performance of the SETAs against the delegated functions. The Council plan which was approved in 2015/16 could not be fully implemented due to resource and capacity constraints. The plan called for the QCTO to assume certain aspects of the delegated functions. To this end the QCTO focussed on the accreditation of Skills Development Providers and the external verification of learner achievements. There continues to be a concerted effort to monitor those quality assurance functions still delegated to the SETAs. Working closely with the SETAs, the QCTO, assisted in resolving issues related to the delegated functions. These related mainly to the accreditation of providers, registration of assessors and moderators and certification of learners.

The trade certification system inherited from the DHET has been significantly improved with the results that virtually all certification backlogs that plagued the system for a number of years have been eliminated. Any of the historical backlogs that come to the attention of the QCTO are assigned to a project team to be addressed speedily. Since the QCTO took over the task of generating trade certifications, it has achieved its target of a 21-day-turn-around. This means that no backlog exists in the issuing of trade certificates by the QCTO.

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

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

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

The total number of occupational qualifications that were evaluated and approved by the QCTO during the year under review is 154. The registration process of occupational qualifications by SAQA has significantly improved.

The QCTO has increased its capacity for the development of qualifications by training Learner Qualification Development Facilitators (LQDFs). During the year under review, 40 LQDFs were trained. The LQDF training contributes in expanding a pool of candidates to be considered for registration as Qualifications Development Facilitators (QDFs).

Underpinning the availability of qualifications, there needs to be a reliable quality assurance system consisting of properly approved assessment quality partners, assessment centres and skills development providers all of which require proper monitoring.

In addition to registering Occupational Qualifications and part qualifications, the QCTO also accredits skills development providers. Despite initial difficulties, the accreditation system is operational. By the end of the 2016/17 financial year, 221 skills development providers have been accredited and 20 occupational qualifications have learner uptake.

The QCTO also engaged various key stakeholders such as South African Airways (SAA), Electricity Supply Commission (Eskom), Transnet, Sport Development Institute on Physical Training Education (SDIPE), the Department of Agriculture, Fisheries and Forestry (DAFF) and other key entities of the government, as part of information sharing on qualifications, accreditation and quality assurance.

## **2.2. Organisational Environment**

The Joint Policy Statement on Enhancing the Efficacy and Efficiency of the NQF issued by the Ministers of Education and Labour in 2007 initiated the establishment of the QCTO. When the DHET came into existence in 2009, many of the functions related to skills development were moved from the Department of Labour (DoL) to the DHET. These functions became encapsulated into what is now called the Skills Branch of the DHET. The project to establish the QCTO started in 2007 and on 1 April 2010 it came into operation through Gazette No. 33059 published by the Minister of Higher Education and Training. The QCTO was listed as a Schedule 3A public entity on 31 December 2010 through Gazette

No. 33900 by the Minister of Finance but retrospectively to 1 April 2010. Although the organisation was declared a public entity it could not commence operations until the DHET and QCTO entered into a Memorandum of Agreement (MoA) in July 2011. The MoA allowed the QCTO to use various DHET policies and systems so that the QCTO could, as per Gazette, operate as a public entity officially.

The organisation was only formally established in 2012 when two significant actions took place. First, the Council became fully functional when two key committees, Occupational Quality Assurance and Occupational Qualifications, became operational. Second, was the appointment of permanent staff at various levels of the organisation.

Over the period 2012 to 2016 much was accomplished. A few major milestones include:

1. The QCTO moving into own offices situated in a highly desirable area with rental fees set at a very reasonable amount.
2. Putting the Human Resources (HR) and Finance Systems in place which enabled the QCTO to dispense with the MoA it had entered into with the DHET.
3. Establishing systems for the core business of qualifications development and assessment.
4. Creating governance and corporate structures to meet the exacting requirements of the National Treasury and Auditor General South Africa.
5. Achieving a clean audit for the 2014/15 financial year.
6. The issuing of the first occupational certificates.

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

In terms of the governance structure, the second Council has completed its second year of office and has continued to oversee the Executive Committee, the Audit and Risk Committee, the Occupational Qualifications Committee and the Occupational Quality Assurance Committee.

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

In 2014, a revised website was launched where data is regularly updated to keep stakeholders informed of new developments. This information includes a listing of registered qualifications, accredited providers, qualifications in development and so forth. During the 2015/16 financial year, a need was identified to enhance the website in order to ensure that it is more user friendly and the layout is improved. In this regard, Phase 2 of the website process was subsequently initiated. At the end of the 2016/17 period Phase 2 process is 80% complete. The existence of a more vibrant website and engagement of the Deputy Director of Marketing and Communication has addressed concerns about the organisation's ability to handle internal and external communication effectively.

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

### **2.3. Key Policy Developments and Legislative Changes**

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

- 2.3.1 The Government Gazette No. 34932 R20 2 (5) that makes provision for SETAs to: "monthly from 1 October 2012 transfer as part of its administration costs as contemplated in sub regulation (1) and approved in the annual SETA strategic plan, a maximum of 0,5% of the total levy received by the SETA to QCTO for quality assurance functions as contemplated in section 26H of the Act;"
- 2.3.2 A Government Gazette published in August 2013 on Amendments to the Determination of the National Qualifications Framework's Sub-frameworks (Gazette No. 36 803 published on 30 August 2013);
- 2.3.3 The White Paper for Post-School Education and Training launched on 16 January 2014 by the Minister; and
- 2.3.4 The revision of a published OQSF policy document in 2016 and to be published in 2017.

## 2.4. Strategic Outcome Oriented Goals

2.4.1 The QCTO started to implement its new Strategic Plan 2015/16 to 2019/20 as from 1 April 2015. Although the Council has reviewed the Strategic Plan it held the opinion that the Plan was still valid and did not need changes. Minor changes were made to the 2016/17 performance indicators in order to better measure outcomes.

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

Strategic Outcomes Oriented Goal 1	Competent people in priority trades and occupations.
Goal Statement	Contribute to the creation of a skilled and capable workforce in priority trades and occupations for employment opportunities that are available in the labour market.
Indicator	Number of certificates issued in priority occupational qualifications (trades and non-trades) after recommendation by Assessment Quality Partner.
Progress	<p><b>Occupational Qualifications</b></p> <ul style="list-style-type: none"> <li>The QCTO in collaboration with SAQA has registered 154 occupational qualifications that are on the Occupational Qualifications Sub-framework (OQSF) of the National Qualifications Framework (NQF). This number excludes the historically registered qualifications that reside on the OQSF. By historically registered qualifications it is referred to Unit Standard qualifications, NATED Report 190/1 part qualifications (N4 – N6 Programmes) and qualifications offered by providers like Educor or INTEC.</li> <li>For the 2016/17 financial year, the unit exceeded its target of 30 occupational qualifications as it has developed 80 occupational qualifications, which were approved by the QCTO for recommendation to SAQA for registration.</li> <li>The Credit Accumulation and Transfer (CAT) Policy has been approved by the Council and will be published in 2017. Other policies and guideline documents that enable development of occupational qualifications have been reviewed and are now packaged into the Occupational Qualifications Management Strategic Document (OQMSD). The OQMS Document is a document that contains the objectives, activities, job descriptions, adopted OFO Code Document and all policies of the OQM unit.</li> <li>Accreditation of Skills Development Providers (SDPs) that seek to offer occupational qualifications continues to be conducted by the QCTO. In 2016/17 the average turnaround time of 90 days has been achieved to accredit SDPs but this area could have a challenge in the next year if verifiers are not appointed on time as well as availability of verifiers.</li> <li>Currently there are 221 SDPs that have been accredited to offer occupational qualifications. Each quarter all accredited SDPs are requested to furnish the QCTO with the details of learners registered as well as on which occupational qualifications the learners are registered on. The information received from SDPs is discussed in the Occupational Qualifications Committee to ascertain the utility and need of occupational qualifications as well as various stakeholders as information sharing.</li> <li>A total of 78 historically registered qualifications were identified and submitted to SAQA for deregistration or deactivation. This will bring a total of 221 historically registered qualifications that have been submitted to SAQA for deregistration or deactivation. Thus there will be 743 historically registered qualifications that will need to be either realigned or replaced by Occupational Qualifications.</li> </ul>



Strategic Outcomes Oriented Goal 1	Competent people in priority trades and occupations.
Progress	Occupational Qualifications (cont.)
	<p>79 Historically registered qualifications will be replaced by 154 registered occupational qualifications, and a further 143 historically registered qualifications offered by Educor will be deactivated, this leaving 521 historically registered qualifications which some will be realigned and others still in the normal development process. It is planned that all historically registered qualifications will be occupational qualifications by 2018 or deactivated. SAQA and stakeholders affected by this process are continuously being engaged. A dedicated unit that has been established has also continued to engage SETAs and Professional Bodies on this process.</p> <ul style="list-style-type: none"> <li>• As the White Paper made it emphatically clear that Technical and Vocational Education and Training (TVET) Colleges are central to the post school expansion strategy and as the N4 to N6 part qualifications make-up an essential part of the TVET Colleges' programme mix, the QCTO will continue to reconstruct the N4 – N6 part qualifications. For the year under review, SAQA has registered the Bookkeeper occupational qualification which replaces Financial Management N4 – N6 Programmes. This does not replace the National N Diploma but discussion with Higher Education is taking place to introduce a Higher Certificate that will replace the National N Diploma. The registered Bookkeeper qualification includes Financial Administration Clerk as a part qualification which still has to be registered. There are 6 occupational qualifications that have been developed which will replace the NATED programmes like Tourism and Events management. The NATED programmes will be reconstructed into occupational qualifications by 2018 except the Engineering Studies which will either be part qualifications to trades or phased out where there is no learner uptake.</li> <li>• The QCTO has embarked on strengthening collaborative efforts to support the delivery of occupational qualifications. In this regard the QCTO continued working closely with academies of learning associated with State Owned Entities (SoEs) like Eskom, Transnet and South African Airways.</li> <li>• The QCTO joined the EW SETA and Rand Water Board in responding to the Presidential Call on War on Leaks. 43 TVET Colleges and private providers were accredited to offer occupational qualifications and have started to train learners. The first group of learners that could write an External Integrated Summative Assessment (EISA) or Trade Test on Plumber, Electrician, Fitter and Turner, Welder and Bricklayer will be in 2018.</li> <li>• The QCTO is also in partnership with the DHET Special Project Branch continued to engage with this unit and accreditation tools have been aligned with the DHET assessment tool to gauge readiness of TVET Colleges to offer QCTO occupational qualifications. The QCTO collaborate with DHET to see this process off the ground.</li> <li>• In 2016/17 the Department of Agriculture, Fisheries and Forestry (DAFF) engaged that QCTO assist it in ensuring occupational qualifications are introduced in Agricultural Colleges. The QCTO is a member of the Joint Task Team established by both Ministers of DHET and DAFF to oversee the function shift of Agricultural Colleges to DHET.</li> </ul>

Strategic Outcomes Oriented Goal 1	Competent people in priority trades and occupations.
Progress	Occupational Qualifications
	<p data-bbox="411 405 632 434"><b>Quality Assurance</b></p> <ul style="list-style-type: none"> <li data-bbox="411 479 1477 734">• The QCTO was able to apply its full quality assurance for the new Occupational Qualifications. In the year under review 14 final External Integrated Summative Assessments (EISA) was administered for the Tax Practitioner, Compliance Officer, Financial Market Practitioner and Electrical Line Mechanic qualifications. The QCTO was thus able to evaluate the effectiveness of its quality assurance policies and procedures. The QCTO is convinced that its policies, procedures and systems are effective and functional. The challenge going forward would be to take the implementation of the EISA to scale for all new qualifications developed.</li> <li data-bbox="411 757 1477 1012">• As at the end of the 2016/17 reporting period there are 37 Assessment Quality Partners (AQPs) approved to develop assessments for registered Occupational Qualifications. This includes the National Artisan Moderating Body (NAMB) as the AQP for trades as well as Sector Education and Training Authorities (SETAs), and Professional Bodies. As at the end of the reporting period, there are also 247 Assessment Centres registered for Occupational Qualifications and Trade Qualifications. The AQP Forum is fully functional and has been instrumental in helping shape the AQP policies and processes.</li> <li data-bbox="411 1034 1477 1397">• The QCTO trade certification system was re-developed and is now functional and able to upload learner information electronically, as compared to the previous manual capture of data. The system has been improved with enhanced security. The development of a fully-fledged certification system for all qualifications on the OQSF is being prioritised within the broader MIS system development project. Much of the backlog in the issuing of trade certificates as well as outstanding applications for replacement certificates has been resolved. The turnaround time for producing certificates is now well within the 21-day period as specified in policy. In addition, the Certification Unit also conducts the verification of certificates within a 5 working day turnaround time. To date the QCTO has entered into service level agreements with 90 verification clients.</li> <li data-bbox="411 1420 1477 1487">• The Certification Unit processed 100% (19 625 records) of the certification recommendations for trade certificates within a 21 working day turnaround time received from NAMB.</li> <li data-bbox="411 1509 1477 1653">• The QCTO issued one hundred and eighty three (183) Occupational Certificates in four (4) occupational qualifications in the 2016/17 financial year. Seventy eight (78) of which were achieved through RPL processes for access to the External Integrated Summative Assessment.</li> <li data-bbox="411 1675 1477 1742">• The Council approved fee structure for certification and verification was successfully implemented.</li> <li data-bbox="411 1765 1477 2056">• The Monitoring and Evaluation Unit continued with monitoring visits to Quality Assurance Partners (QAPs). The QAPs included the 21 SETAs and 9 Professional Bodies. A special focus was on the monitoring on SETA accredited Skills Development Providers (SDPs). A sample of Skills Development Providers (SDPs) was monitored to check compliance with SETA accreditation policies and procedures. This included determining the veracity of the SETA accreditation procedures and processes. During Quarters 3 and 4 the M&amp;E Unit in collaboration with the Assessment Unit began to monitor the moderation and verification of assessments conducted by the QAPs.</li> </ul>

<b>Strategic Outcomes Oriented Goal 2</b>	<b>Create a sustainable organisation</b>
<b>Goal Statement</b>	Create a sustainable organisation to deliver on the QCTO's mandate.
<b>Indicator</b>	Management systems developed, implemented and maintained by March 2020.
<b>Progress</b>	<ul style="list-style-type: none"> <li>QCTO has matured in the development and implantation of support system. All management support systems (Financial, Human Resources, Information Technology, General Administration, Marketing and Communication, Supply Chain Management) are in place and are constantly being monitored, and reviewed where necessary.</li> <li>The approved Multiyear Master Systems Plan (MSP) guides implementation of IT projects. The plan has yearly determined implementation milestones and deliverables dependent on business priorities and the availability of funds. During the year under review, the following elements of the MSP were implemented for the year under review: <ul style="list-style-type: none"> <li>ITIL and COBIT processes were approved and implemented.</li> <li>The Disaster Recovery Plans were tested and subsequently reviewed to align the changing QCTO business needs.</li> <li>The development of the Corporate Governance of Information Communication Technology Framework (CGICTPF) and MSP Implementation Matrix used to guide implementation, monitor progress, and assess the maturity level of compliance to the DPSA CGICTPF.</li> <li>Development of MIS for QCTO.</li> </ul> </li> </ul>



### 3. PERFORMANCE INFORMATION BY PROGRAMME

The QCTO hereby reports against its Annual Performance Plan 2016/17 as approved by the Minister. It needs to be noted that the Technical Indicator Descriptors (TIDs) were revised throughout the year to improve the clarity of TIDs for reporting purposes.

#### 3.1 Programme 1: Administration

The purpose of Programme 1:

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

The following strategic objective links to Programme 1:

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

Strategic objectives, performance indicators, planned targets and actual achievements:

#### Programme 1: Administration in the QCTO performed as follows:

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
<b>Programme 1: Administration</b>					
<b>Strategic objective 1.1: Institutional capability in place to enable QCTO to deliver its products and services</b>					
1.1.1 ICT MSP Implementation plan approved annually	Achieved  Multiyear MSP implementation plan developed and approved by the ICT Steering Committee. Yearly milestones and deliverables of the plan are monitored through the implementation matrix	An Implementation plan for 2016/17 approved by the steering committee	Achieved  The implementation plan matrix was updated with reached milestones		
1.1.2 Marketing and Communication Strategy implemented annually	New indicator	Annual Marketing and Communication Plan implemented	Achieved  Planned Marketing and Communications activities for the year executed		



**Chief Director:  
Corporate Services and CFO  
Ms N Madilonga-Khondowe**



### Strategy to overcome areas of under performance

Not applicable.

### Linking performance with budgets

Hereunder is an analysis of the 2016/17 budget for Programme 1:

#### Programme 1: Administration

Classification	2016/17 Adjusted budget (R'000)
Compensation	16 193
Goods and services	24 129
Capital expenditure	3 622
<b>TOTAL</b>	<b>43 944</b>



### 3.2 Programme 2: Occupational Qualifications

The purpose of Programme 2:

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

The following strategic objective links to Programme 2:

#### Strategic objective 2.1:

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

Strategic objectives, performance indicators planned targets and actual achievements:

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

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
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#### Programme 2: Qualifications Management

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

2.1.1 Number of prioritised occupational qualifications recommended to SAQA for registration on the OQSF	Achieved (Exceeded)  47 prioritised occupational qualifications recommended	30 prioritised occupational qualifications recommended	Achieved  80 prioritised occupational qualifications recommended	50	The development process has improved and this contributed to an increase in number of occupational qualifications recommended to SAQA
2.1.2 % of prioritised registered occupational qualifications with enrolment (based on the new Occupational Qualifications Development Model) monitored	Achieved 100%  Seven (7) prioritised registered occupational qualifications had learner uptake. All 7 qualifications were monitored via the monitoring of all (85) accredited Skills Development Providers	100%	Achieved 100%  Twenty (20) prioritised registered occupational qualifications had learner uptake. All 20 qualifications were monitored via the monitoring of all 221 accredited Skills Development Providers		



**Director: Occupational Qualifications Management**  
**Mr T Lata**

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
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#### Programme 2: Qualifications Management (Cont.)

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

(2015/16: 2.1.3) Maximum turnaround time from date of receipt of duly completed accreditation application to date of issuance of accreditation letter to skills development providers offering occupational qualifications (in working days)	Not Achieved  There are 33 SDPs that were accredited within the turnaround (40 days) and 52 SDPs accredited out of the turnaround time for financial year 2015/16	Note: This performance indicator has been split into three performance indicators for the 2016/17 financial year. Please see 2.1.3 (a) to 2.1.3.(c) below			
2.1.3 (a) Average turnaround time from date of receipt of duly completed accreditation application to date of issuance of accreditation letter to skills development providers offering newly registered occupational qualifications (in working days)	Revised indicator	Meet turnaround timeframes determined by baseline	Achieved  The achieved average turnaround time is 67 working days, which is within the targeted average of 90 working days		
2.1.3 (b) Average turnaround time from date of receipt of duly completed accreditation application to date of issuance of accreditation letter to skills development providers offering NATED Report 190/1 part qualifications (in working days)	Revised indicator	40 working days	Achieved  The achieved average turnaround time is 21 working days, which is within the targeted average of 40 working days		

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
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**Programme 2: Qualifications Management (Cont.)**

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

2.1.3 (c) Average turnaround time from date of receipt of duly completed accreditation application to date of issuance of accreditation letter to skills development providers offering recorded Trades qualifications (in working days)	Revised indicator	40 working days	Achieved  The achieved average turnaround time is 14 working days, which is within the targeted average of 40 working days		
2.1.4 Number of Learner Qualifications Development Facilitators (LQDFs) enrolled on training programme to facilitate the development of occupational qualifications	Not Achieved  37 LQDFs trained	20 LQDFs	Achieved  20 LQDFs trained and issued with certificates of attendance		
2.1.5 Number of reports on reconstruction N4 – N6 part qualifications submitted for consideration to the Qualifications Committee	Not Achieved  3 reports submitted	4 reports	Achieved  4 reports considered by the Committee and signed by the chairperson of the Committee.		



### Strategy to overcome areas of under performance

All targets of the Performance Indicators in the APP 2016/17 of Programme 2 have been achieved, no underperformance was experienced as the strategy to overcome areas of underperformance was implemented.

### Linking performance with budgets

Hereunder is an analysis of the 2016/17 budget for Programme 2:

#### Programme 2: Occupational Qualifications

Classification	2016/17
	R'000 Adjusted budget
Compensation	9 667
Goods and services	6 520
<b>TOTAL</b>	<b>16 187</b>



### 3.3 Quality Assurance

The purpose of Programme 3:

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

The following strategic objectives link to Programme 3:

#### Strategic objective 3.1:

**To ensure that the Quality Assurance System for the implementation of registered occupational qualifications is functional, effective and efficient**

#### Strategic objective 3.2:

**Learner achievements for qualifications on the QQSF quality assured and certificated as prescribed in QCTO policies**

Strategic objectives, performance indicators planned targets and actual achievements:

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

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
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#### Programme 3: Quality Assurance

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

3.1.1 % of assessment centre accreditations processed within the turnaround time (30 days)	Achieved 100% 74 of 74 accreditation applications processed within turnaround time of 30 days	100%	Achieved 100% 137 of 137 accreditation applications processed within turnaround time of 30 days		
3.1.2 % of Assessment Quality Partner (AQP) delegation approvals processed	Achieved 100% 10 of 10 applications processed	100%	Achieved 100% 3 new AQPs and 10 extensions approved		
3.1.3 % of Quality Assurance Partners (QAPs) and Assessment Quality Partners (AQPs) that have been quality assured	Achieved 100% 35 of 35 Assessment Quality Partners and 22 of 22 Quality Assessment Partners monitored	Note: This performance indicator has been split into two performance indicators for the 2016/17 financial year. Please see 3.1.3 (a) and 3.1.3.(b) below			



**Director: Quality Assurance of Assessments**  
**Ms B Langa**

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
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### Programme 3: Quality Assurance (Cont.)

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

3.1.3 (a) % of Assessment Quality Partners (AQPs) that have been monitored against QCTO compliance standards	Revised indicator	100%	Achieved 100%  37 of 37 Assessment Quality Partners monitored		
3.1.3 (b) % of Quality Assurance Partners (QAPs) that have been monitored against QCTO compliance standards	Revised indicator	100%	Achieved 100%  30 of 30 Quality Assessment Partners monitored		
3.1.4 (a) The number of quality assurance functions delegated to QAPs (SETAs and SAQA accredited Professional Bodies) and DHET taken up by the QCTO  Note: This indicator's number was only 3.1.4 in the 2015/16 financial year	Not achieved  The QCTO could not fully take back the three functions identified in the approved plan due to the slow consultation process with SETAs impacted on by the release of the SETA landscape document as well as the QCTO limited resources and capacity. The Upload of the NLRD data remains with the SETAs as the QCTO does not have the IT system to facilitate the transfer of data	A further three of the eight functions delegated to QAPs taken up by the QCTO	Not Achieved	100%  No functions taken over completely by the QCTO. QCTO still to acquire necessary resources to enable take over. QCTO continued to monitor delegated functions	The QCTO continued to monitor the QAPs performance against the delegated functions. The QCTO has developed and forwarded to the DHET a Business Case which outlines the Council's plan for the takeover of the SETA functions as well as the funding requirements to enable such takeover

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
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### Programme 3: Quality Assurance (Cont.)

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

3.1.4 (b) N4-N6 part qualifications quality assured against QCTO standards	New indicator	N4 - N6 part qualifications quality assured as per approved Council plan	Achieved  The OQA Unit quality assured N4-N6 part qualifications via participating in addressing irregularities; monitoring the conduct of examinations; participating in the irregularities meetings for business studies, monitoring engineering studies and identifying subjects to be moderated		
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#### Strategic objective 3.2: Learner achievements for qualifications on the QQSF quality assured and certificated as prescribed in QCTO policies

3.2.1 % of certificates issued within the turnaround time (21 working days)	Not achieved 84%  15 414 of 18 392 certificate applications processed within 21 day turnaround time	100%	Achieved 100%  19 625 of 19 625 certificate applications processed within the 21 working day turnaround time		
3.2.2 % of learner achievement data submitted to National Learner Records Data base (NLRD) in accordance with NLRD specifications	Not achieved  No data was submitted to the NLRD directly from the QCTO as per the SAQA NLRD data submission schedule.  Data submitted directly from the SETAs to NLRD in terms of QCTO delegation to the SETAs	100%	Not achieved  No data was submitted to the NLRD directly from the QCTO as per the SAQA NLRD data submission schedule	100%	Data submitted directly from the SETAs and Professional Bodies to NLRD in terms of QCTO delegation to the SETAs



Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
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#### Programme 3: Quality Assurance (Cont.)

3.2.3 % of verification requests for certificates issued by the QCTO verified within turnaround time (5 working days)	New indicator	100%	Achieved 100%  8 710 of 8 710 requests verified within turnaround time of 5 working days		
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#### Strategy to overcome areas of under performance

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

- In the 2017/18 cycle, the taking back of the functions delegated to SETAs will be prioritised by subsuming this under the broader function mandate of the QCTO viz the quality assurance of qualifications and part qualifications registered on the OQSF. In terms of the Council plan, certain SETAs will be identified for take over.
- The QCTO will implement the necessary control processes to manage the upload of learner achievements to the NLRD. The upload directly from the QCTO will only be possible once the QCTO MIS is fully implemented.

#### Linking performance with budgets

Hereunder is an analysis of the 2016/17 budget for Programme 3:

Classification	2016/17 Adjusted budget (R'000)
Compensation	18 780
Goods and services	12 856
<b>TOTAL</b>	<b>31 636</b>





#### 4. REVENUE COLLECTION

Sources of Revenue	2015/16			2016/17		
	Estimate	Actual Amount Collected	(Over)/ Under Collection	Estimate	Actual Amount Collected	(Over)/ Under Collection
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Government Grant	23 848	(23 848)	-	23 138	23 138	-
Finance Income	-	(1 375)	(1 356)	-	1 675	(1 675)
Other Income	-	(1 176)	(1 176)	-	1 858	(1 858)
SETA Grant	40 000	40 000	-	60 598	60 562	36
NSF	-	(356)	(356)	-	-	-
<b>TOTAL</b>	<b>61 848</b>	<b>64 736</b>	<b>(2 888)</b>	<b>83 736</b>	<b>87 233</b>	<b>(3 497)</b>

# PART C: GOVERNANCE

“ I took the opportunity to grow  
and learn with both hands and  
benefited from the hard work  
and dedication. ”



## 1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, corporate governance regarding public entities is applied through the precepts of the PFMA.

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

## 2. PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING

The QCTO met with the Portfolio Committee on Higher Education and Training on 7 April 2016 and presented its Annual Performance Plan and budget for 2016/17. The QCTO's Chairperson, Prof Peliwe Lolwana, the previous Chief Executive Officer, Ms G. Joyce Mashabela, and the Chief Financial Officer, Ms Ndivhudzannyi Madilonga-Khondowe, attended the meeting.

The same three individuals, as well as Mr Thomas Lata, Chief Director: Occupations Qualifications Management and Mr Vijayen Naidoo, former Chief Director: Occupational Quality Assurance, attended a second meeting with the Portfolio Committee on 19 October 2016 to present the QCTO's Annual Report for the financial year 2015/16.

## 3. EXECUTIVE AUTHORITY

The QCTO submitted the final 2015/16 Annual Report to the Minister through the Department of Higher Education and Training on 29 July 2016 which was delivered to Parliament on 29 August 2016 and tabled in Parliament on 15 September 2016.

The QCTO has also submitted all four of the QCTO's Quarterly Performance Reports for the 2016/17 financial year to the Minister through the Director-General: Higher Education and Training as required by the Department. Submission dates were as follows:

- a. Quarter 1 Performance Report: 25 July 2016
- b. Quarter 2 Performance Report: 24 October 2016
- c. Quarter 3 Performance Report: 23 January 2017
- d. Quarter 4 Performance Report: 25 April 2017

## 4. THE ACCOUNTING AUTHORITY

### Introduction

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

### Council Charter

The requirements of the QCTO's Constitution are provided for in the SDA. The second Constitution was approved by the Minister in 2011. The Constitution was reviewed during the 2016/17 financial year for consideration by the Minister.

### Composition of the Council

The second Council has been appointed for the term from 1 April 2015 to 31 March 2020.

The Council held four ordinary meetings and a strategic planning workshop as well as a workshop to scrutinise a revised organisational structure for the QCTO, during the financial year under review. One special meeting was conducted to deal with the appointment of the new CEO.

## The Accounting Authority: Council

**Seated:**

From Left to right  
Ms Happy Sibande,  
Ms Joyce Mashabela, Dr Tholsia Naidoo,  
Prof Peliwe Lolwana (Chairperson),  
Ms Stella Carthy,  
Prof Narend Bajjnath and  
Mr Gordon Louw

**Standing:**

From left to right  
Mr Amon Teteme, Ms Gerda Magnus,  
Mr Ntsie Malao, Mr Joe Samuels,  
Mr Willy Matthiae, Mr Moeketsi Rakgosi,  
Dr Mafu Rakometsi  
Absent: Dr Thabo Mashongoane  
Vacant: DTI representative



Name	Designation (In terms of the Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Commit- tees in QCTO (e.g: Audit committee)	No. of Meetings attended (4 ordinary Council meetings held)
Prof Peliwe Lolwana	Chairperson	26 September 2011	N/A	Ph.D.	Knowledge of education and training  Research Policy development  Leadership and Management Governance	Human Resources Development of SA Council  Metropolitan Momentum Insurance Foundation  Hotazel Manganese Mines Education Trust  East Cape Midlands TVET College	Executive Committee (Chairperson)	4 present
Dr Tholsia Naidoo	Deputy Chairperson  Member nominated by the private providers of education and training to represent the interests of private education and training providers which providers are accredited providers in terms of the SDA	19 March 2015	N/A	Doctorate Master's in Education  Bachelor of Education Higher Diploma in Education  Bachelor of Arts  Diploma in Human Resources Management  Certificate in Finance for non- financial Managers  Certificate in Total Quality Management	Training strategy in South Africa  Quality assurance  Strategic business management	Board of Institute of Quality (IQ)  Board of Chartered Institute for Professional Practitioners and Trainers (CIPPT)  Board of Association of Private Providers for Education, Training and Development (APPETD)	Executive Committee  Occupational Quality Assurance Committee  Audit and Risk Committee	4 present



Name	Designation (In terms of the Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Commit- tees in QCTO (e.g: Audit committee)	No. of Meetings attended (4 ordinary Council meetings held)
Ms G Joyce Mashabela	CEO: QCTO	1 April 2012	31 March 2017	MA, MS, MBA	Teaching, Management and Administration	SAQA Council on Higher Education (CHE) Umalusi National Skills Authority (NSA) Southern African Society for Cooperative Education (SASCE)	Executive Committee	3 present 1 apology
Mr Joe Samuels	CEO: SAQA	1 March 2012	N/A	BSc Hons (Physiology) MPhil (Adult Education)	Qualifications framework, policy, adult education	CHE Umalusi QCTO SAQA NSA	None	3 present 1 apology
Prof Narend Bajjnath	CEO: CHE	1 October 2015	N/A	BA; UHDE; B Ed; MA; PhD	Higher Education	CHE SAQA Umalusi Commonwealth of Learning (CoL) RohMoh National Council for Persons with Physical Disabilities in South Africa (NCPDPSA) Harmonisation of African Higher Education Quality Assurance and Accreditation (HAQAA) Southern African Quality Assurance Network (SAQAN)	None	2 present 2 apologies

Name	Designation (In terms of the Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Commit- tees in QCTO (e.g: Audit committee)	No. of Meetings attended (4 ordinary Council meetings held)
Dr Mafu Rakometsi	CEO: Umalusi	20 January 2010	N/A	Ph.D	History of education Curriculum, examinations and assessment	SAQA, QCTO, CHE and Member of Helderberg College Council	None	2 present 2 apologies
Dr Thabo Mashon- goane	Director: NSA to represent Executive Officer: NSA	1 April 2015	N/A	Ph.D Educational Management	Skills development	Southern African Society for Cooperative Education (SASCE)	None	3 present 1 apology
Mr Gordon Louw	Nominated by NEDLAC to represent organised labour	19 March 2015	N/A	N5 Electrical Engineering Coaching/ Counselling for RPL Certificate in Quality Management System: ISO 9001:2000 Labour Arbitration Workshop	Worker education and training and labour relations	SAQA	Occupational Qualifications Committee	4 present
Mr Amon Teteme	Nominated by NEDLAC to represent organised labour	19 March 2015	N/A	Practitioner Certificate	Education and Training, Skills Development and Employment Equity and other Labour related Legislation	Mining Qualifications Authority (MQA) Board MQA Executive Committee	Executive Committee Audit and Risk Committee Occupational Quality Assurance Committee	4 present

Name	Designation (In terms of the Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Commit- tees in QCTO (e.g: Audit committee)	No. of Meetings attended (4 ordinary Council meetings held)
Ms Stella Carthy	Nominated by NEDLAC to represent organised business	20 January 2010 and 19 March 2015	N/A	Qualified teacher IPM Diploma - HR Labour Relations Training	Skills Development	NSA	Executive Committee Occupational Quality Assurance Committee (Chairperson)	4 present
Mr Willy Matthiae	Nominated by NEDLAC to represent organised business	20 January 2010 and 19 March 2015	N/A	National Technical Diploma Mechanical Engineering B Com. (Business management and Industrial Psychology) Management Development Diploma	Engineering Management Project management Training and Development	None	Executive Committee Qualifications Committee (Chairperson) Audit and Risk Committee (from April 2015 to July 2015)	3 present 1 apology
Mr Moeketsi Rakgosi	Nominated by NEDLAC to represent organisations of community and development interests	19 March 2015	N/A	Bachelor of Arts Degree in Economics and Political Science Post Graduate Diploma in Project Management	Skills Development and Training, Programmes and Project Management	None	None	3 present 1 apology

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

Name	Designation (In terms of the Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Commit- tees in QCTO (e.g: Audit committee)	No. of Meetings attended (4 ordinary Council meetings held)
Ms Gerda Magnus	Member to represent the interests of the state	19 March 2015	N/A	BA Honours Human resource Development  MBA	Skills Development  HR  Education and Training	None	None	3 present 1 apology
Ms Mariane Tsoeu	Member to represent the interests of the state	31 August 2015	18 May 2016	Master of Arts (Development Sociology)  Diploma in International Education  Honours in Demography and Population Studies)  Bachelor of Arts (Industrial Sociology and Industrial psychology)	Skills development, placement programmes for artisans and interns, policy development and conceptualisation, programme conceptualisation and development, and various social and economic research areas	None	None	Resigned but not replaced yet



## Standing Committees

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

Committee	No. of meetings held	No. of members	Names of members	No. of meetings attended	No. of apologies received
Executive Committee	4	6 members	Prof Peliwe Lolwana (Chairperson) Ms Joyce Mashabela (CEO) Ms Stella Carthy Mr Willy Matthiae Mr Amon Teteme Dr Tholsia Naidoo	4 4 3 4 4 2	0 0 1 0 0 2
Occupational Qualifications Committee	6	8 members	Mr Willy Matthiae (Chairperson) Mr Louis Schutte Mr Gordon Louw Dr Allyson Lawless Mr Malesela Maleka Mr Louis Coetzer Prof Paul Beard Dr Henri Jacobs (appointed 28 Aug 2016)	6 5 6 5 5 4 5 3	0 1 0 1 1 2 1 1
Occupational Quality Assurance Committee	4	10 members	Ms Stella Carthy (Chairperson until end 2016) Mr Phineas Sibanyoni Mr Amon Teteme Dr Tholsia Naidoo (Chairperson as from 2017) Mr Ntsie Malao Ms Mary Peters Dr Marina le Grange Prof Joy Papier Dr Caroline Selepe Mr Terrence Harrison	4 3 3 4 4 4 3 2 2 1	0 1 1 0 0 0 1 2 2 2, 1 absent

## Executive Committee

**Seated:**  
From left to front row  
Ms Joyce Mashabela,  
Dr Tholsia Naidoo,  
Prof Peliwe Lolwana (Chairperson),  
Ms Stella Carthy

**Standing:**  
From left to right back row  
Mr Willy Matthiae and  
Mr Amon Teteme



## Occupational Qualifications Committee

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

**Standing:**  
From left to right  
Mr Louis Schutte, Mr Louis  
Coetzer, Dr Henry Jacobs and  
Absent: Mr Malesela Maleka



## Quality Assurance Committee

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

**Standing**  
From left to right  
Mr Phineas Sibanyoni,  
Ms Mary Peters and  
Mr Ntsie Malao  
Absent: Mr Amon Teteme,  
Prof Joy Papier and  
Mr Terrence Harrison



## Remuneration of Council Members

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

Name	Remuneration R	Other re-imbusement R	Total R
Prof Peliwe Lolwana (Chairperson)	43 827.00	533.91	44 360.91
Mr Gordon Louw	34 608.00	5 589.46	40 197.46
Mr Amon Teteme	32 960.00	2 068.57	35 028.57
Ms Stella Carthy	34 608.00	2 690.51	37 298.51
Mr Willy Matthiae	-	3 762.76	3 762.76
Mr Moeketsi Rakgosi	24 720.00	1 728.78	26 448.78
Mr Ntsie Malao	34 448.00	13 406.35	47 854.35
Dr Tholsia Naidoo	35 801.00	2 275.00	38 076.00
Ms Joyce Mashabela (CEO)	N/A	N/A	N/A
Mr Joe Samuels	N/A	N/A	N/A
Prof Narend Baijnath	N/A	N/A	N/A
Dr Mafu Rakometsi	N/A	N/A	N/A
Dr Thabo Mashongoane	N/A	N/A	N/A
Ms Gerda Magnus	N/A	N/A	N/A
Ms Mariane Tsoeu	N/A	N/A	N/A
Ms Happy Sibande	N/A	N/A	N/A
<b>TOTAL</b>	<b>240 972.00</b>	<b>32 055.34</b>	<b>273 027.34</b>

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

## 5. RISK MANAGEMENT

The Council reviewed and implemented the Risk Management Policy, Risk Management Framework and Risk Management Strategy. The CEO serves as the Chief Risk Officer. All milestones of the Risk Management Strategy for 2016/17 were achieved. Various risk assessments were conducted which have culminated in a reviewed strategic risk register and operational risk registers for all Chief Directorates. A Risk Management Committee is in place which also considers new and emerging risks. Progress on the mitigation of risks is continually monitored and reported to the Audit and Risk Committee on a quarterly basis. The Audit and Risk Committee advises the Council on risk management and independently monitors the effectiveness of the system of risk management. The QCTO has seen progress in the management of risks and also maintains a

system of evidence for risk mitigation. According to a review on the maturity of the implementation of risk management, the organisation is doing well.

## 6. INTERNAL CONTROL UNIT

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

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

## 7. INTERNAL AUDIT AND AUDIT AND RISK COMMITTEE

### Key Activities and Objectives of the Internal Audit

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

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

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

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

- **Financial auditing:** which aims to ensure that reliable information is produced for both management purposes and external publication and that adequate controls exist to safeguard assets;
- **Operational auditing:** which focuses on the effectiveness and efficiency of the sub-structure's operations;
- **Compliance auditing:** which addresses compliance with relevant national laws and regulations, best practice and the QCTO's established policies and procedures;

- **IT auditing:** which reviews the controls over information technology and whether IT supports the QCTO's objectives; and
- **Performance auditing:** to evaluate measures instituted by management to ensure economic acquisition and efficient and effective utilisation of resources.

### Audit Work

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

The following reviews/activities as per the audit plan were completed for the 2016/17 financial period and presented to the Audit and Risk Committee:

- Internal Audit and Audit and Risk Committee Charters – Approved
- Internal Audit Plans for 2017/18 and Rolling Plans for 2017/18 to 2019/20 – Approved
- Compilation and assessment of Risk Profile detailed in a Process and Risk Overview Report for planning purposes
- Facilitated an Annual Root Cause Workshop to assist management in their preparation of an "Audit Action Plan"
- Participation in Quarterly Internal Dashboard Meetings
- Conducted the following audits:
  - Performance Information for Quarter 4 of 2015/16 and Annual Performance Information for 2015/16 financial year
  - Unaudited Annual Financial Statements 2015/16
  - Draft Annual Performance Plan for 2017/18
  - Performance Information for Quarters 1-3 of 2016/17
  - Occupational Qualifications Development
  - Financial Discipline Review
  - Supply Chain and Expenditure Management
  - Information Technology
  - Occupational Quality Assurance
  - Marketing, Advocacy and Capacity Building
- Conducted the following Follow Up reviews:
  - Management Action Plans – External and Internal Audit Findings
  - Auditor General Findings; and
  - Internal Audit Findings



## Objectives of the Audit and Risk Committee

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

## Key Activities of the Audit and Risk Committee

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

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

Furthermore the Audit and Risk Committee should:

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

A further breakdown of activities is:

- Consider the effectiveness of the internal control and risk management system.
- Understand the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations together with management's responses.
- Review the QCTO risk profile on an annual basis and ensure management is effectively managing the risks.
- Review the Materiality and Significance Framework and Fraud Prevention Plan of the QCTO.
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the adequacy, reliability and accuracy of the financial information provided to management and other users of such information and annually review the Annual Financial Statements.

- 1.4 The current Audit and Risk Committee was appointed in 2015 and its term of office is until 31 July 2018. All members of the Audit and Risk Committee are external.

## Audit and Risk Committee

**Seated:**  
From left to right  
Ms Thobeka Njozela and  
Ms Rene van Wyk (Chairperson)

**Standing:**  
From left to right  
Mr Dumisani Dlamini,  
Mr Thilivhali Ramawa  
  
Mr Amon Teteme  
(Non-voting representatives  
of Council)

Absent: Mr Theuns Tredoux,  
Adv. Collen Weapond  
(Co-opted Expert)





The table below discloses relevant information on the QCTO's Audit and Risk Committee members:

Name	Qualifications	Date appointed	Date resigned	No. of meetings attended
Ms Rene van Wyk (Chairperson)	BCom (Accounting) BCom (Hons) Certificate in the Theory of Accounting (CTA) CA (SA) MBA Diploma in Advanced Banking	3 September 2015	N/A	4 present
Ms Thobeka Njozela	BCom BCompt (Hons) MBA Executive Development Programme CIA, CCSA, CRMA Certificate in Management Practice	15 April 2014	N/A	4 present
Mr Theuns Tredoux (Alternate: Ms Amelia Poolman)	BCom (Hons) Acc MBL (Unisa)	3 September 2015	N/A	2 present 2 apologies
Mr Dumisani Dlamini	SAIPA Masters of Commerce Degree Bachelor of Technology (Taxation) Post-graduate Diploma in Business Management National Diploma Accounting	3 September 2015	N/A	4 present
Mr Thilivali Ramawa	BCom (Accounting) CTA CA (SA) RA	3 September 2015	N/A	3 present 1 apology
Dr Tholsia Naidoo (non voting representative from Council)	Doctorate Masters in Education Bachelor of Education Higher Diploma in Education Bachelor of Arts Diploma in Human Resources Management Certificate in Finance for non-financial Managers Certificate in Total Quality Management	10 September 2015	Was replaced by Mr Amon Teteme as Dr Naidoo became chairperson of the Occupational Quality Assurance Committee	3 present
Replaced end 2016 by Mr Amon Teteme	Education and Training, Skills Development and Employment Equity and other Labour related Legislation	29 November 2016		1 present

Name	Qualifications	Date appointed	Date resigned	No. of meetings attended
Adv Collen Weapond (co-opted expert)	BCom Hons (IT) MTech (Forensic Investigations) LLB B.IURIS BTech Policing Postgraduate Diploma in Computer Forensics (course work) Diploma in Education SP III Diploma in Compliance Management	15 January 2016	N/A	2 present 1 apology (only invited to three meetings)

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

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

The QCTO also attends various other meetings to keep abreast of laws and regulations that need to be complied with. The QCTO works closely with the DHET to ensure it is continuously updated with the latest laws and regulations. The QCTO has developed checklists against its founding legislation and monitors compliance on a quarterly basis.

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

## 9. FRAUD AND CORRUPTION

The QCTO has implemented and reviewed its Fraud Prevention Policy and Plan. A fraud risk register is maintained and reported on every quarter to the Audit and Risk Committee.

The QCTO launched its own Fraud and Ethics Hotline in March 2016. Continued awareness raising was conducted with staff and stakeholders. The contact details of the QCTO Fraud and Ethics Hotline are as follows:

0800 322 322  
FreeFax 0800 00 77 88  
qcto@tip-offs.com  
www.tip-offs.com

Although a small number of alleged cases of fraud were reported and investigated, no actual fraud was detected as at the end of the financial year.

## 10. MINIMISING CONFLICT OF INTEREST

In the past year no conflict of interest was declared.

## 11. CODE OF CONDUCT

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

## 12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The QCTO has been renting its own office space since mid-December 2013. The building is compliant to health and safety imperatives as assessed by the landlord and there are no major issues of concern identified thus far. Moreover, QCTO has established health and safety structures, including a committee to handle any emerging Health and Safety issues in compliance with the Health and Safety legislation.

## 13. SECRETARY

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

## 14. SOCIAL RESPONSIBILITY

Not applicable to the QCTO for the 2016/17 financial year.

## 15. AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

### Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### Summary of main activities undertaken by Audit and Risk Committee during the financial year under review

The Audit and Risk Committee met four times during the year under review and performed, amongst other activities, the following key responsibilities:

- Approved the strategic and coverage plans of Internal Audit
- Reviewed the audit strategy of the Auditor General South Africa (AGSA) and their audit report to the entity for the financial year ended 31 March 2017
- Reviewed and updated the Audit and Risk Committee Charter and Internal Audit Charter
- Reviewed the in-year management reporting relating to financial management, risk management and performance management
- Reviewed the Risk Management Policy, Framework and Strategy
- Reviewed the Fraud Prevention Policy and Plan
- Noted the review reports and outcomes from Internal Audit
- Reviewed the improvements implemented by management to address control weaknesses reported by Internal Audit and the AGSA
- Noted the quarterly and annual performance reports
- Noted the Annual Performance Plan 2017/18

### The Effectiveness of Internal Control

The system of internal controls applied by the entity over financial and risk management is effective and transparent. In line with the PFMA requirements, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, and the management report of the Auditor General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was effective.

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

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

### Evaluation of Annual Financial Statements

The Audit and Risk Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the annual report, with the Auditor General South Africa and the Chief Executive Officer;
- Reviewed the Auditor General South Africa's management report and management's response thereto;
- Reviewed any changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed the information on predetermined objectives to be included in the annual report

- Reviewed significant adjustments resulting from the audit; and
- Reviewed the quality and timeliness of the financial information availed by the entity for oversight purposes during the year.

### Internal audit

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

The following Internal Audit work was completed during the year under review:

- Adequacy and effectiveness audits on various internal control and governance processes;
- Reviews of the Annual Financial Statements for the financial year ended 31 March 2017;
- Reviews of the quarterly performance information reports for the financial year ended 31 March 2017, including annual performance information;
- Follow-up audits on previous audits to evaluate the effective implementation of Internal Audit recommendations that management had agreed to implement;
- Advisory services; and
- Follow-up on implementation of previous years' audit recommendations by the AGSA.

### Auditor-General South Africa

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

### Risk Management

The Audit and Risk Committee closely monitored the identification of risks in the QCTO and received quarterly progress reports on the mitigation of risks. No major incidents/losses were reported by Management.

### Any issues / matters that pertain specifically to the entity

### Conclusion

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

The Audit and Risk Committee commends Management on achieving clean audit and urges the organisation to maintain the standard.



**Ms Rene van Wyk**  
**Chairperson of the Audit and Risk Committee**  
**Quality Council for Trades and Occupations**  
**31 July 2017**

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

**D**





## 1. INTRODUCTION

### Overview of Human Resource (HR) matters at the public entity

The QCTO total staff complement for 2016/17 is 82, comprising of 45 permanent staff and 37 contract employees. QCTO approved structure provides for 224 permanent positions. Of these positions, 46 were filled during the 2016/17 financial year, bringing the vacancy rate up to 63% as compared with the previous financial year (2015/16) which was at 2%. The process of reviewing the structure kicked off in 2014/15 and the core structure has been finalised. The review resulted in a drastic increase of additional posts, totaling 177 in addition to the 47 posts as per the old structure. The matching and placing of employees against the newly revised structure for core was undertaken and concluded. The process of reviewing the structure for support will commence during the 2017/18 financial year. The result of the structure review (and subsequent funding thereof) will bring greater stability and minimise the need for the filling of contract posts.

From September 2014, the QCTO implemented its own HR policies, procedures and payroll systems. HR is thus in the process of reviewing the HR Policy Manual to ensure that it is aligned to best practice and the operational needs of the organisation. The Employee Self Service (ESS) System which enabled electronic leave management was successfully introduced and implemented during the year under review.

### HR priorities for the year under review and the impact of these priorities

The main HR focus was to capacitate the entity by filling positions in the newly revised structure and introducing enhancements to the existing HR processes and systems. Staff development through training and development initiatives was one of the key areas of focus for the 2016/17 financial year.

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

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

### Employee performance management framework

The QCTO developed its own Performance Management Policy, which was approved in November 2014. Although implementation began in 2014/15, it was on a small scale as the policy was only approved later in that year. The 2015/16 saw the full implementation of the framework at a much larger scale than in the previous year as employees were now familiar with the monitoring tool. During implementation, gaps were identified that necessitated an improvement of the Performance Management System. Subsequently the Performance Management Policy was revised later towards the end of the financial year. Revisions to the said policy are yet to be approved by the Council.

### Employee wellness programmes

An employee wellness day was held in December 2016. Its focus was primarily on capacitating employees with regard to the personal management of their finances. This marked the second phase of the employee wellness programmes. More programmes are planned for 2017/18 depending on the availability of funds.

### Policy development

A review of the HR Policy manual was initiated to ensure alignment with HR legislation, best practice, as well as the organisational needs. The Draft Internship Policy was developed and is awaiting approval. A Security Policy was developed and approved during June 2016.

### Achievements

- The QCTO submitted for the first time the Employment Equity Report to the Department of Labour and a letter of good standing was issued by the said Department.
- A review of the existing Pension Fund Option for QCTO employees was undertaken. This resulted to the introduction of a new Salam Pension Fund that runs concurrently with the Government Pension Fund from December 2016. The fund provides more benefits to employees.
- The QCTO continued successfully to implement its own payroll system (VIP). The HR Employee Self Service (ESS) System was introduced and implemented during the year under review. This module enables the effective administration and management of leave.

## Challenges faced by the public entity

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

## Future HR plans /goals

As the core function structure has been concluded and is currently being implemented in a phased approach depending on the availability of funds, the QCTO's support structure review is still in progress and scheduled for completion in the 2017/18 financial year. With the finalisation of the structure review processes, the phasing out of contract posts will commence, provided that a stable, permanent source of funds is made available.

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

### Personnel Cost by programme

Programme	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of Total Expenditure	Number of Employees	Average personnel cost per employee
QCTO	78 701	43 139	55	82	526

Note: The total number of 82 employees includes 37 contract employees that are not on the formal approved structure for permanent posts.

### Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to total personnel costs (R'000)	Number of Employees	Average personnel cost per employee
Top Management	1 410	3	1	1 410
Senior Management	9 386	22	9	1 043
Professional qualified	22 513	52	37	609
Skilled	3 246	8	7	464
Semi - Skilled	6 130	14	23	267
Unskilled	454	1	5	76
<b>TOTAL</b>	<b>43 139</b>	<b>100</b>	<b>82</b>	<b>3 883</b>

Note: The total number of 82 employees includes 37 contract employees.

## Performance rewards

Performance Rewards for 2016/17 were finalised and paid during the year under review.

Programme	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	68 943	1 410	5%
Senior Management	508 496	9 386	5%
Professional qualified	373 608	22 513	2%
Skilled	68 751	3 246	2%
Semi - Skilled	7 123	6 130	0%
Unskilled	11 397	454	3%
<b>TOTAL</b>	<b>1 035 318</b>	<b>43 139</b>	<b>2%</b>

## Training costs

Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training as a % of Personnel Costs	Number of Employees	Average training cost per employee
QCTO	43 139	59	0%	11	5

## Employment and vacancies

Programme	2015/16 Approved Posts	2015/16 Number of Employees	2016/17 Approved Posts	2016/17 Number of Employees	2016/17 Vacancies	% of vacancies
QCTO	47	91	224	82	142	63%

Notes:

1. The total number of 82 employees includes 37 contract employees that are not on the formal approved structure for permanent posts.
2. The total approved posts includes an additional 177 newly created posts as per the revised approved structure by the Council. These posts will be filled in phases based on the availability of funds per each financial year.
3. Of the total of 224 approved posts, 196 are posts for the core business operations of QCTO, and 28 posts are for the support structure that is currently under review.

Level	2015/16	2015/16	2016/17	2016/17	2016/17	2016/17
	Approved Posts	Number of Employees	Approved posts	Number of Employees	Vacancies	% of Vacancies
Top Management	1	1	1	1	1	0%
Senior Management	9	9	17	9	8	47%
Professional qualified	20	40	110	37	73	66%
Skilled	7	10	67	7	60	90%
Semi - Skilled	7	28	28	23	5	18%
Unskilled	3	3	1	5	0	0%
<b>TOTAL</b>	<b>47</b>	<b>91</b>	<b>224</b>	<b>82</b>	<b>142</b>	<b>63%</b>

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

### Employment Changes

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

Level	2015/16	2015/16	2016/17	2016/17	2016/17	2016/17
	Approved Posts	Number of Employees	Approved Posts	Number of Employees	Vacancies	% of Vacancies
Top Management	1	1	1	1	1	0%
Senior Management	9	9	17	9	8	47%
Professional qualified	20	40	110	37	73	66%
Skilled	7	10	67	7	60	90%
Semi - Skilled	7	28	28	23	5	18%
Unskilled	3	3	1	5	0	0%
<b>TOTAL</b>	<b>47</b>	<b>91</b>	<b>224</b>	<b>82</b>	<b>142</b>	<b>63%</b>

### Reasons for staff leaving

Category	Number of Staff Leaving	% of Staff leaving to Total Staff (82)
Death	0	0%
Resignation	14	17%
Dismissal	1	1%
Retirement	0	0%
Ill-Health	0	0%
Expiry of Contract	6	7%
Other	0	0%
<b>TOTAL</b>	<b>21</b>	<b>26%</b>

Notes:

1. The high attrition rate is a result of the fact that a large number of QCTO staff is employed on a contract basis. When permanent posts opportunities avail themselves, such employees leave the organisation.

## Labour Relations: Misconduct and disciplinary action

For the year under review, there was a single case of misconduct and disciplinary actions were taken.

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

## Equity Target and Employment Equity Status

The Employment Equity Policy had just been approved together with other Human Resources policies. The Employment Equity Plan was developed and submitted to the Department of Labour and shall be reviewed in 2016/17.

Level	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	1	0	1	0	1
Senior Management	2	2	0	2	1	1	0	3
Professional qualified	15	25	2	4	0	2	2	3
Skilled	1	8	0	2	0	1	0	3
Semi - Skilled	7	40	0	5	0	1	0	5
Unskilled	1	10	0	5	0	2	0	5
<b>TOTAL</b>	<b>26</b>	<b>86</b>	<b>2</b>	<b>19</b>	<b>1</b>	<b>8</b>	<b>2</b>	<b>20</b>

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	1	0	1	0	1
Senior Management	2	3	0	3	0	1	2	2
Professional qualified	14	30	0	10	0	10	2	10
Skilled	8	1	0	2	0	1	0	1
Semi - Skilled	11	19	0	5	0	1	0	4
Unskilled	2	20	0	4	0	1	0	4
<b>TOTAL</b>	<b>37</b>	<b>74</b>	<b>0</b>	<b>25</b>	<b>0</b>	<b>15</b>	<b>4</b>	<b>22</b>



Level	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	1	0	1
Senior Management	0	2	0	2
Professional qualified	0	3	0	3
Skilled	0	5	0	5
Semi - Skilled	0	5	0	5
Unskilled	0	1	0	1
<b>TOTAL</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>17</b>

There is no signed approved Employment Equity Plan for the 2016/17 and the reason for target goals will be provided in 2017/18 financial year as the plan was not yet finalised in 2016/17. The recruitment process is currently based between the gaps the QCTO has on Employment Equity statistics. Furthermore explanations cannot be provided as the 2016/17 recruitment was not according to the Employment Equity Plan.

# PART E:

# FINANCIAL INFORMATION

“ I feel that we are going to bring changes and differences in our community and now be more competent in the service we are going to offer! ”



# INDEX

## QUALITY COUNCIL FOR TRADES AND OCCUPATIONS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

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## ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Council is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Council to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

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

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

The Council acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Council to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

The Annual Financial Statements set out on pages 69 to 107, which have been prepared on the going concern basis, were approved by the accounting authority and were signed on its behalf by:



**Mr Vijayen Naidoo**  
**Chief Executive Officer**  
**31 July 2017**



**Prof Peliwe Lolwana**  
**Chairperson**  
**31 July 2017**

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON QUALITY COUNCIL FOR TRADES AND OCCUPATIONS

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Quality Council For Trades and Occupations (QCTO) set out on pages 69 to 107, which comprise the statement of financial position as at 31 March 2017, 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 to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the QCTO as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no.1 of 1999).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of accounting authority

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the QCTO's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

### Auditor-general's responsibilities for the audit of financial statements

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



## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON QUALITY COUNCIL FOR TRADES AND OCCUPATIONS (CONT.)

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

#### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 2 - Occupational Qualifications Management	28-31
Programme 3 - Occupational Quality Assurance	32-35

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether

the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
  - Programme 2 - Occupational Qualifications Management
  - Programme 3 - Occupational Quality Assurance

#### Other matters

15. I draw attention to the matters below.

#### Achievement of planned targets

16. Refer to the annual performance report on pages 25 to 35 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

#### Adjustment of material misstatement

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2 - Occupational Qualifications Management. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

### Report on audit of compliance with legislation

#### Introduction and scope

18. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

## REPORT OF THE AUDIT-GENERAL TO PARLIAMENT ON QUALITY COUNCIL FOR TRADES AND OCCUPATIONS (CONT.)

19. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

### Other information

20. The QCTO accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the accounting authority's report, the audit committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
21. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Internal control deficiencies

23. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

*Auditor-General*

Pretoria  
31 July 2017



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## ANNEXURE - AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
  - Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council which constitutes the accounting authority.
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to

events or conditions that may cast significant doubt on the QCTO's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

## REPORT OF THE COUNCIL

The Council submit their report for the year ended 31 March 2017.

### 1. INCORPORATION

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

### 2. REVIEW OF ACTIVITIES

#### Main business and operations

The QCTO has been established in order to accommodate the unique learning requirements for building occupational competence. The QCTO is responsible for Occupational Qualifications development and monitoring. Both the National Qualifications Framework Act, No 67 of 2008 and the Skills Development Act, No 97 as amended in 2008 outline the functions of the QCTO.

Net surplus of the entity was R11 150 000 (2016: deficit of R9 403 000). The prior year deficit was mainly as a result of non cash items i.e Depreciation and amortisation expenses and Provisions additions. The overall spending is in line with the revised budget, due to approved cash surplus.

### 3. SUBSEQUENT EVENTS

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

### 4. COUNCIL MEMBERS' INTEREST

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

### 5. ACCOUNTING AUTHORITY

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

Name	Changes
Prof Peliwe Lolwana (Chairperson)	
Mr Vijayen Naidoo (Chief Executive Officer)	Appointed 01 June 2017
Prof Narend Baijnath	
Dr Tholsia Naidoo	
Mr Gordon Louw	
Mr Moeketsi Rakgosi	
Mr Ntsie Malao	
Mr Thabo Mashongoane	
Mr Willy Eduard Matthiae	
Ms Mariane Tsoeu	
Ms Gerda Magnus	
Dr Mafu S Rakometsi	
Mr Joe Samuels	
Ms Stella Ruth Carthy	
Mr Amon Teteme	
Ms Joyce Mashabela (Chief Executive Officer)	Contract expired on the 31 March 2017

**REPORT OF THE COUNCIL****6. SECRETARY**

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

Business address    256 Glynn Street Hatfield  
Pretoria  
0083

Postal address      Private Bag X278  
Pretoria  
0001

**7. MEMBER AND EXECUTIVE MANAGERS EMOLUMENTS**

	<b>Total fees 2017 R</b>	<b>Total fees 2016 R</b>
<b>Council Members</b>		
Prof Peliwe Lolwana (Chairperson)	44 361	50 497
Mr Gordon Louw	40 197	38 670
Mr Amon Teteme	35 029	31 133
Ms Stella Ruth Carthy	37 299	42 953
Mr Willy Mathiae	3 763	6 633
Mr Moeketsi Rakgosi	26 449	29 752
Mr Ntsie Malao	47 854	49 052
Dr Tholsia Naidoo	38 076	38 712
	<b>273 028</b>	<b>287 402</b>

Council Members employed in the public sector are not remunerated.



**REPORT OF THE COUNCIL**

<b>Names</b>	<b>Designation</b>	<b>Appointment date</b>	<b>Basic salary R</b>	<b>Service/ Performance Bonuses R</b>	<b>Pension R</b>	<b>Total package 2016 R</b>	<b>Total package 2016 R</b>
<b>Executive Management</b>							
Ms J Mashabela**	Chief Executive Officer	01-Apr-12	1 170 643	100 944	118 146	1 389 733	1 316 290
Mr TM Lata	Chief Director: OQM	15-Oct-12	1 026 946	53 701	97 150	1 177 797	1 094 084
Mr VD Naidoo	Chief Director: OQA	01-Feb-14	929 374	112 145	99 292	1 140 811	1 111 946
Ms N Madilonga-Khondowe	Chief Financial Officer	09-Nov-12	1 026 946	53 701	97 150	1 177 797	1 141 645
Ms A Solomon	Director: Governance	10-Apr-86	812 846	124 032	82 007	1 018 885	956 752
Mr I Gumbochuma	Director: Finance and Procurement	12-Aug-13	841 277	-	79 601	920 878	929 706
Mr S Mkhonza	Director: OQM	01-Jan-98	800 827	67 204	67 212	935 243	914 126
Ms B Langa Mtintsilana	Director: OQA	01-Apr-12	796 565	95 135	85 056	976 756	941 743
Ms AJ Van Rensburg	Director: Certification	01-Oct-14	777 194	120 889	78 436	976 519	864 475
Mr T Ramhewa	Director: Information Technology	01-Jan-16	824 813	-	82 572	907 385	216 044
			<b>9 007 431</b>	<b>727 751</b>	<b>886 622</b>	<b>10 621 804</b>	<b>9 486 811</b>

\*\* Ms J Mashabela contract expired on 31 March 2017.

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

	Note(s)	2017 R'000	2016 R'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	13 330	7 960
Receivables from exchange transactions	3	680	269
Receivables from non-exchange transactions	4	36	2
		<b>14 046</b>	<b>8 231</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	7 636	6 360
Intangible assets	7	193	11
		<b>7 829</b>	<b>6 371</b>
<b>Total Assets</b>		<b>21 875</b>	<b>14 602</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	8	1 645	5 294
Operating lease liability	21	1 005	1 348
Provisions	9	2 960	2 844
		<b>5 610</b>	<b>9 486</b>
<b>Total Liabilities</b>		<b>5 610</b>	<b>9 486</b>
<b>Net Assets</b>		<b>16 265</b>	<b>5 115</b>

**STATEMENT OF FINANCIAL PERFORMANCE**

	Note(s)	2017 R'000	2016 R'000
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rendering of services		2 078	178
Other income		1	998
Interest received - investment		1 862	1 377
<b>Total revenue from exchange transactions</b>		<b>3 941</b>	<b>2 553</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer from other government entities</b>			
Government grants and subsidies		83 736	61 848
Transfer from other government entities		-	356
<b>Total revenue from non-exchange transactions</b>		<b>83 736</b>	<b>62 204</b>
<b>Total revenue</b>	17	<b>87 677</b>	<b>64 757</b>
<b>Expenses</b>			
Personnel	19	(43 019)	(38 440)
Depreciation and amortisation	6&7	(2 110)	(2 592)
Transfer payments		-	(356)
Administrative Expenses	18	(31 398)	(32 772)
<b>Total expenses</b>		<b>(76 527)</b>	<b>(74 160)</b>
<b>Surplus (Deficit) for the period</b>		<b>11 150</b>	<b>(9 403)</b>

**STATEMENT OF CHANGES IN NET ASSETS**

	<b>Accumulated surplus R'000</b>	<b>Total net assets R'000</b>
<b>Balance at 31 March 2015</b>	<b>14 518</b>	<b>14 518</b>
Deficit for the period	(9 403)	(9 403)
Total changes	(9 403)	(9 403)
<b>Balance at 31 March 2016</b>	<b>5 115</b>	<b>5 115</b>
Surplus for the period	11 150	11 150
Total changes	11 150	11 150
<b>Balance at 31 March 2017</b>	<b>16 265</b>	<b>16 265</b>

**CASH FLOW STATEMENT**

	Note(s)	2017 R'000	2016 R'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		1 729	90
Grants		83 700	62 204
Interest received		1 809	1 356
Other receipts		-	998
		<b>87 238</b>	<b>64 648</b>
<b>Payments</b>			
Employee costs		(40 766)	(35 544)
Suppliers		(37 525)	(30 884)
		(78 291)	(66 428)
<b>Net cash flows from operating activities</b>	10	<b>8 947</b>	<b>(1 780)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(3 352)	(724)
Purchase of intangible assets	7	(225)	-
<b>Net cash flows from investing activities</b>		<b>(3 577)</b>	<b>(724)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5 370</b>	<b>(2 503)</b>
Cash and cash equivalents at the beginning of the period		7 960	10 463
<b>Cash and cash equivalents at the end of the period</b>	5	<b>13 330</b>	<b>7 960</b>



**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Approved budget R'000	Adjustments R'000	Final Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Ref.
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rendering of services	-	-	-	1 729	1 729	1
Interest received - investment	-	-	-	1 809	1 809	2
<b>Total revenue from exchange transactions</b>	-	-	-	<b>3 538</b>	<b>3 538</b>	
<b>Transfers from other entities</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	83 736	7 960	91 696	83 700	(7 996)	3
<b>Total revenue</b>	<b>83 736</b>	<b>7 960</b>	<b>91 696</b>	<b>87 238</b>	<b>(4 458)</b>	
<b>Expenses</b>						
Personnel	(44 640)	-	(44 640)	(40 766)	3 874	4
General Expenses	(35 474)	(7 960)	(43 434)	(37 525)	5 909	5
<b>Total expenses</b>	<b>(80 114)</b>	<b>(7 960)</b>	<b>(88 074)</b>	<b>(78 291)</b>	<b>9 783</b>	
<b>Surplus(Deficit) for the period</b>	<b>3 622</b>	<b>-</b>	<b>3 622</b>	<b>8 947</b>	<b>5 325</b>	
<b>Statement of Financial Position Assets</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	(3 122)	-	(3 122)	(3 352)	(230)	6
Intangible assets	(500)	-	(500)	(225)	275	7
<b>Total Assets</b>	<b>(3 622)</b>	<b>-</b>	<b>(3 622)</b>	<b>(3 577)</b>	<b>45</b>	
<b>Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 370</b>	<b>5 370</b>	

## Reference

- 1) The amount relates to certification and verification services that was introduced during prior year which was not budgeted for in the current financial year.
- 2) The majority of interest was earned from excess funds saved in the ABSA account. Initially QCTO did not anticipate the excess funds during the year.
- 3) The difference is due to approved rollovers of accumulated surplus that formed part of the 2016/2017 approved budget.
- 4) The spending on personnel expenditure was below the budget due to the high number of resignations in the current financial year.
- 5) This was due to cost containment measures on expenditure items such as catering and travelling.
- 6) The capital expenditure budget was over spent as additional office space acquired created a need to add more assets .
- 7) The spending on computer software was less than anticipated as it was sourced directly from the developer.

## ACCOUNTING POLICIES

### 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

#### 1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the entity.

#### 1.2 Going concern assumption

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

#### 1.3 Offsetting

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

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

In the application of the QCTO accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and

liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Trade receivables

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

#### Impairment testing

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

#### Provisions

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

#### Property, plant and equipment

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

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

## ACCOUNTING POLICIES (CONT.)

- Technical or commercial obsolescence arising from changes or improvement in production or from a change in the market demand for the product or service output of the asset; and;
- Exit policy of the entity.

### 1.5 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 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.

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

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

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

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

## ACCOUNTING POLICIES (CONT.)

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

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

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

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

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

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

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or

- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

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

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

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

## ACCOUNTING POLICIES (CONT.)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	2 Years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

Intangible assets are derecognised:

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

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

### 1.7 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount,

and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

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

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

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



## ACCOUNTING POLICIES (CONT.)

when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities.

A residual interest includes contributions from owners, which may be shown as:

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

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

### Initial recognition

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

The entity recognises financial assets using trade date accounting.

## ACCOUNTING POLICIES (CONT.)

### Initial measurement of financial assets and financial liabilities

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

### Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

### Derecognition

#### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity will continue to recognise the transferred asset in its entirety

## ACCOUNTING POLICIES (CONT.)

and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

### Financial liabilities

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.8 Leases

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

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

#### Operating leases - lessee

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

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

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset

generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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

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

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

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

## ACCOUNTING POLICIES (CONT.)

### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease. When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

### 1.10 Employee benefits

Employee benefits are all forms of consideration given by QCTO in exchange for service rendered by employees. Short-term employee benefits Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

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

- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

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

### 1.11 Provisions and contingencies

Provisions are recognised when:

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

## ACCOUNTING POLICIES (CONT.)

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

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.

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

### 1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.13 Revenue from exchange transactions

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

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### Interest

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

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

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

### 1.14 Revenue from non-exchange transactions

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

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

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

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

## ACCOUNTING POLICIES (CONT.)

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

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

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

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

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

### Recognition

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

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

### Measurement

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

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

### Transfers

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

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

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



## ACCOUNTING POLICIES (CONT.)

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

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

### 1.15 Investment income

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

### 1.16 Commitments

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

### 1.17 Comparative figures

Budget information in accordance with GRAP 24 has been provided in the Statement of Comparison of Budget Against Actual Amounts for the current financial year only, and forms part of the audited annual financial statements. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.19 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.

### 1.20 Irregular expenditure

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

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

## ACCOUNTING POLICIES (CONT.)

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.21 Budget information

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

The approved budget covers the fiscal period from 01 April 2016 to 31 March 2017.

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

### 1.22 Related parties

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

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

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

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

### 1.23 Events after reporting date

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

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

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

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-

## ACCOUNTING POLICIES (CONT.)

adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.24 Changes in accounting policies, estimates and errors

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise.

The entity changes an accounting policy only if the change:

- Is required by a standard of GRAP; or
- Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions, on the performance or cash flow.

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the Annual Financial Statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 2. NEW STANDARDS AND INTERPRETATIONS

#### 2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 32 Service Concession Arrangements: Grantor	01 April 2016	Unlikely there will be a material impact
• GRAP 108 Statutory Receivables	01 April 2016	Unlikely there will be a material impact
• IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2017	Unlikely there will be a material impact

### 3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2017 R'000	2016 R'000
Trade debtors	437	88
Deposits	50	50
Accrued income	74	21
Prepaid expenses	119	110
	<b>680</b>	<b>269</b>

The deposit was paid as a requirement of fuel account with the service provider for refuelling of QCTO rented vehicles. The prepaid expenses is as a result of insurance premium cover for the period from 01 March 2017 to February 2018. Trade debtors relates mainly to certification services which were introduced at the beginning of the financial year.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2017</b> <b>R '000</b>	<b>2016</b> <b>R '000</b>
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**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Fines	-	2
Government grants and subsidies	36	-
	<b>36</b>	<b>2</b>

The government grants and subsidies debtor was as a result of non-payment of the SETA grant levy by PSETA.

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

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

1 month past due	-	2
12 months past due	36	-

**5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:		
Bank balances	12 536	7 222
Short-term deposits	794	738
	<b>13 330</b>	<b>7 960</b>

As required in Treasury Regulation 31.2, National Treasury approved the banks where the QCTO bank accounts are held. The weighted average interest rate on short term bank deposits was approximately 7.3% for the financial year (2016 : 6.8%).

Cash includes cash with ABSA bank. Cash equivalents are short term, highly liquid investments that are held with the Corporation for Public Deposits (CPD) - SARB with maturities of three months or less and that are subject to an insignificant risk of change in value.

For purposes of the Cash Flow Statement, cash and cash equivalents comprises of cash on hand, deposits held at call with CPD, net of bank overdrafts.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****6. PROPERTY, PLANT AND EQUIPMENT**

	2017			2016		
	Cost / Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000
Computer equipment	4 016	(3 070)	946	4 122	(2 947)	1 175
Furniture and fittings	4 771	(1 664)	3 107	4 283	(1 134)	3 149
Leasehold improvements	5 118	(2 195)	2 923	2 890	(1 346)	1 544
Motor vehicles	400	(228)	172	400	(148)	252
Office equipment	1 057	(569)	488	733	(493)	240
<b>Total</b>	<b>15 362</b>	<b>(7 726)</b>	<b>7 636</b>	<b>12 428</b>	<b>(6 068)</b>	<b>6 360</b>

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

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Computer equipment	1 175	247	(7)	(469)	946
Furniture and fittings	3 149	487	-	(529)	3 149
Leasehold improvements	1 544	2 228	-	(849)	2 923
Motor vehicles	252	-	-	(80)	172
Office equipment	240	390	(1)	(141)	488
	<b>6 360</b>	<b>3 352</b>	<b>(8)</b>	<b>(2 068)</b>	<b>7 636</b>



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****6. PROPERTY, PLANT AND EQUIPMENT (cont.)****Reconciliation of property, plant and equipment - 2016**

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Computer equipment	1 963	403	(1 191)	1 175
Furniture and fittings	3 386	253	(490)	3 149
Leasehold improvements	2 119	-	(575)	1 544
Motor vehicles	333	-	(81)	252
Office equipment	371	68	(199)	240
	<b>8 172</b>	<b>724</b>	<b>(2 536)</b>	<b>6 360</b>

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

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

**7. INTANGIBLE ASSETS**

	2017			2016		
	Cost / Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000	Cost / Valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000
Computer software	333	(140)	193	145	(134)	11

**Reconciliation of intangible assets - 2017**

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Computer software	11	225	(1)	(42)	193

**Reconciliation of intangible assets - 2016**

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Computer software	69	-	(58)	11

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2017 R'000</b>	<b>2016 R'000</b>
--	-----------------------	-----------------------

**8. PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade payables	1 160	888
Accrued expenses	485	4 406
	<b>1 645</b>	<b>5 294</b>

**9. PROVISIONS****Reconciliation of provisions - 2017**

	<b>Opening balance R'000</b>	<b>Additions R'000</b>	<b>Utilised during the year R'000</b>	<b>Total R'000</b>
Leave pay provision	1 208	498	(155)	1 551
Bonus provision	1 636	1 756	(1 983)	1 409
	<b>2 844</b>	<b>2 254</b>	<b>(2 138)</b>	<b>2 960</b>

**Reconciliation of provisions - 2016**

	<b>Opening balance R'000</b>	<b>Additions R'000</b>	<b>Utilised during the year R'000</b>	<b>Total R'000</b>
Leave pay provision	784	800	(376)	1 208
Bonus provision	1 253	2 096	(1 713)	1 636
	<b>2 037</b>	<b>2 896</b>	<b>(2 089)</b>	<b>2 844</b>

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2017</b>	<b>2016</b>
	<b>R '000</b>	<b>R '000</b>

**10. CASH (USED IN) GENERATED FROM OPERATIONS**

Surplus/ (Deficit)	11 150	(9 403)
<b>Non-cash movements:</b>		
Depreciation	2 110	2 592
Loss on sale of plant and equipment	-	-
Movements in operating lease assets and accruals	(343)	455
Movements in provisions	116	807
Accrued Income	(74)	(21)
Other non-cash items	48	-
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(411)	193
Payables from exchange transactions	(3 649)	3 598
	<b>8 947</b>	<b>(1 780)</b>

**11. COMMITMENTS****Approved and contracted commitments**

Current expenditure	1 469	5 340
Capital expenditure	160	39
	<b>1 629</b>	<b>5 379</b>

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

**Operating leases - as lessee (expense)****Minimum lease payments due**

- within one year	7 401	7 106
- in second to fifth year inclusive	33 809	12 634
- later than five years	15 670	-
	<b>56 880</b>	<b>19 740</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 11. COMMITMENTS (cont.)

The QCTO leases 5 photocopy machines from Konica Minolta for a period of 36 months, effective from 01 December 2013 and 1 February 2015 respectively. The monthly lease payments are R7 713 and R12 166 respectively with no annual escalation. The organisation is also expected to pay 5.37 cents per page for black copy and 30.43 cents per page for colour copy during the duration of the contract.

The QCTO extended its original 5 years lease agreement for office space and parking with Luzomix (Pty) Ltd by further 5 years effectively from 1 November 2018. The current lease is set to expire in 31 October 2018, however got amended with a new escalation rate of 6.25% from the initial 8% for the remaining period. The new lease as extended also continue with the annual escalations at fixed reduced rate of 6.25% from the previous rate of 8% per annum. The monthly lease payment for office space is R503 182 and R88 490 for parking respectively with an escalation of 5% per annum.

### 12. FINANCIAL INSTRUMENTS DISCLOSURE

#### Categories of financial instruments

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

#### 2017

##### Financial assets

	At fair value R'000	At amortised cost R'000	Total R'000
Receivables from exchange transactions	680	-	680
Receivables from non-exchange transactions	36	-	36
Cash and cash equivalents	13 330	-	13 330
	<b>14 046</b>	<b>-</b>	<b>14 046</b>

##### Financial liabilities

	At fair value R'000	At amortised cost R'000	Total R'000
Payables from exchange transactions	1 645	-	1 645

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****12. FINANCIAL INSTRUMENTS DISCLOSURE (cont.)****2016****Financial assets**

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

**Financial liabilities**

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

**Financial instrument risk**

In the course of the QCTO operations it is exposed to market, interest rate, credit, and liquidity risk. As a Schedule 3A Public Entity, QCTO's Council approved the Risk Management Policy in May 2013. The agreed Risk Management Framework and Strategy was available in the QCTO and has been implemented.

**Market risk*****Foreign exchange risk***

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

***Price risk***

The QCTO is not exposed to price or commodity price risk as they do not carry any investments. Cash includes cash with commercial banks. These cash equivalents are subject to an insignificant risk of change in value.

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

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****12. FINANCIAL INSTRUMENTS DISCLOSURE (cont.)**

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

	<b>Effective interest rate R'000</b>	<b>Subject to interest rate movement: Floating R'000</b>	<b>Non-interest bearing R'000</b>	<b>Total R'000</b>
<b>31 March 2017</b>				
<b>Current financial assets</b>				
Cash and cash equivalents	7.3%	13 330	-	13 330
Receivable from exchange transactions	N/A	-	680	680
	<b>7.30%</b>	<b>13 330</b>	<b>680</b>	<b>14 010</b>
<b>Current financial liabilities</b>				
Payables from exchange transactions	N/A	-	1 645	1 645
	<b>-</b>	<b>-</b>	<b>1 645</b>	<b>1 645</b>
<b>31 March 2016</b>				
<b>Current financial assets</b>				
Cash and cash equivalents	6.80%	7 960	-	7 960
Receivable from exchange transactions	N/A	-	269	269
	<b>-</b>	<b>7 960</b>	<b>269</b>	<b>8 229</b>
<b>Current financial liabilities</b>				
Payables from exchange transactions	N/A	-	5 294	5 294
	<b>-</b>	<b>-</b>	<b>5 294</b>	<b>5 294</b>

**Credit risk**

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

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

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



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****12. FINANCIAL INSTRUMENTS DISCLOSURE (cont.)**

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

	<b>Rated R'000</b>	<b>Non-rated R'000</b>	<b>Total R'000</b>
<b>2017</b>			
Cash and cash equivalents	13 330	-	13 330
Receivable from exchange transactions	680	-	680
	<b>14 010</b>	<b>-</b>	<b>14 010</b>
<b>2016</b>			
Cash and cash equivalents	7 960	-	7 960
Receivable from exchange transactions	269	-	269
	<b>8 229</b>	<b>-</b>	<b>8 229</b>

**Liquidity risk**

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

Forecast liquidity reserve as of 31 March 2017 is as follows:

	<b>2018 R'000</b>	<b>2019 R'000</b>	<b>2020 R'000</b>
Opening balance for the period	13 330	-	-
Operating proceeds	95 320	134 579	171 865
Operating outflow	(108 650)	(134 579)	(171 865)
<b>Closing balance for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****12. FINANCIAL INSTRUMENTS DISCLOSURE (cont.)**

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

	<b>Less than 1 year R'000</b>	<b>Total R'000</b>
<b>31 March 2017</b>		
Payables from exchange transactions	1 645	1 645
<b>31 March 2016</b>		
Payables from exchange transactions	5 294	5 294

**13. CONTINGENCIES**

The following contingent liabilities exist:

	<b>Less than 1 year R'000</b>	<b>Total R'000</b>
Retention of accumulated surplus	-	7 960

The QCTO disclosed a nil retention of the accumulated surplus funds for the 2016/17 financial year in terms of section 53 (3) of the PFMA from National Treasury. Nil disclosure was arrived at after deducting commitments and liabilities from the cash and cash equivalents at year end.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 14. RELATED PARTIES

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

#### Relationships

##### Department

Department of Higher Education and Training (DHET)

##### Entities under the department

National Skills Fund (NSF)

Agriculture Sector Education and Training Authority (AGRISSETA)

Banking Sector Education and Training Authority (BANKSETA)

Culture, Arts, Tourism, Hospitality and Sports

Educational and Training Authority (CATHSSETA)

Chemical Industries Education and Training Authority (CHIETA)

Construction Education and Training Authority (CETA)

Education, Training and Development Practices (ETDP)

Energy Sector Education and Training Authority (EWSETA)

Financial and Accounting Services Sector Education and Training Authority (FASSET)

Food and Beverages Manufacturing Industry Sector Education and Training Authority (FOODBEV)

Fibre Processing Manufacturing Sector Education and Training Authority (FP&M SETA)

Health and Welfare Sector Education and Training Authority (HWSETA)

Insurance Sector Education and Training Authority (INSETA)

Local Government Sector Education and Training Authority (LGSETA)

Media, Advertising, Information and Communication Technologies Sector Education and Training Authority (MICT)

Mining Qualifications Authority (MQA)

Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA)

Public Service Sector Education and Training Authority (PSETA)

Safety and Security Sector Education and Training Authority (SASSETA)

Services Sector Education and Training Authority (SERVICES)

Transport Education and Training Authority (TETA)

Wholesale and Retail Sector Education and Training Authority (W&RSETA)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****14. RELATED PARTIES (cont.)****Key management information**

Refer to pages 4 to 6

**Related party balances****Related party transactions**

	<b>2017 R'000</b>	<b>2016 R'000</b>
AGRISETA	1 630	1 065
ETDP SETA	1 971	1 334
MERSETA	7 041	4 762
EWSETA	1 181	805
FASSET	2 175	1 689
W&RSETA	4 574	3 151
FP&MSETA	1 804	1 125
TETA	3 164	2 164
FOODBEV SETA	1 555	1 010
SERVICE SETA	7 890	5 118
MICT SETA	3 730	2 444
CATHSETA	1 520	1 040
HWSETA	2 036	1 214
MQA	5 265	3 627
CETA	3 008	1 928
INSETA	2 107	1 365
SASSETA	1 230	864
CHIETA	2 456	1 629
LGSETA	2 646	1 656
BANKSETA	3 579	2 010
PSETA	36	-
	<b>60 598</b>	<b>40 000</b>
<b>Transfer from Department of Higher Education and Training</b>		
DHET	23 138	21 848
<b>Total Government grants and subsidies received</b>	<b>83 736</b>	<b>61 848</b>
<b>Other transfer</b>		
NSF	-	356

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****15. DEFINED CONTRIBUTION PLAN**

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

The QCTO's liability is limited to its contributions made. There are 52 employees who are members of the GEPF in which the QCTO's contribution is 13% of pensionable emoluments.

	<b>2017 R'000</b>	<b>2016 R'000</b>
Contributions for the year included in employee cost	2 816	2 670

**16. IRREGULAR EXPENDITURE****Reconciliation of irregular expenditure**

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

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

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

**Details of irregular expenditure****Irregular Expenditure incurred:**

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

**Condonement of irregular expenditure:**

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2017 R'000</b>	<b>2016 R'000</b>
--	-----------------------	-----------------------

**17. REVENUE**

Rendering of services**	2 078	178
Other income	1	998
Interest received - investment	1 862	1 377
Government grants & subsidies	83 736	61 848
Conditional Grant (NSF)	-	356
	<b>87 677</b>	<b>64 757</b>

\*\*Rendering of service include an amount of R1 780 000 received for certification services that was introduced at the beginning of the financial year.

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

Rendering of services	2 078	178
Other income	1	998
Interest received - investment	1 862	1 377
	<b>3 941</b>	<b>2 553</b>

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

Government grants & subsidies	83 736	61 848
Conditional grant (NSF)	-	356
	<b>83 736</b>	<b>62 204</b>



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2017 R'000</b>	<b>2016 R'000</b>
<b>18. ADMINISTRATIVE EXPENSES</b>		
Advertising	244	331
Audit fees - Internal	622	553
Audit fees - External	550	811
Bank charges	21	21
Cleaning	754	283
Consulting and professional fees	6 897	8 104
Office Plants	145	131
Insurance	161	146
Conferences and workshops	1 393	1 481
IT expenses	2 738	2 860
Lease rentals on operating lease	7 000	6 964
Motor vehicle expenses	4	1
Loss on scrapping of assets	8	-
Legal fees	76	382
Postage and courier	59	38
Printing and stationery	1 544	1 362
Secretarial fees	-	136
Security Expenses	39	28
Staff welfare and refreshments	77	51
Subscriptions and membership fees	100	7
Telephone, internet and fax	223	216
Training	59	295
Travel, subsistence and accomodation Local	4 729	4 370
Electricity	1 916	1 503
Council & Committees Remuneration	950	717
Repairs and maintenance	879	1 342
Recruitment costs and temporary staff	97	581
Other expenses	113	59
	<b>31 398</b>	<b>32 772</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2017</b> <b>R '000</b>	<b>2016</b> <b>R '000</b>
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**19. PERSONNEL**

<b>Salaries and wages</b>	<b>40 766</b>	<b>35 544</b>
Basic	29 584	25 385
UIF	155	141
SDL	379	329
Defined contribution plans	2 816	2 670
Housing benefits and allowances	316	307
Bargaining council	28	-
Medical aid - company contributions	481	440
Other benefits	7 006	6 272
<b>Non-cash items</b>	<b>2 254</b>	<b>2 896</b>
Provision for bonus	1 756	2 096
Leave pay provision	498	800
	<b>43 019</b>	<b>38 440</b>

**20. BUDGET DIFFERENCES****Differences between budget and actual amounts basis of preparation and presentation**

The budget/cash and the accrual accounting bases of preparation and presentation of the Annual Financial Statements differ.

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

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

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2017</b> <b>R '000</b>	<b>2016</b> <b>R '000</b>
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**21. OPERATING LEASE LIABILITY**

Operating lease liabilities

(1 005)

(1 348)

The operating lease liabilities was a result of the difference between the payments made up to 31 March 2017 on a straightline basis calculated over the lease period and actual payments made.

**22. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

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

**Conditional grants and receipts comprises of:****Movement during the year**

Balance at the beginning of the year

-

(302)

Additions during the year

-

658

Income recognition during the year

-

(356)

**23. CHANGES IN ESTIMATE****Property, plant and equipment**

The useful life of certain computer equipment and office equipment were estimated in 2013 and 2014 to be 3 years. In the current period management have revised their estimates to 5 years for computer equipment and office equipment. The effect of this revision has reduced the current year depreciation and increased the depreciation for the future periods by R521 243 for computer equipment and R 107 854 for Office equipment.

## NOTES

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