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Higher Education Conference 2017

UNIVERSITIES SOUTH AFRICA

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The economics of #FeesMustFall

Economic challenges to accessing tertiary education and providing tuition-free universities in South Africa

Christie Viljoen

27 March 2017

Agenda

United Nations Sustainable Development Goals

Google Trends: Fees Must Fall

Why are we talking about economics today?

Why has tertiary education become so expensive?

Why can’t we afford free tertiary education?

Lessons learned from abroad

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United Nations Sustainable Development Goals

What are we talking about today?

Sources: United Nations, KPMG research

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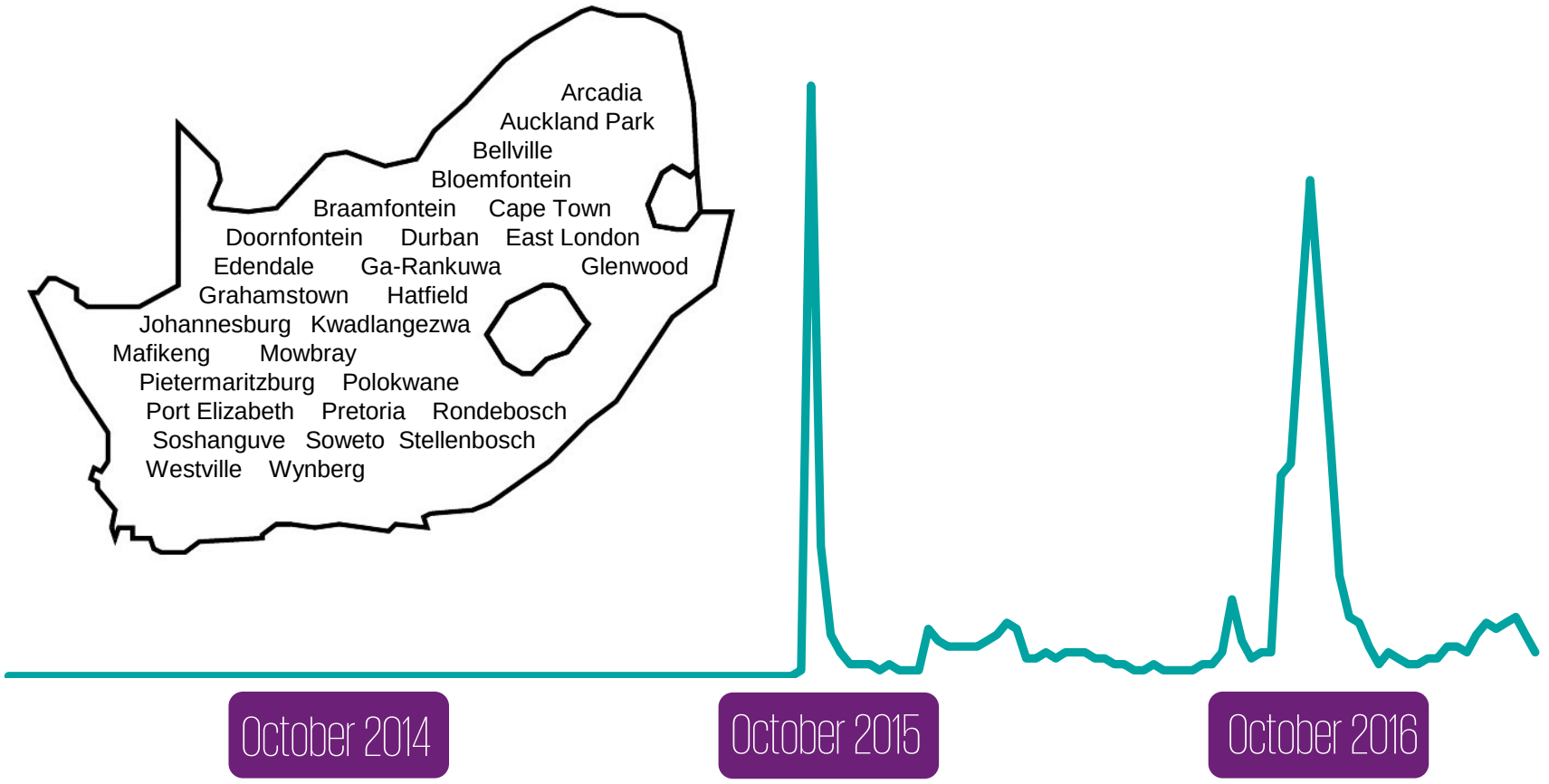
Google Trends: Fees Must Fall

Peaks and troughs in popularity of internet searches



Sources: Google Trends, Armed Conflict Location and Event Data Project (ACLED), KPMG research

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Why are we talking about economics today?

Because our economy needs well-educated people

According to a 2011 study in the Lahore Journal of Economics reviewing 40 developing countries over the period 1999 – 2007:

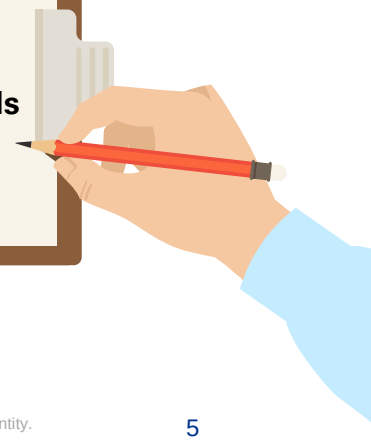
Education is the most significant contributor to poverty alleviation *by increasing employability.*

2006-2011

Unemployment rate amongst people with a **tertiary education** (age +25) 7%

Unemployment rate amongst people with **only a primary education** (age +25) 20%

The National Development Plan (NDP) 2030 requires the higher education industry to produce **graduates who have skills** to meet the current and future **needs of the economy**



Sources: StatsSA, KPMG research

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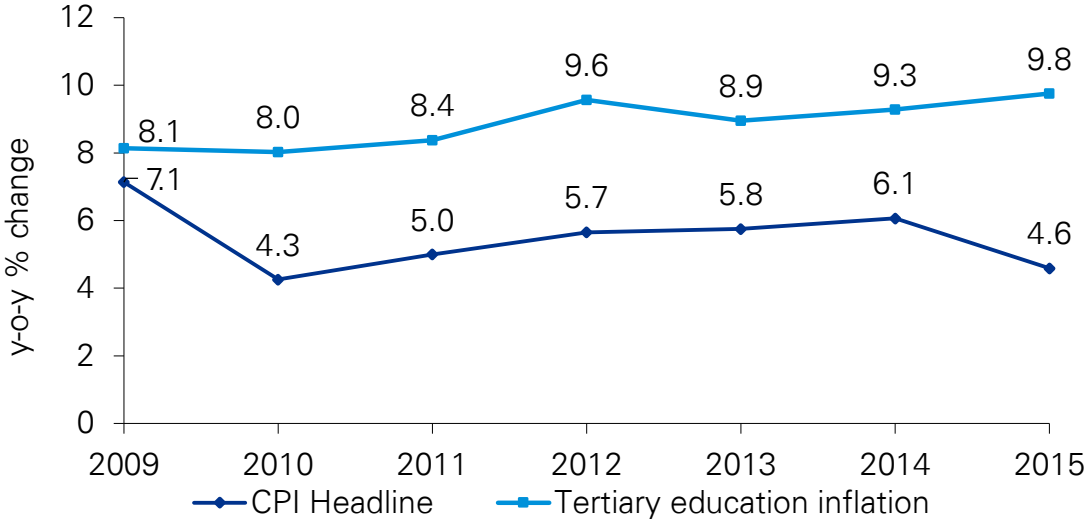
Why has tertiary education become so expensive?

Cost increases have outpaced headline inflation for many years



Consumer price inflation averaged 5.5% p.a. in 2009-16

Tertiary education fees climbed by average of nearly 9% p.a.

If household income were to keep pace with headline inflation, it would have increased by 45% since 2008, while the cost of tertiary education has increased by more than 80%

According to newly released research by the **University of the Free State (UFS),** the above-inflation increases in tertiary education costs are associated with 1) a **deteriorating exchange rate** significantly increasing the costs of imported textbooks, equipment and software, as well as 2) a **decline in private income earned by universities**.

Sources: StatsSA, University of the Free State, KPMG research

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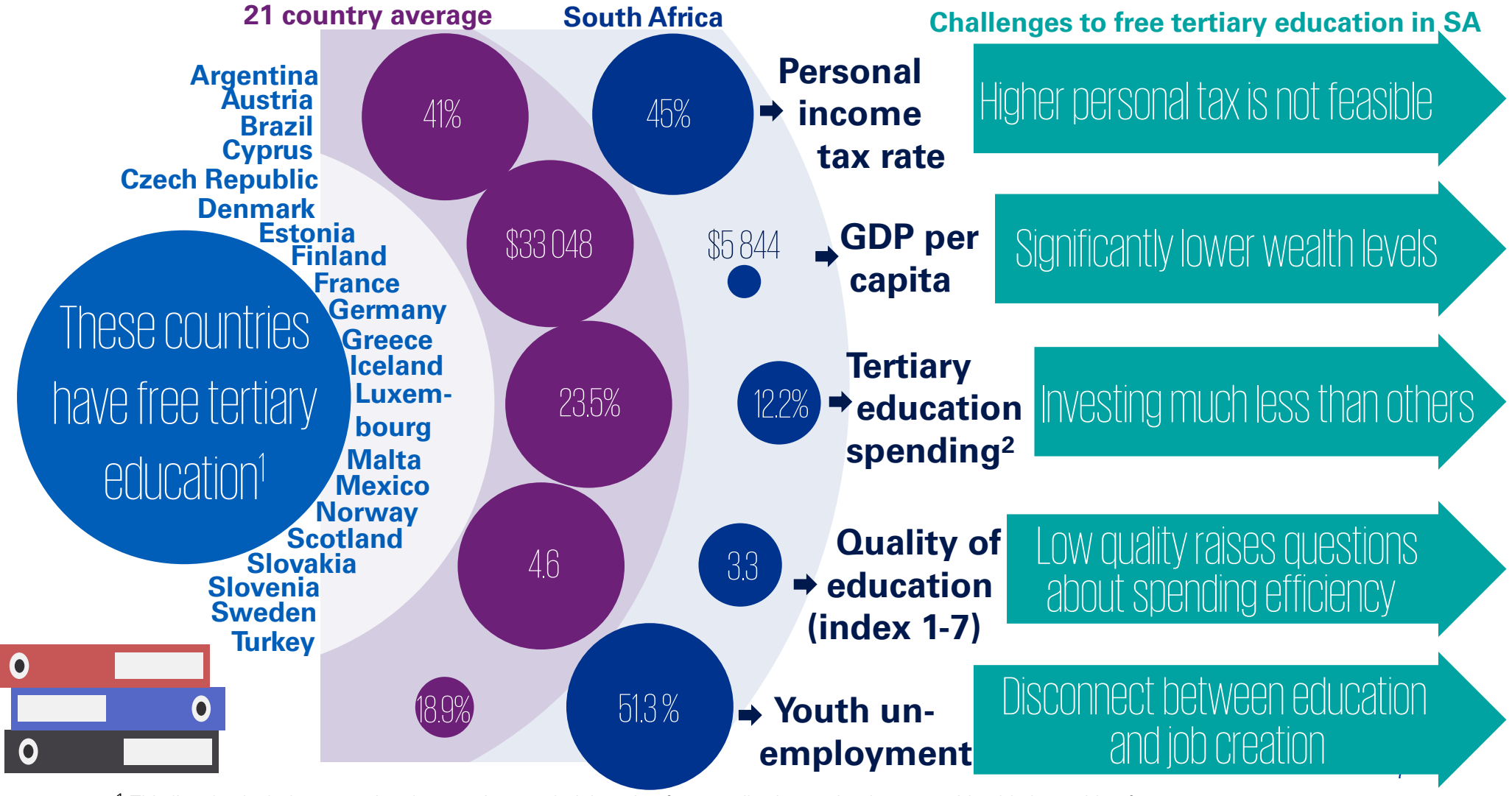
Why can't we afford free tertiary education?

Local economic context raises serious obstacles to financing



[1] This list also includes countries that require an administrative fee contribution or that have considerably low tuition fees

[2] Percentage of total government spending on education

Lessons learned from abroad

Experiences in countries with free (or almost) free tertiary education

Denmark

Financial stipend to cover living costs

Norway

No difference between families from different socio-economic backgrounds in terms of levels of state support

Austria

Tuition fee only applies for long term students, who study longer than the minimum amount of semesters

Czech Republic

Free of charge, if the language of instruction is Czech

Germany

Administration fees of approximately R2500 to R4000 a semester

Luxembourg

Foreign students also do not pay

Source: KPMG research

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Lessons learned from abroad (cont.)

Experiences in countries with free (or almost) free tertiary education

Brazil

Entry exams exclude the poor

Cyprus

Fees are charged for post graduate courses

Mexico

Institutions overfull

Slovakia

Fees are charged for courses in English or other foreign languages (varying between approximately R15 000 and R150 000).

Turkey

Half of students study free via state grants

Scotland

Students from other EU countries are also eligible

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christie.viljoen@kpmg.co.za

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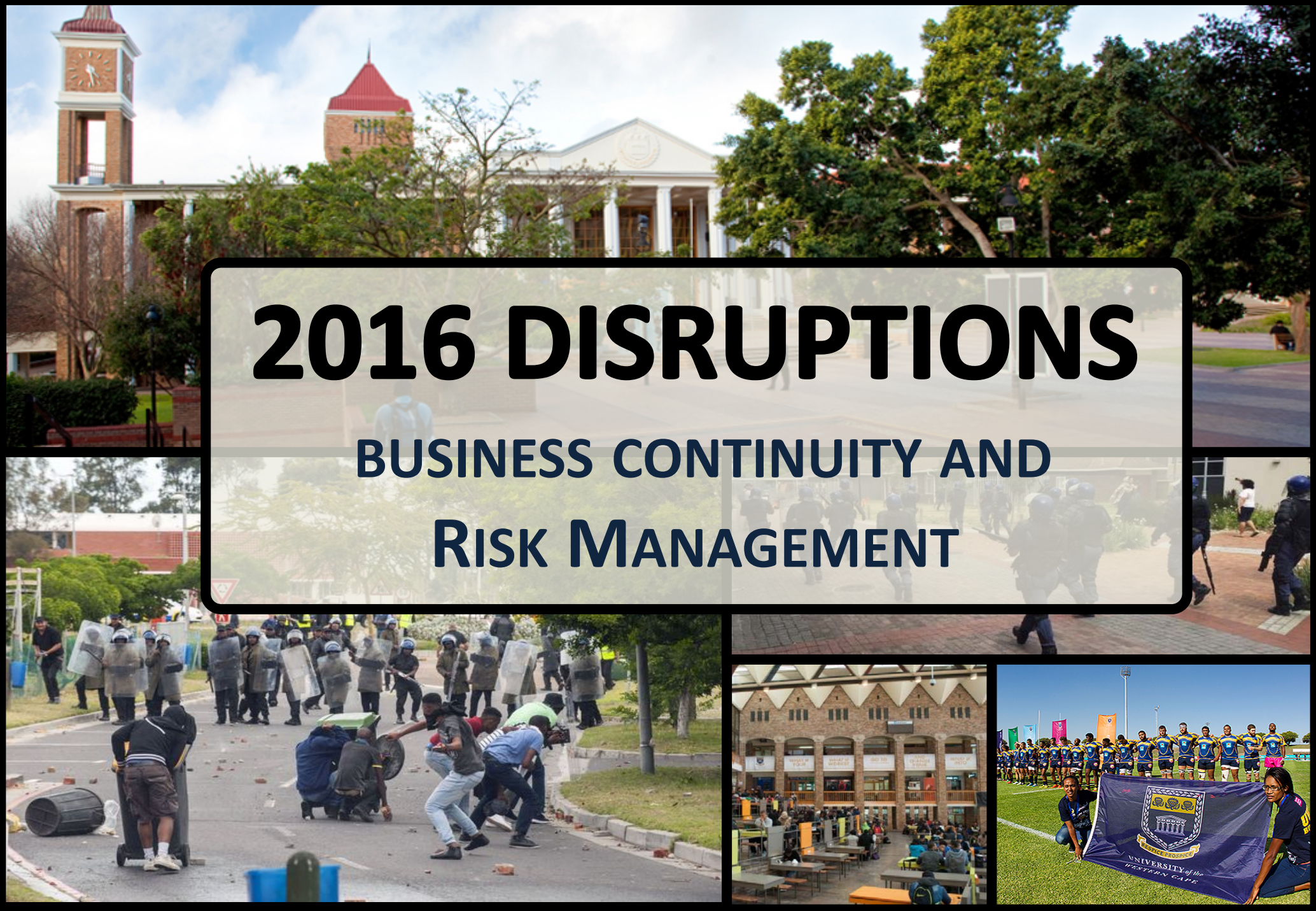

2016 DISRUPTIONS
BUSINESS CONTINUITY AND
RISK MANAGEMENT

FRAMEWORK

UNIVERSITY of the WESTERN CAPE

- BACKGROUND
- BUSINESS CONTINUITY PLANS
- TECHNOLOGY
- OPPORTUNITIES
- CHALLENGES
- LESSONS LEARNT

BACKGROUND

UNIVERSITY of the WESTERN CAPE

Disruptions began at the beginning of October 2016 resulting in a campus shut-down

Many modules had completed their syllabi

Exams scheduled to begin on 7 November 2016

Processes affected included completion of the syllabi, assessments and enrolment

BUSINESS CONTINUITY

UNIVERSITY of the WESTERN CAPE

- Plans developed in advance – every executive line
- Resources were identified and acquired; Venues pre-booked
- Communication strategy
- Evacuation plan
- Data/Disaster recovery plans

TECHNOLOGY: AN ENABLER

- Stable infrastructure
- Blended learning
- Online systems for queries, learning and teaching
- Contact Centre – relocation
- Registrar's hotline email
- Continuous assessment marks
- Round-robin decision-making
- Student portal

Opportunities: The New Normal

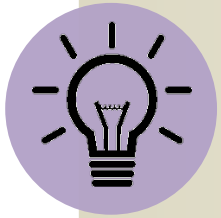
- Moderators from other institutions unavailable – recognised internal moderators from other faculties
- Blended learning; curriculum content discussions; assessment re-think
- Portal development/enhancement
- Innovative ways of completing business and processes - working from home

CHALLENGES

UNIVERSITY of the WESTERN CAPE

- Moral dilemma – support for the cause but resource challenges
- Exams – two sittings, then Supps, and SDAs
- Additional exam papers had to be set
- Logistics: Transport to and from venues
- PG – Science research on campus disrupted
- 2017 Registration – delayed
- Beginning of first term – delayed by three weeks
- Some SDAs and results overlapped with registration

LESSONS LEARNT



- Change is inevitable – embrace it!
- Team work essential
- Planning has to be done in advance
- Resilience and willingness of staff to go the extra mile
- All decisions to be made within the parameters of good governance
- Include all stakeholders in decision-making
- Incidence management team
- Communicate! Communicate! Communicate!

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THANK YOU

Nita Lawton-Misra

registrar@uwc.ac.za

CONCLUSION

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There's nothing like a jolly good disaster to get people to start doing something.
[Prince Charles]

Disaster mitigation... increases the self reliance of people who are at risk - in other words, it is empowering.
[Ian Davis]

Higher Education Conference

Financial Crime Update

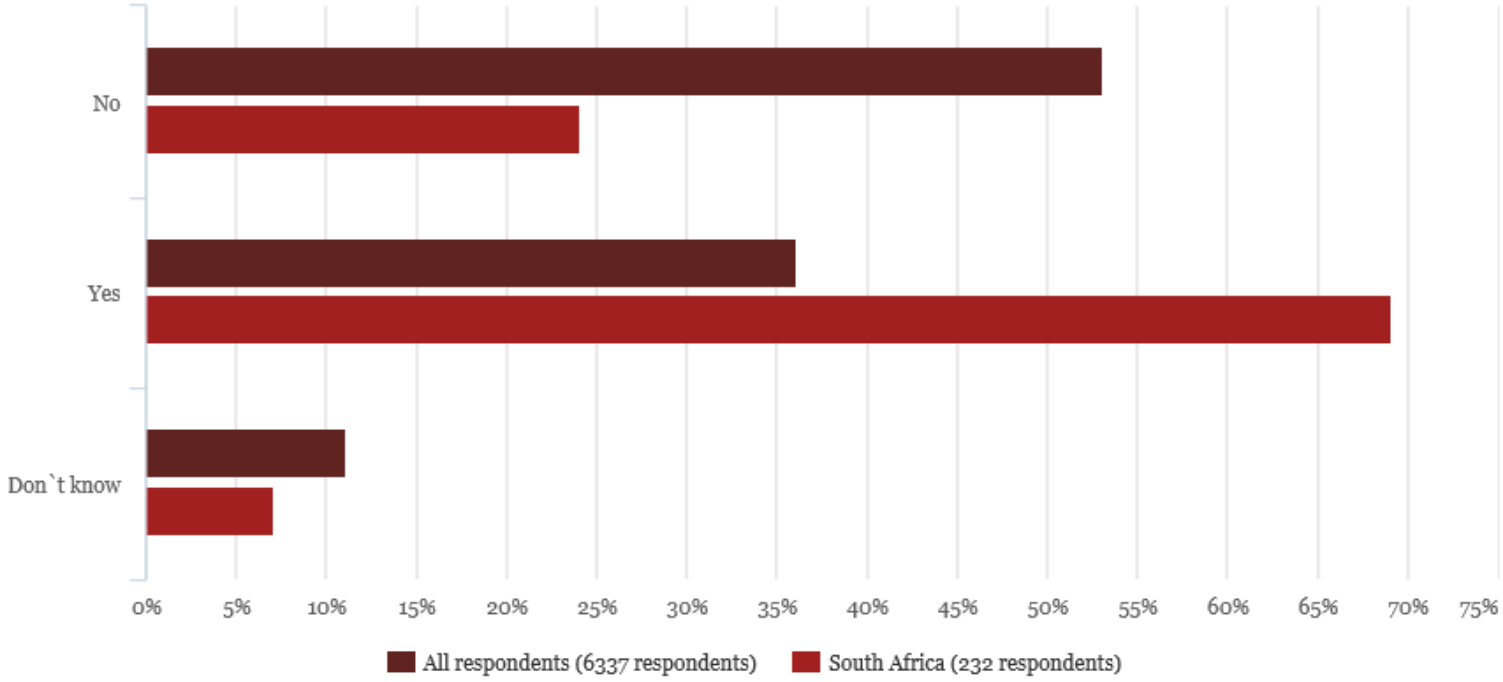
Roy Waligora
Partner – Forensic
KPMG

March 2017

Status of Financial Crime in SA

Has your organisation experienced any economic crime within the last 24 months?

Refine chart



Source: PwC's Global Economic Crime Survey 2016. Base: All respondents (6,337). Note: Not all respondents are represented in the chart above

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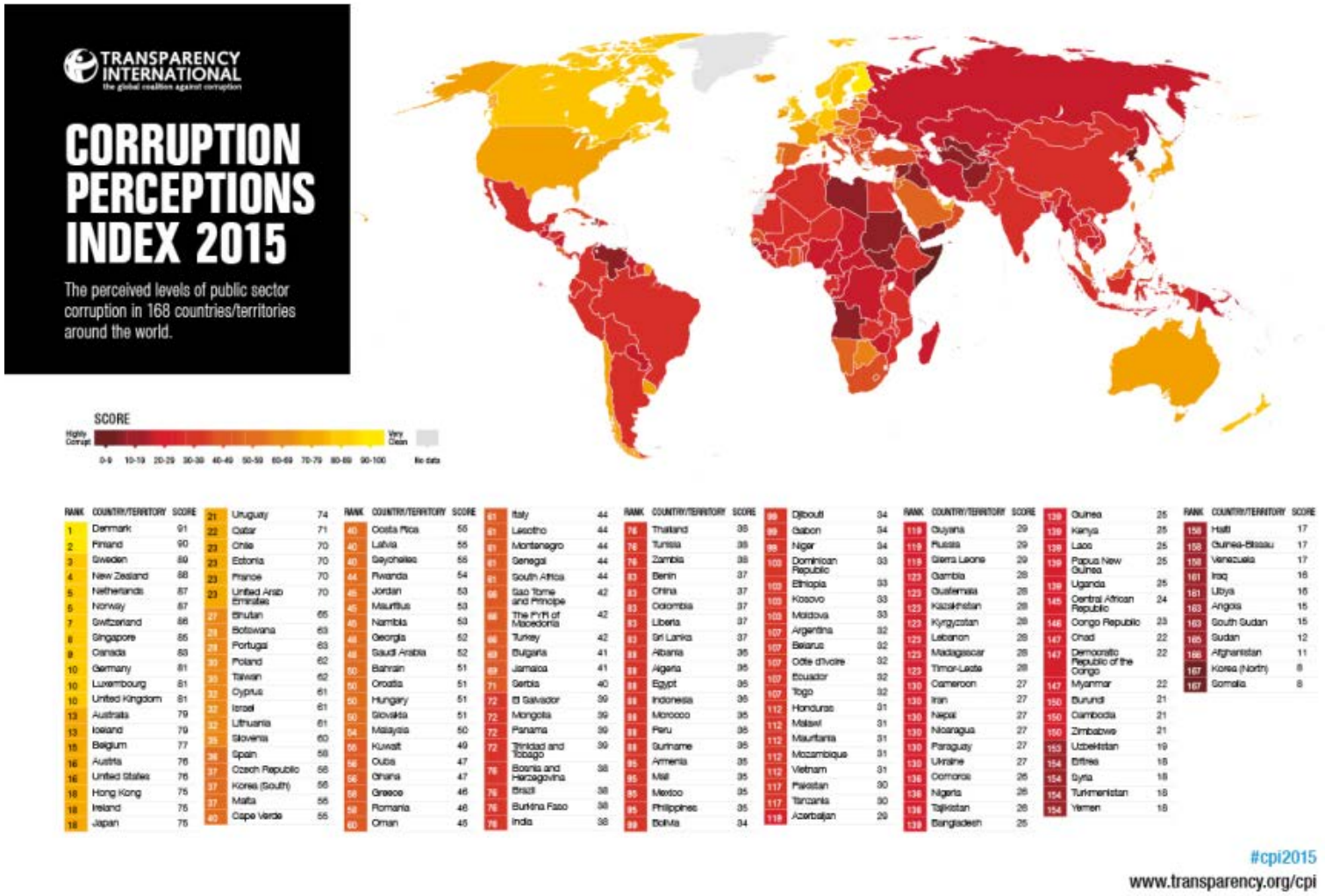
Global view



RANK	COUNTRY/TERRITORY	SCORE
1	Denmark	91
2	Finland	90
3	Sweden	89
4	New Zealand	88
5	Netherlands	87
5	Norway	87
7	Switzerland	86
8	Singapore	85
9	Canada	83
10	Germany	81
10	Luxembourg	81
10	United Kingdom	81
13	Australia	79
13	Iceland	79
15	Belgium	77
16	Austria	76
16	United States	76
18	Hong Kong	75
18	Ireland	75
18	Japan	75
21	Uruguay	74
22	Qatar	71
23	Chile	70
23	Estonia	70
23	France	70
23	United Arab Emirates	70
27	Bhutan	65
28	Botswana	63
28	Portugal	63
30	Poland	62
31	Taiwan	62
32	Cyprus	61
32	Israel	61
32	Lithuania	61
35	Slovenia	60
36	Spain	58
37	Czech Republic	56
37	Korea (South)	56
37	Malta	56
40	Cape Verde	55
40	Costa Rica	55
40	Latvia	55
40	Seychelles	55
44	Rwanda	54
45	Jordan	53
45	Mauritius	53
45	Namibia	53
48	Georgia	52
48	Saudi Arabia	52
50	Bahrain	51
50	Croatia	51
50	Hungary	51
50	Slovakia	51
54	Malaysia	50
55	Kuwait	49
56	Cuba	47
56	Ghana	47
58	Greece	46
58	Romania	46
60	Oman	45
61	Italy	44
61	Lesotho	44
61	Montenegro	44
61	Senegal	44
61	South Africa	44
66	Sao Tome and Principe	42
66	The FYR of Macedonia	42
66	Turkey	42
69	Bulgaria	41
69	Jamaica	41
71	Serbia	40
72	El Salvador	39
72	Mongolia	39
72	Panama	39
72	Trinidad and Tobago	39
76	Bosnia and Herzegovina	38
76	Brazil	38
76	Burkina Faso	38
76	India	38
76	Thailand	38
76	Tunisia	38
79	Zambia	38
83	Benin	37
83	China	37
83	Colombia	37
83	Liberia	37
83	Sri Lanka	37
88	Albania	36
88	Algeria	36
88	Egypt	36
88	Indonesia	36
88	Morocco	36
88	Peru	36
88	Suriname	36
95	Armenia	35
95	Mali	35
95	Mexico	35
95	Philippines	35
99	Bolivia	34
99	Djibouti	34
99	Gabon	34
99	Niger	34
103	Dominican Republic	33
103	Ethiopia	33
103	Kosovo	33
103	Moldova	33
107	Argentina	32
107	Belarus	32
107	Cote d'Ivoire	32
107	Ecuador	32
107	Togo	32
112	Honduras	31
112	Malawi	31
112	Mauritania	31
112	Mozambique	31
112	Vietnam	31
117	Pakistan	30
117	Tanzania	30
119	Azerbaijan	29
119	Guyana	29
119	Russia	29
119	Sierra Leone	29
123	Gambia	28
123	Guatemala	28
123	Kazakhstan	28
123	Kyrgyzstan	28
123	Lebanon	28
123	Madagascar	28
123	Timor-Leste	28
130	Cameroon	27
130	Iran	27
130	Nepal	27
130	Nicaragua	27
130	Paraguay	27
130	Ukraine	27
136	Comoros	26
136	Nigeria	26
136	Tajikistan	26
139	Bangladesh	25
139	Guinea	25
139	Kenya	25
139	Laos	25
139	Papua New Guinea	25
145	Uganda	25
146	Central African Republic	24
147	Congo Republic	23
147	Chad	22
147	Democratic Republic of the Congo	22
150	Myanmar	22
150	Burundi	21
150	Cambodia	21
150	Zimbabwe	21
153	Uzbekistan	19
154	Eritrea	18
154	Syria	18
154	Turkmenistan	18
154	Yemen	18
158	Haiti	17
158	Guinea-Bissau	17
158	Venezuela	17
161	Iraq	16
161	Libya	16
163	Angola	15
163	South Sudan	15
165	Sudan	12
166	Afghanistan	11
167	Korea (North)	8
167	Somalia	8

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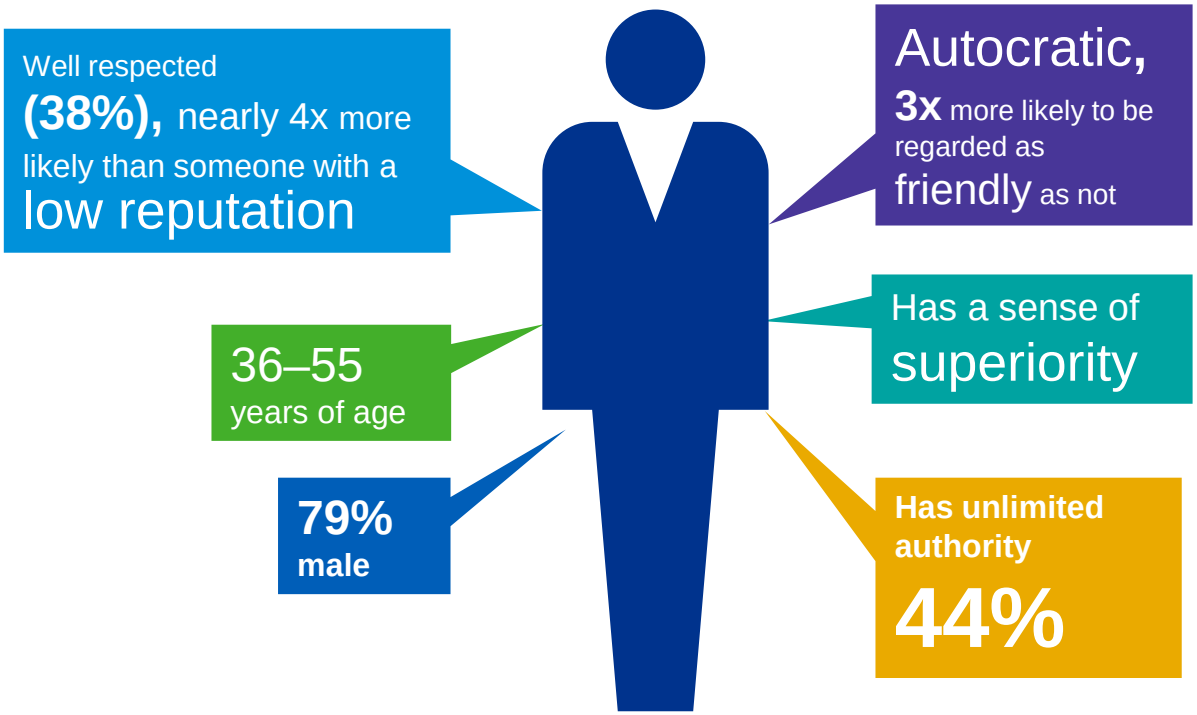
Fundamental characteristics - general



65% of fraud lasted between 1 and 5 years

Type of Fraud:
Misappropriation of Assets **(47%)**; Financial reporting fraud **(22%)**.

Cost of Fraud:
Cost to company exceeding **$1M (27%).**

Source: Global Profiles of the Fraudster, KPMG International, 2016

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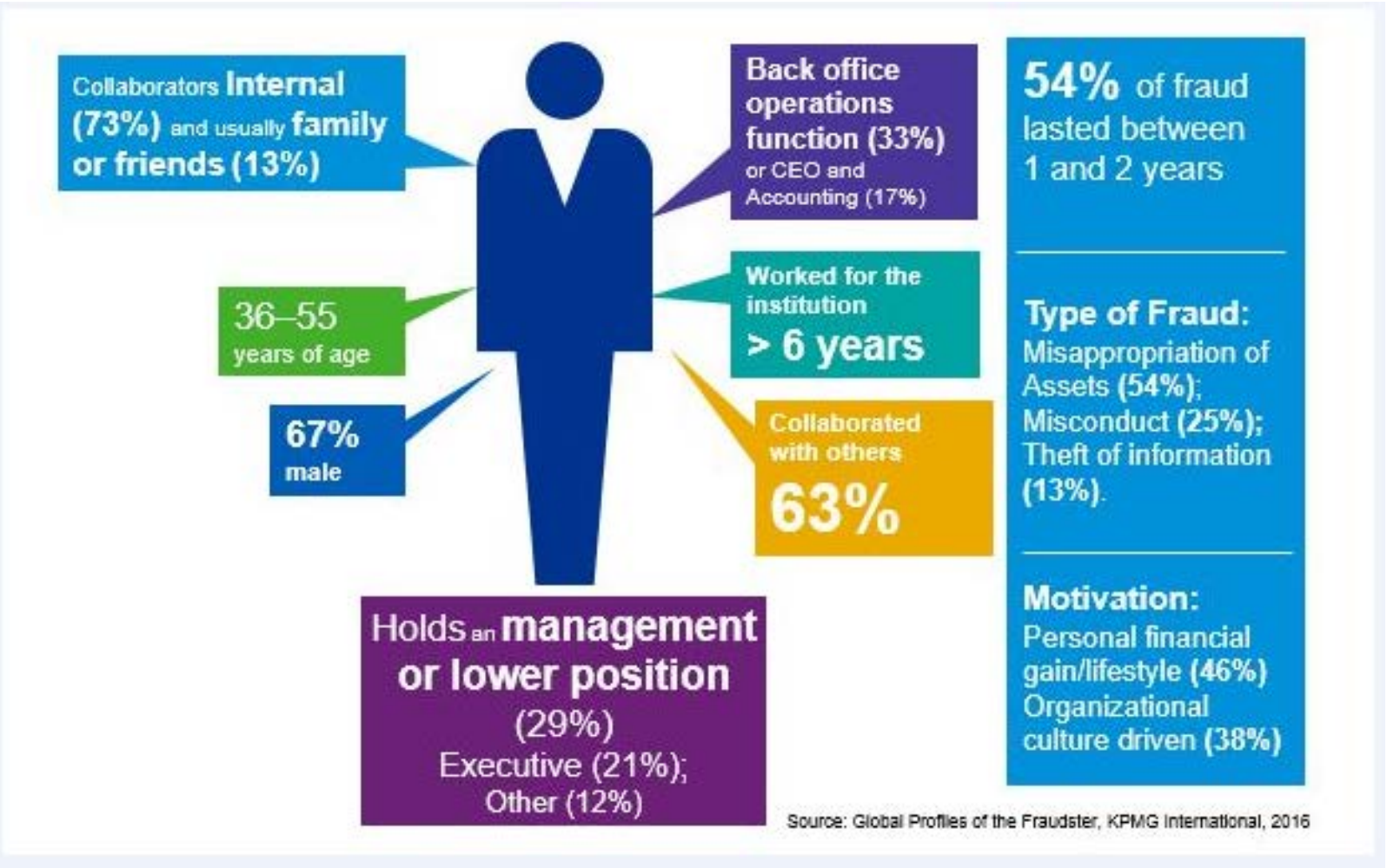
Education



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Fundamental characteristics: Gender

Primary Function
Finance

Level of Seniority
Staff member

Alone or in Collaboration
Alone

Has debt
20%

Primary Function
Varied

Level of Seniority
Executive

Alone or in Collaboration
Collaboration

Has debt
8%

Source: Global Profiles of the Fraudster, KPMG International, 2016

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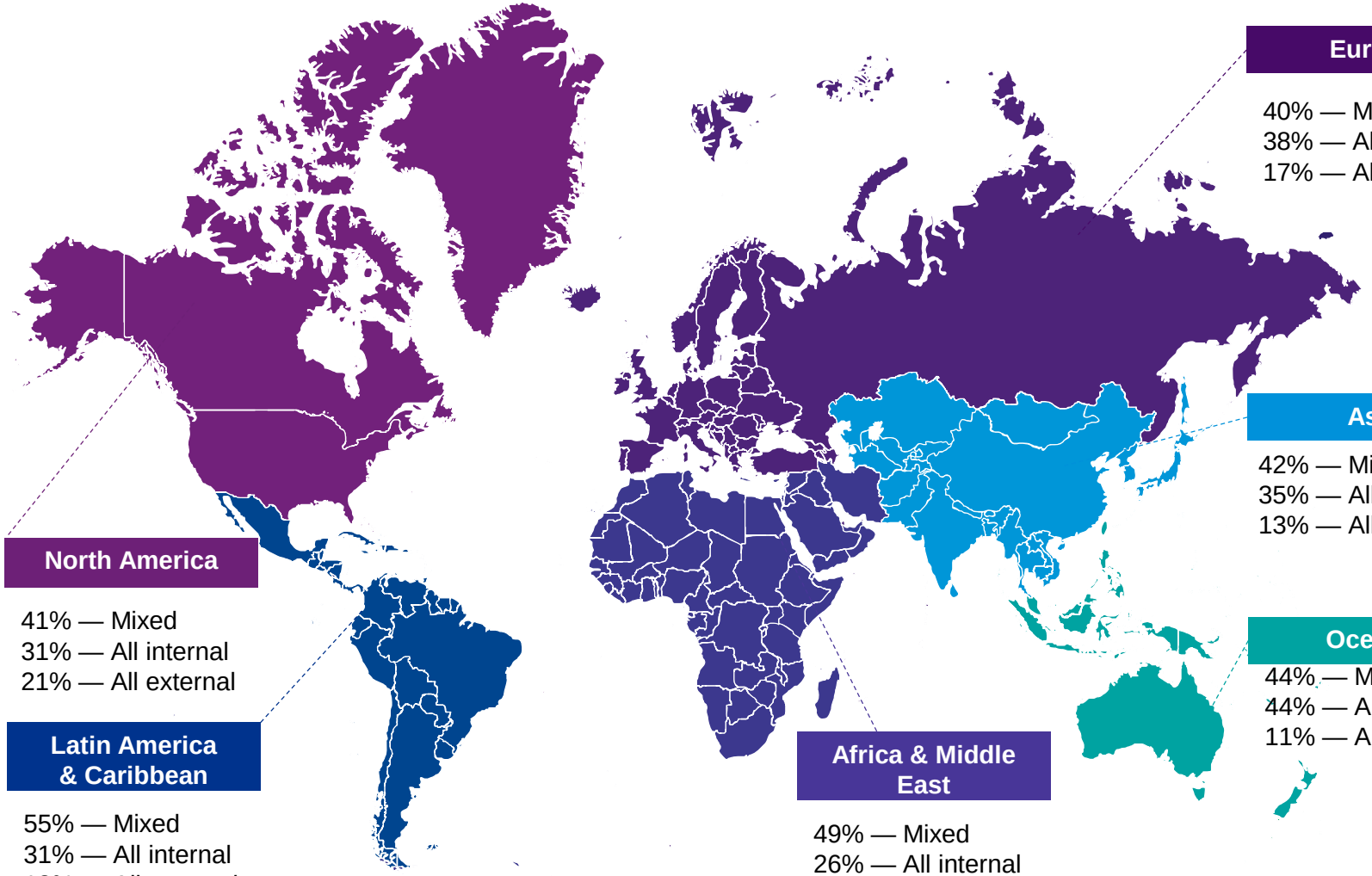
Types of fraud: Collusion



Europe

40% — Mixed
38% — All internal
17% — All external

Asia

42% — Mixed
35% — All internal
13% — All external

Oceania

44% — Mixed
44% — All internal
11% — All external

North America

41% — Mixed
31% — All internal
21% — All external

Latin America & Caribbean

55% — Mixed
31% — All internal
13% — All external

Africa & Middle East

49% — Mixed
26% — All internal
24% — All external

Source: Global Profiles of the Fraudster, KPMG International, 2016

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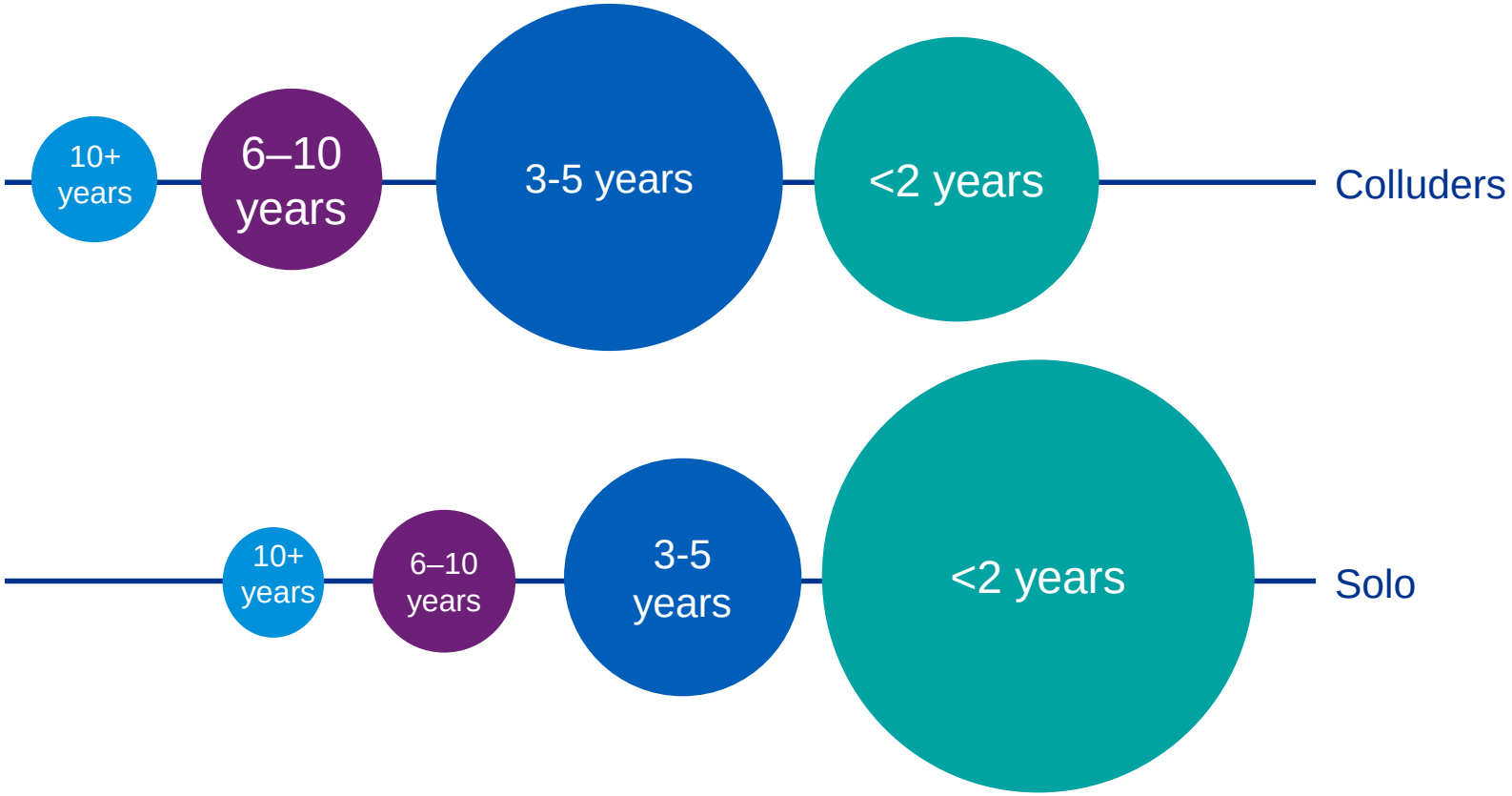
Types of fraud: Collusion

Term of service at company



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Types of fraud: Collusion

Whistle blowers and tip-offs have the highest incidence of uncovering **groups of five or more colluders**. Other forms of detections may be ineffective in detecting sizeable collusion schemes.

Weak internal controls are a bigger factor for **solo fraudsters** than colluders (66 percent versus 58 percent for colluders). More solo fraudsters are caught by accident (19 percent versus 10 percent for colluders).

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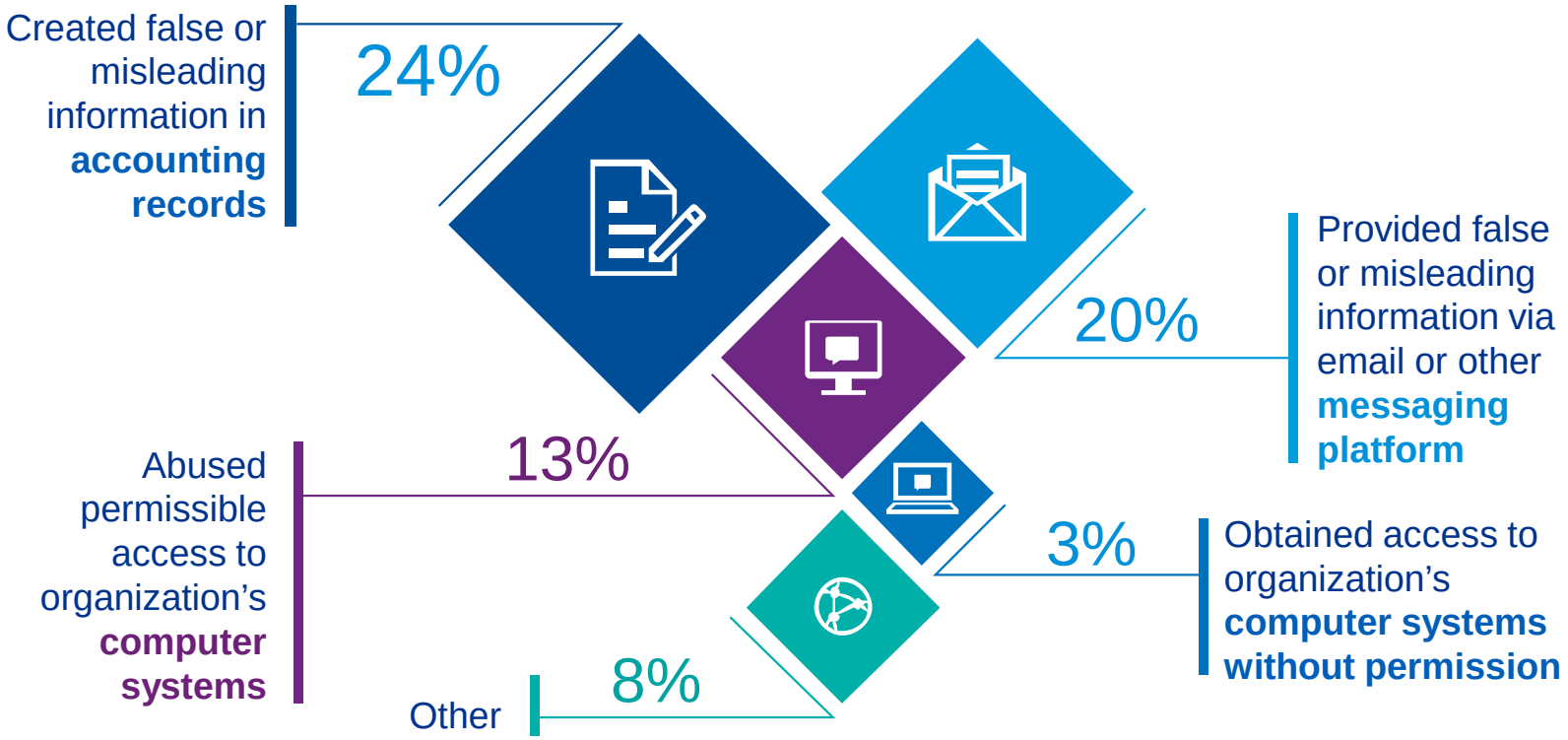
Enablers: Technology



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Types of fraud: Cyber

Characteristics

Tend to be younger

Less years of service

More likely to act alone

More likely to have a sophisticated Modus operandi

More likely to have conducted the fraud over shorter span (83% less than one year)

Source: Global Profiles of the Fraudster, KPMG International, 2016

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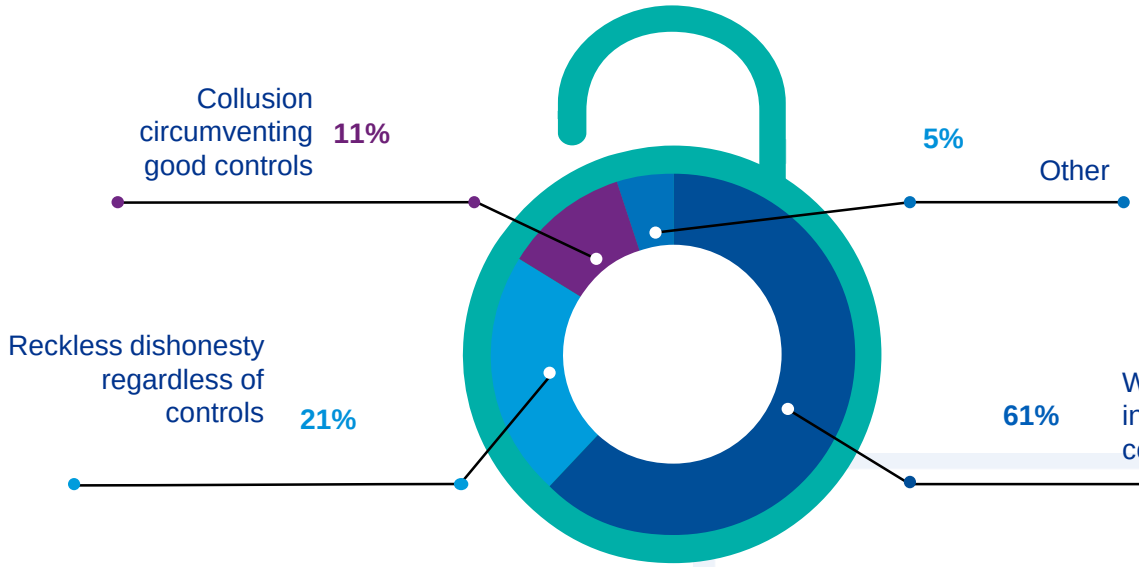
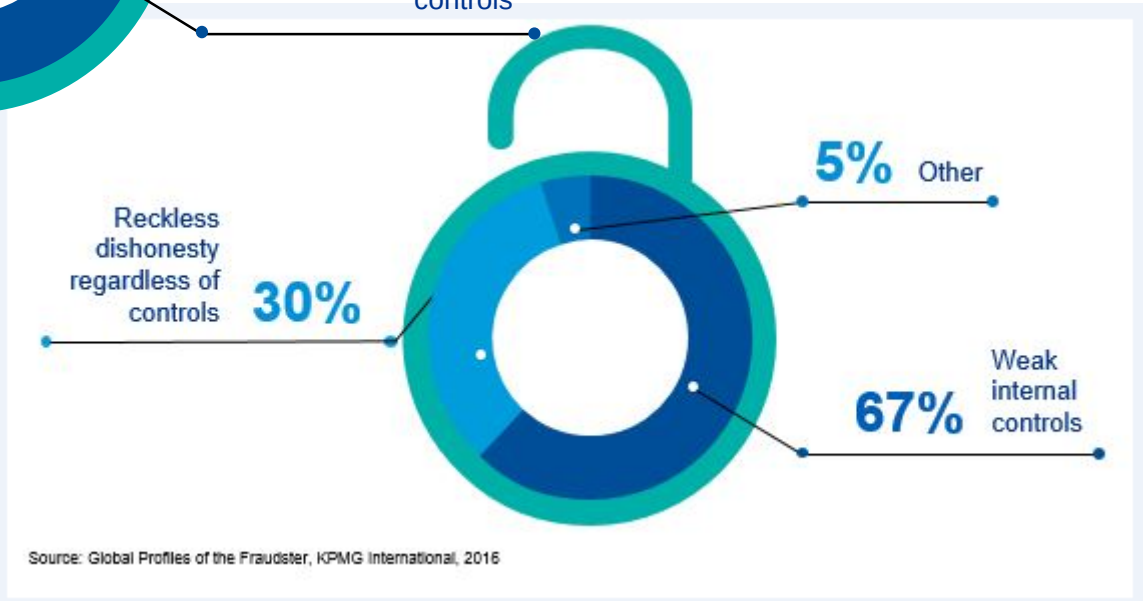
Enablers – weak controls



Source: Global Profiles of the Fraudster, KPMG International, 2016



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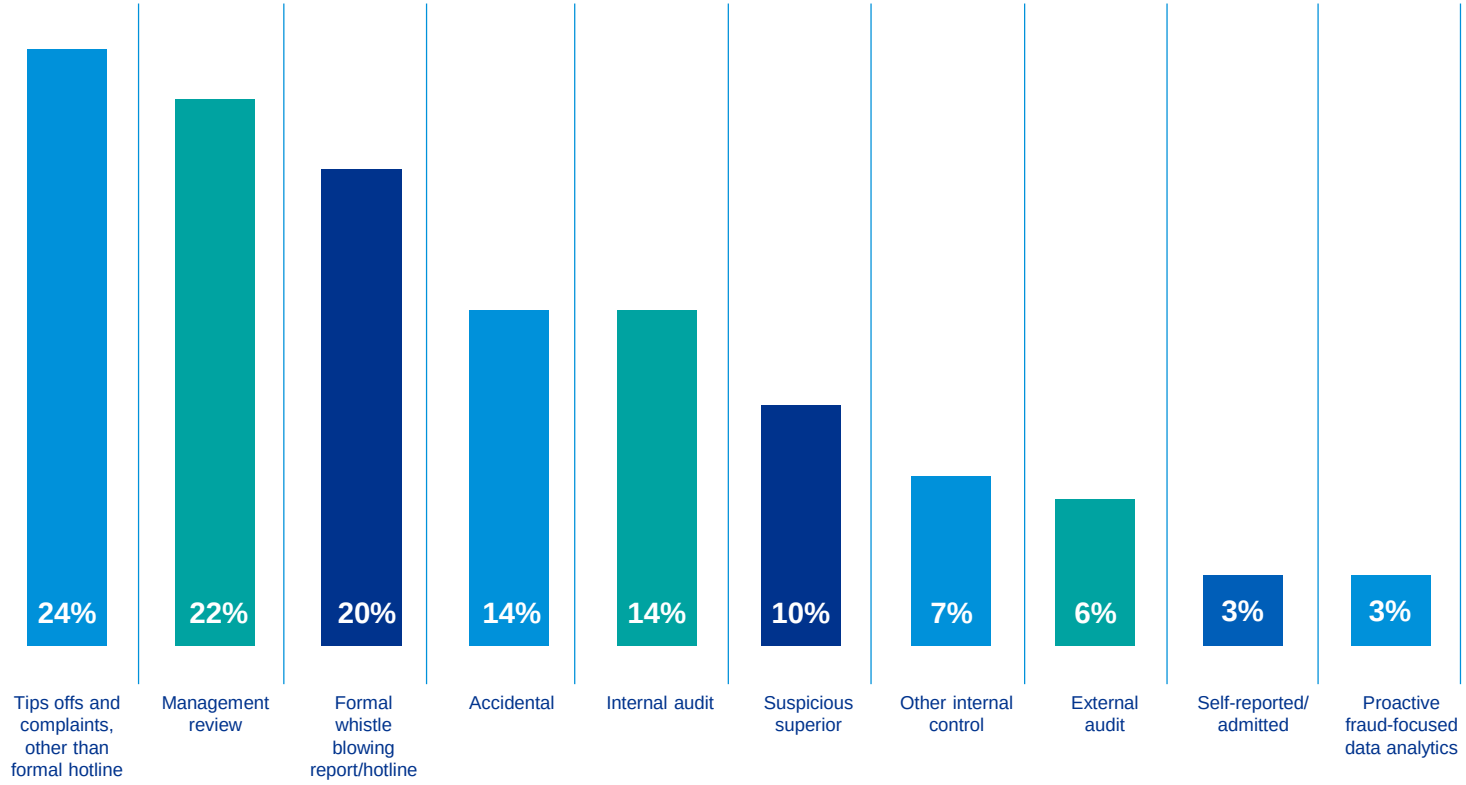
Means of detection

How the Frauds were detected?



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Recommendations

Perform risk assessments

— Fraud Risk Management

Fight back with technology

— Forensic technology
— Cyber security
— D&A

Know your business partners & third parties

— 3rd Party Risk Management
— Corporate intelligence/Astrus

Be vigilant with internal threats

— Investigations
— Forensic D&A
— Whistleblowing programs/outsourcing

Source: Global Profiles of the Fraudster, KPMG International, 2016

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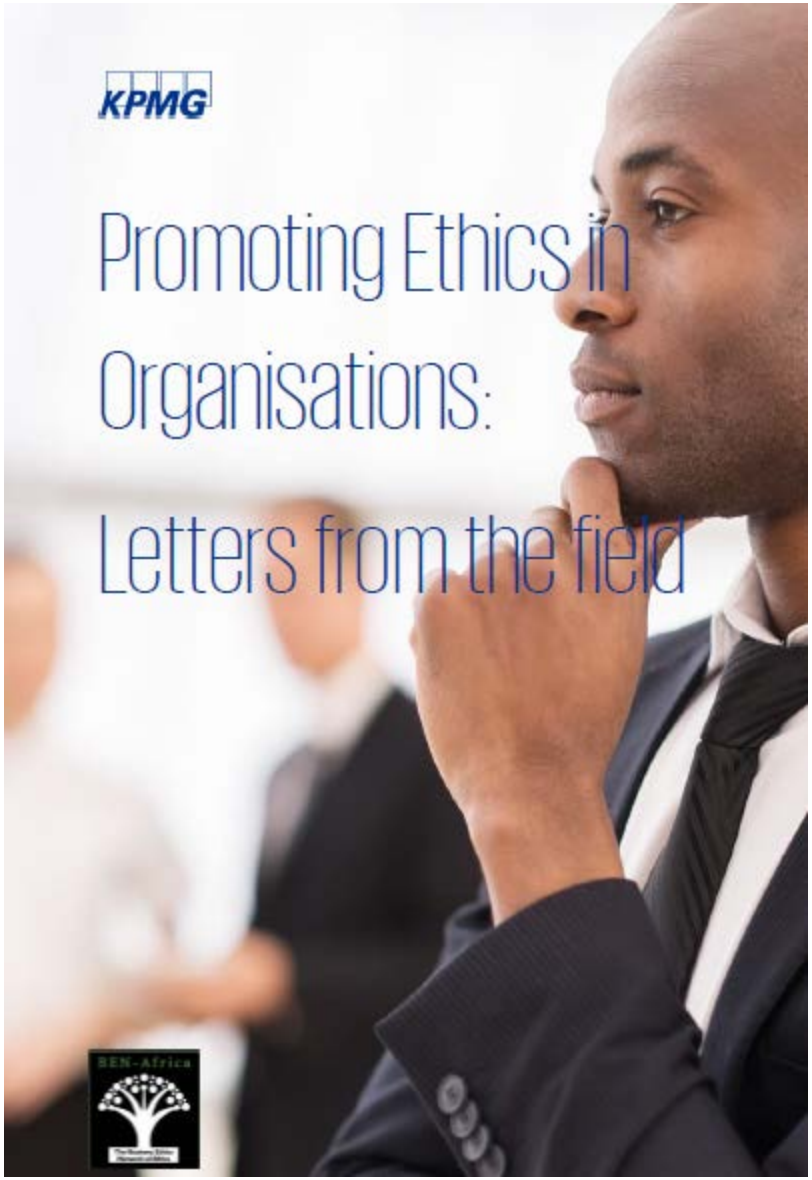

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Appendix

Appendix

Age of the fraudster

*The age of the remainder is unknown

Source: Global Profiles of the Fraudster, KPMG International, 2016

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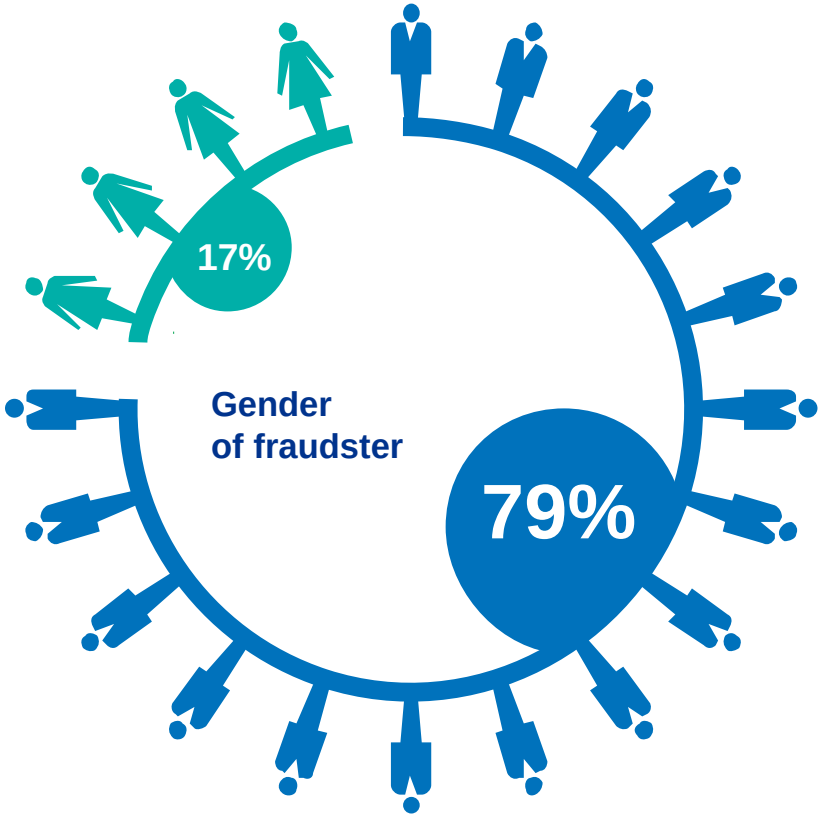

Remainder unknown gender

Source: Global Profiles of the Fraudster, KPMG International, 2016

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Appendix

Years of service

Source: Global Profiles of the Fraudster, KPMG International, 2016

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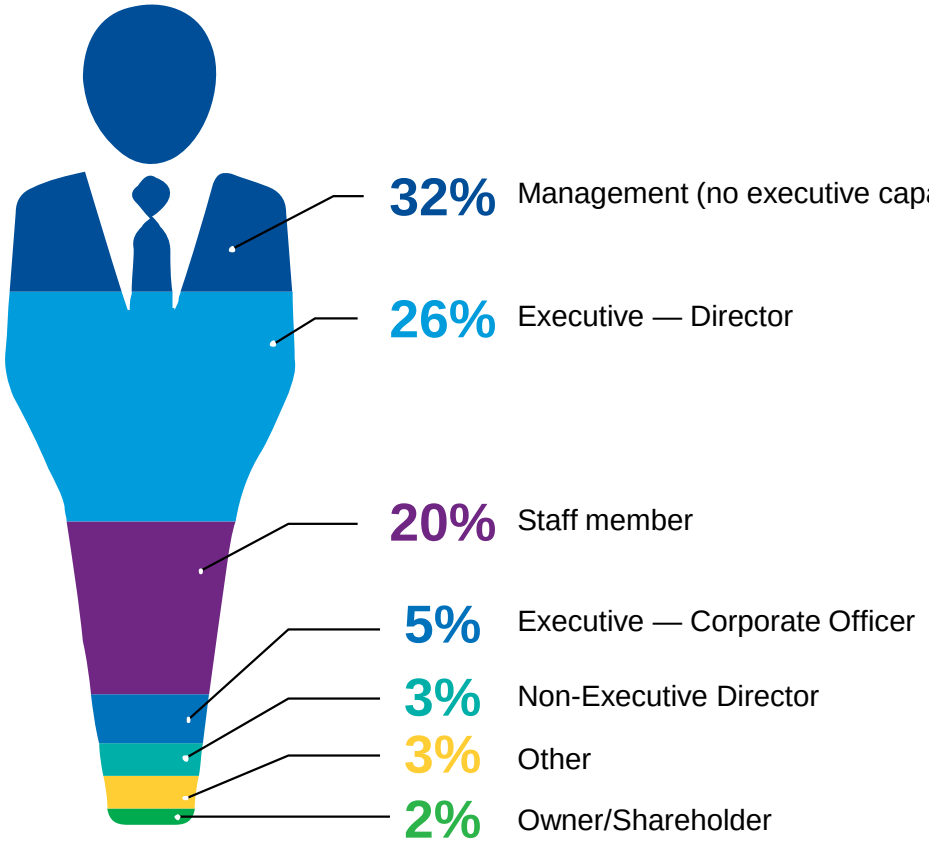
Appendix

Level of seniority



Source: Global Profiles of the Fraudster, KPMG International, 2016

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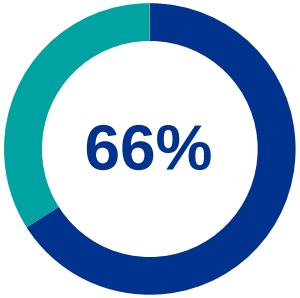
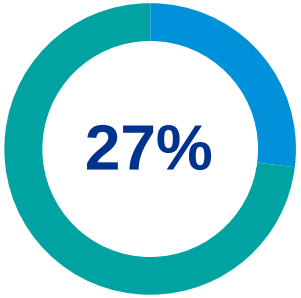
Appendix

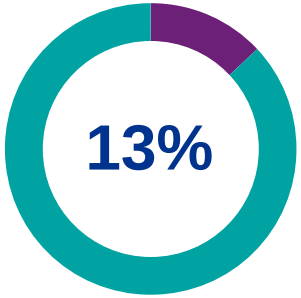
What was the overriding motivation for fraudster?



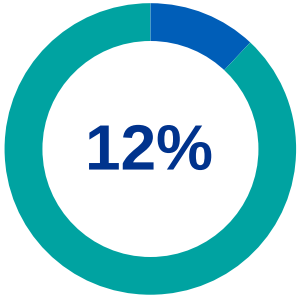
For personal financial gain and greed



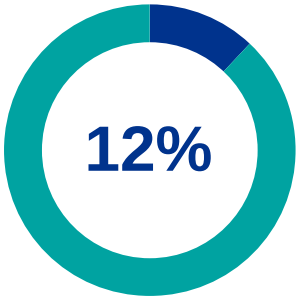
Eager/"Because I can"



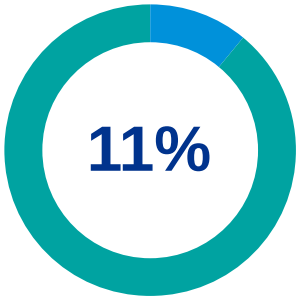
Organizational culture driven



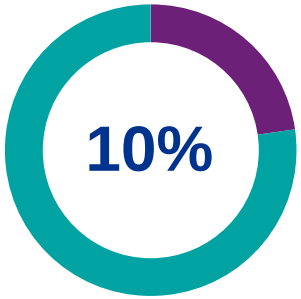
Desire to meet targets/hide losses to receive bonus



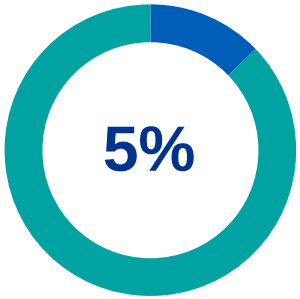
Desire to meet budgets/hide losses to retain job



Desire to meet targets /hide losses to protect the company



Other not listed above



Other motives (less than 5%) include: Loss of confidence, avoidance of regulatory compliance, ratings driven, publicity driven, disruption of operations

Source: Global Profiles of the Fraudster, KPMG International, 2016

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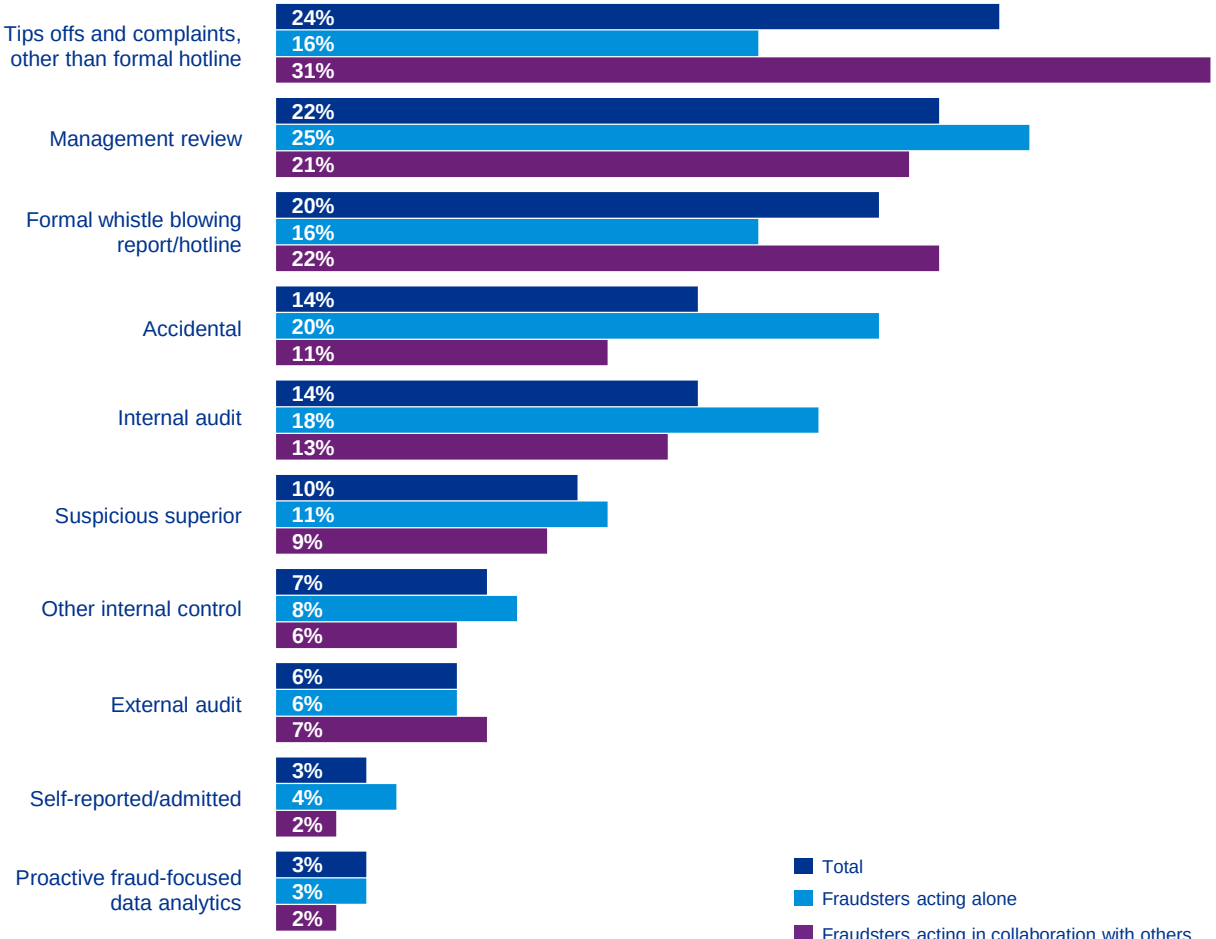
Appendix

How the frauds were detected



Source: Global Profiles of the Fraudster, KPMG International, 2016

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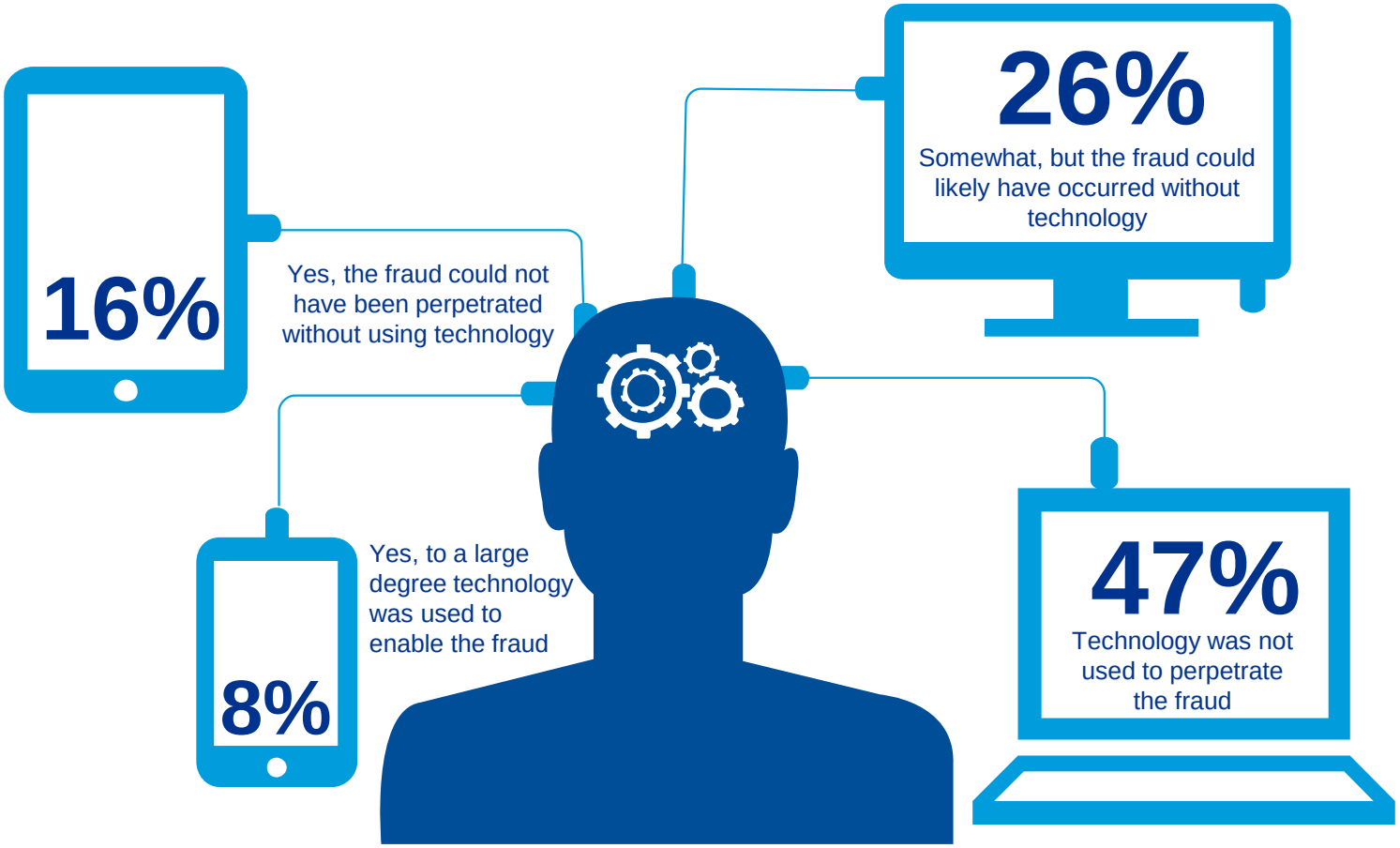
Appendix

Was technology used as an enabler to perpetrate the fraud?



Source: Global Profiles of the Fraudster, KPMG International, 2016

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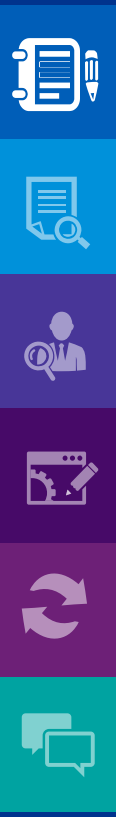
Control Self-Assessment

Higher Education Conference

27 March 2017

Sections



Background on CSA

Unpacking CSA

Conclusion

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Background on CSA

History of CSA

1980/90s

Internal Auditors started using CSA.

Debates held on the on the efficacy of using a control model – COSO and CoCo (Canada).

2000s

Advent of Sarbanes Oxley requirements created the reality of management's assessment of their internal control environment and their internal controls.

2017

Internal auditors around the world are looking for a more collaborative approach to provide relevant assurance and contribute more effectively to the governance, risk management and control processes of their organizations.

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Definitions of CSA

"Control self-assessment is a technique used to **evaluate the effectiveness of business processes** by bringing together individuals in natural work groups and focusing the natural work groups and focusing the work group teams on the assessment of steps necessary to assure the achievement of business objectives."

Wallace & White – The internal auditor's role in management reporting on internal control (IIA Research Foundation 1994)

Definitions of CSA (continued)

"Control self-assessment is an annual process during which employees at all levels participate in **assessing an organisation's effectiveness in achieving important objectives.** The process involves conducting workshop sessions attended by staff within natural work units, or with the responsibility for a particular functions, if necessary. During the workshops, facilitated by internal audit staff, participants systematically evaluate how well important activities are carried out, how performance is measured, and what opportunities exist for improvement."

Young – Control Self-Assessment: Making internal audit relevant

Definitions of CSA (continued)

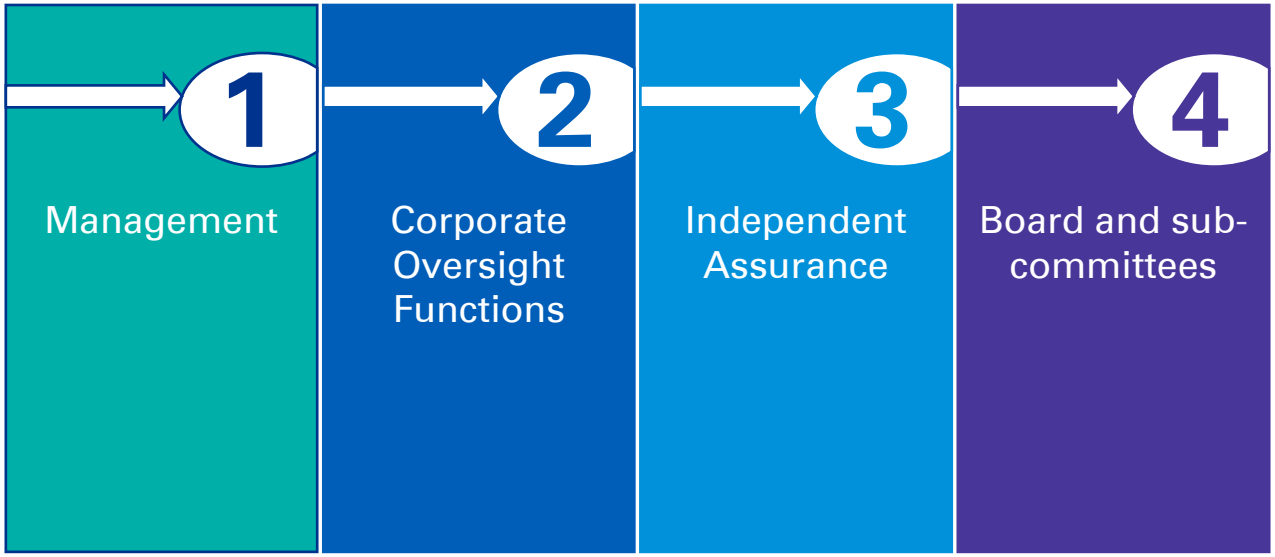
"Control Self-Assessment (CSA) is a technique that allows managers and work teams directly involved in business units, functions or processes to participate **in assessing the organization's risk management and control processes**. In its various formats, CSA can cover objectives, risks, controls and processes. Internal auditors can utilize CSA programs for gathering relevant information about risks and controls; for focusing audit work on high risk, unusual areas; and to forge greater collaboration with operating managers and work teams. Managers can utilize CSA programs to clarify business objectives and to identify and deal with the risks to achieving those objectives."

The Institute of Internal Auditors

Unpacking CSA

CSA as an enabler

Lines of Defence



Used for self-assessment of **adoption of and compliance to a Control Framework** across multiple auditable entities

Used as a validation tool of the responses from 1st Line of Defense to **confirm the application of the Control Framework**

Complements the integrated assurance program by **reporting on the application of the Control Framework** across auditable entities

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Benefits of CSA

- Enhances the control consciousness of the people who are responsible for controls within the organisation
- Optimises an organisation's control frameworks
- Enhances internal audit's coverage and efficiency
- Enables early identification of problem areas in the control environment
- Shifts assurance to 1st Level of Defence to achieve a reduction in the cost of control
- Complements the Combined/Integrated Assurance agenda.

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When to use CSA

CSA can be used as an enabler on Internal Audit and/or Internal Control projects

Ideal client characteristics include:

- ☑ Good governance and control culture
- ☑ Executive management driving control adoption and standardization of controls across the Group
- ☑ Highly standardized processes/controls
- ☑ Low-to-moderate control complexity
- ☑ Operations across geographies
- ☑ High spend on compliance-based internal audit processes
- ☑ Set control framework in place or sufficient understanding of company's controls by the project team
- ☑ New Internal Audit function which uses CSA to establish a baseline.

The concept of Self-Assessment can further be applied to self-assess Risk as well as Actions in respect of Risks and/or Controls.

Characteristics of our CSA solution

Scalability

in terms of control application and coverage across multiple auditable entities

Repeatability

allowing management to assess their level of control adoption, as well as operational effectiveness, on an ongoing basis reflecting the progress made in improving the control environment

Focused effort

as results clearly highlight areas of concern for follow-up

Automation

simplifying the issuing, collating and reporting of a CSA

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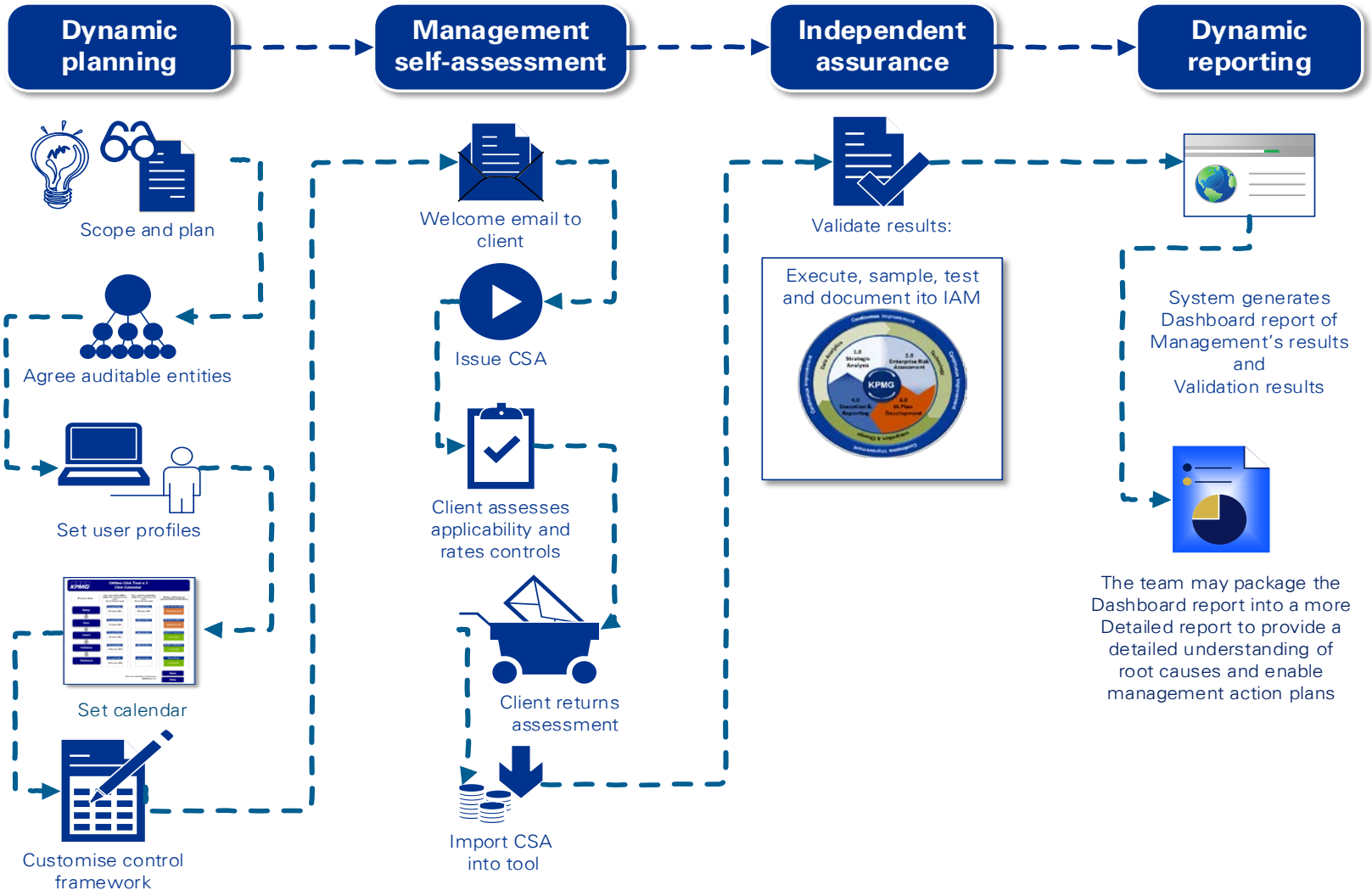
Our CSA cycle

KPMG's CSA includes a structured, four-phased deployment cycle, ensuring that a consistent and optimized approach is followed to address key process requirements for successful Internal Audit and/or Internal Control projects.

Our CSA cycle (continued)



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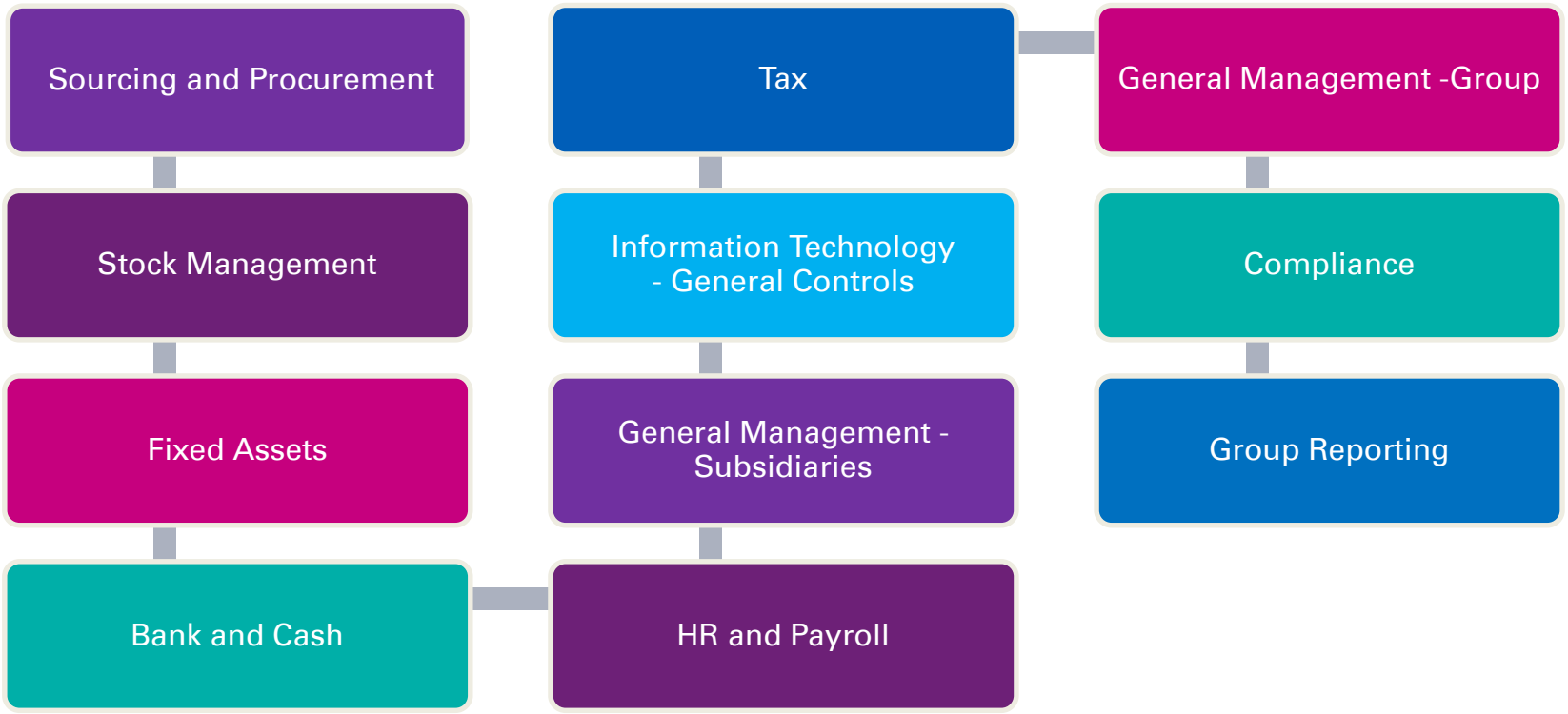
Our CSA base framework

The Control Framework, in the form of a Risk & Control Matrix includes over 250 controls and related questions over the following processes:



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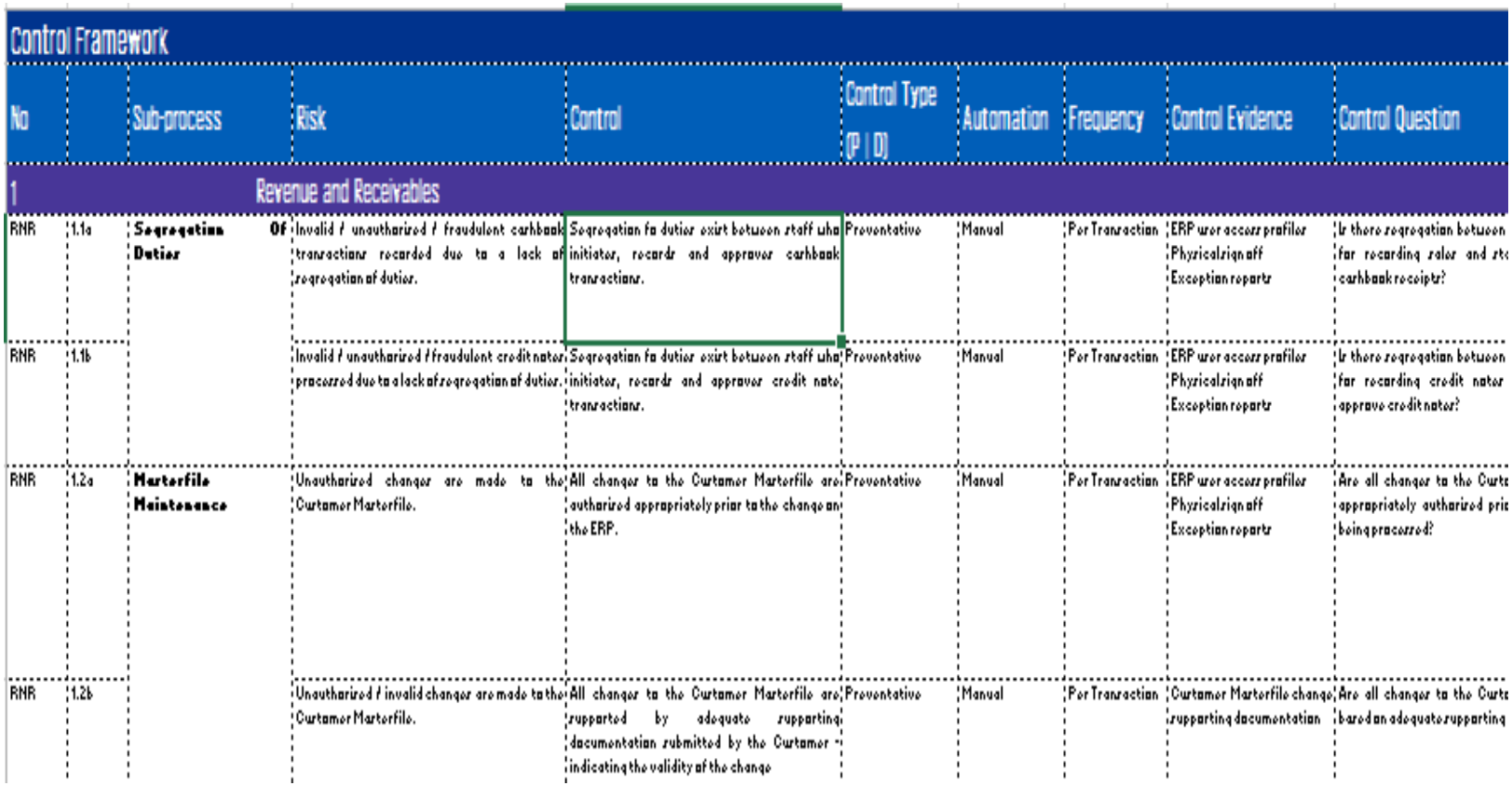
What a CSA framework looks like



Control Framework									
No		Sub-process	Risk	Control	Control Type (P | D)	Automation	Frequency	Control Evidence	Control Question
1			Revenue and Receivables						
RNR	1.1a	**Segregation Of Duties**	Invalid / unauthorized / fraudulent cashbook transactions recorded due to a lack of segregation of duties.	Segregation to duties exist between staff who initiates, records and approves cashbook transactions.	Preventative	Manual	Per Transaction	ERP user access profiles Physical sign off Exception reports	Is there segregation between for recording sales and rec cashbook receipts?
RNR	1.1b		Invalid / unauthorized / fraudulent credit notes processed due to a lack of segregation of duties.	Segregation to duties exist between staff who initiates, records and approves credit notes transactions.	Preventative	Manual	Per Transaction	ERP user access profiles Physical sign off Exception reports	Is there segregation between for recording credit notes approve credit notes?
RNR	1.2a	**Masterfile Maintenance**	Unauthorized changes are made to the Customer Masterfile.	All changes to the Customer Masterfile are authorised appropriately prior to the change on the ERP.	Preventative	Manual	Per Transaction	ERP user access profiles Physical sign off Exception reports	Are all changes to the Custo appropriately authorized prio being processed?
RNR	1.2b		Unauthorized / invalid changes are made to the Customer Masterfile.	All changes to the Customer Masterfile are supported by adequate supporting documentation submitted by the Customer - indicating the validity of the change	Preventative	Manual	Per Transaction	Customer Masterfile change supporting documentation	Are all changes to the Custo based on adequate supporting

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Rating on a CSA

Scoring per question:

Response	Score
Yes / Compliant	1
No / Not Compliant	0
Partly / Partially Compliant	0.5
Not applicable*	Not applicable

Assess the level of adoption/compliance:

Score	Rating
>= 90%	Good
>= 70% < 90%	Acceptable
>= 50% < 70%	Needs Improvement
< 50%	Inadequate

Illustrated summary following Management Self-Assessment and Independent Assurance thereon is shown across:

Description	Auditable Entities							
	A	B	C	D	E	F	G	H
Management Self-Assessment								
Adoption	95%	97%	67%	98%	84%	88%	95%	97%
Compliance	86%	82%	99%	38%	85%	84%	86%	82%
Independent Assurance								
Validation	80%	78%	N/A	47%	N/A	76%	N/A	78%

Illustrative

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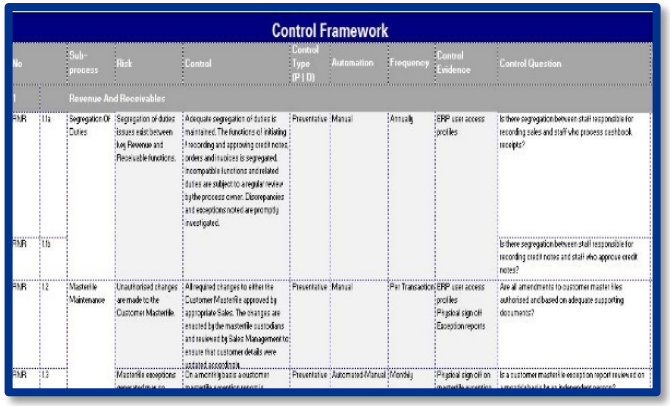
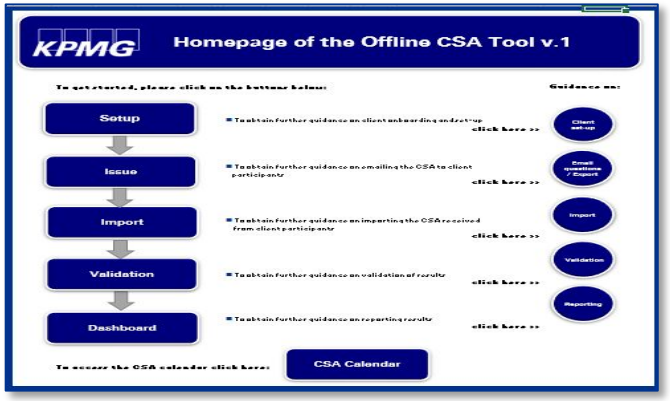
Illustrating the CSA lifecycle

CSA announcement:

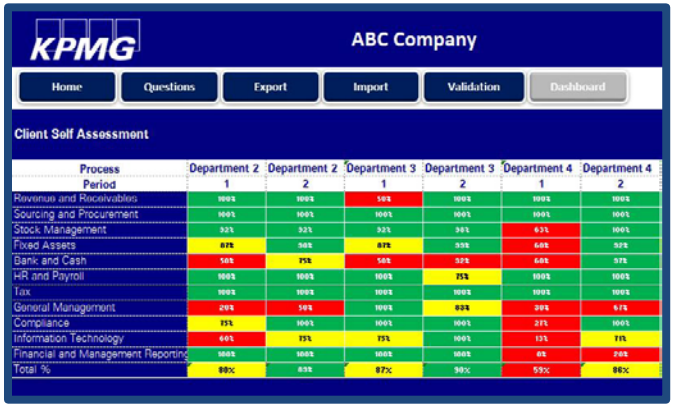
Control Framework (documented or adopted):



CSA Tool in KPMG platform, SharePoint, Third Party Solution or Excel (shown below):



CSA Dashboard:



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What we offer on CSA

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Conclusion

Conclusion

CSA still has the potential to create greater awareness and responsibility for internal controls for line management.

A more structured approach now exists through the use of updated COSO Control Frameworks, experience with SOX compliance and greater acceptance of a Combined Assurance approach.

Combined assurance will be enhanced by the use of a structured approach to CSA and can help to establish a "common language" for internal control.

The intentions for CSA in the 1990s can now be realised more than 20 years later using Control Frameworks and a Combined Assurance approach to internal control.

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Thank you

Thomas Gouws
Director
Internal Audit, Risk & Compliance Services

T +27 82 718 8432
E thomas.gouws@kpmg.co.za

kpmg.co.za

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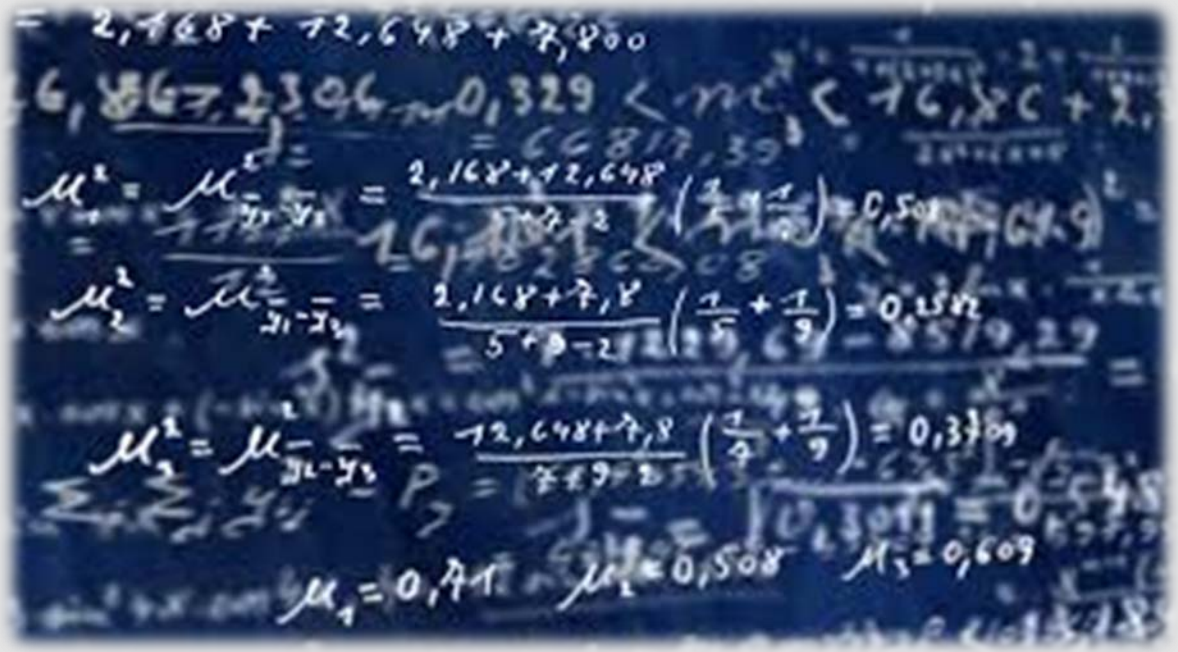
Unlocking the value of Data & Analytics

Vaughan Mason – Senior Manager KPMG, D&A Lead

March, 2017

D&A Value - Shaping our World



Algorithms change people's lives…

- Financial markets
- Medical decisions
- Autonomous vehicles
- Predictive policing
- 'Nudging' behaviour
  – emotions, opinions

D&A Value – Growing Reliance

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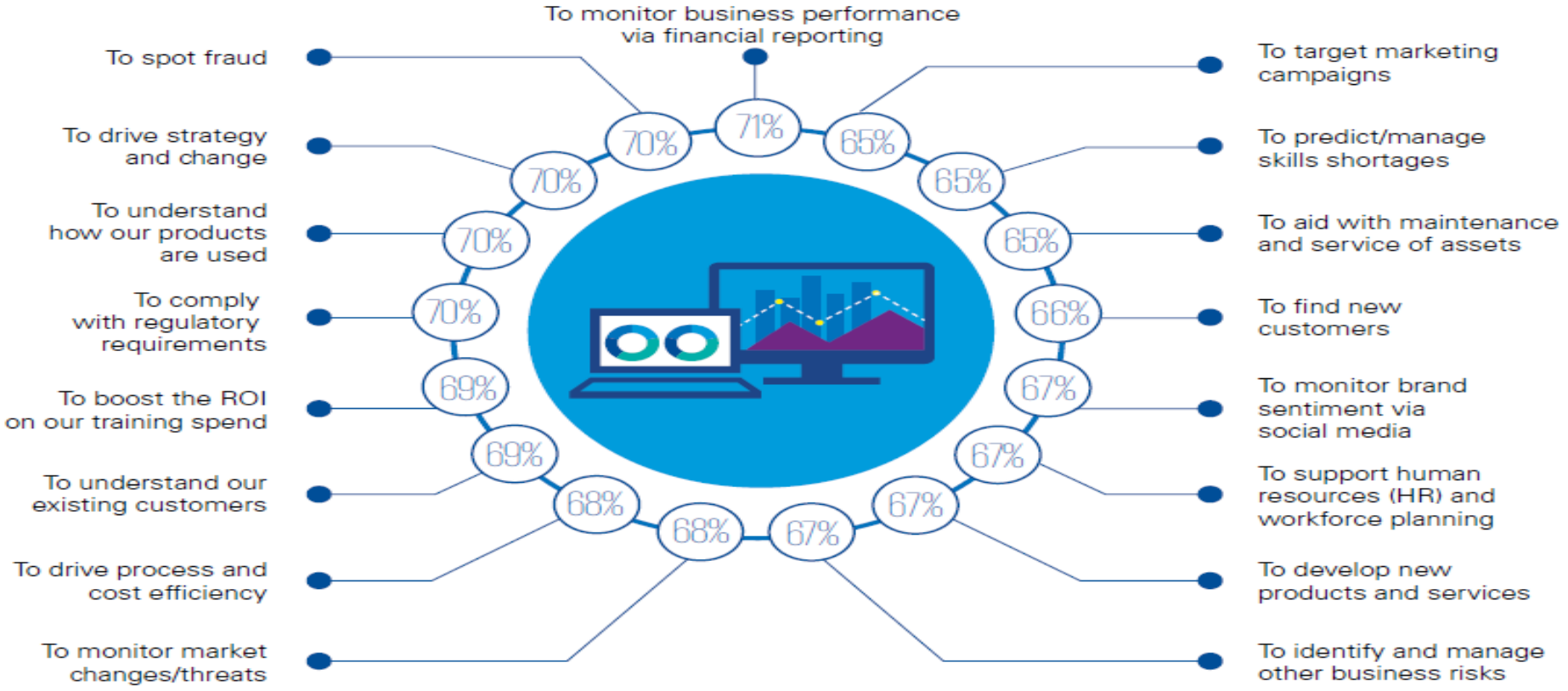
Figure 1: A growing reliance on data and analytics

How integral are data and analytics in helping your organization to make decisions in the following areas?

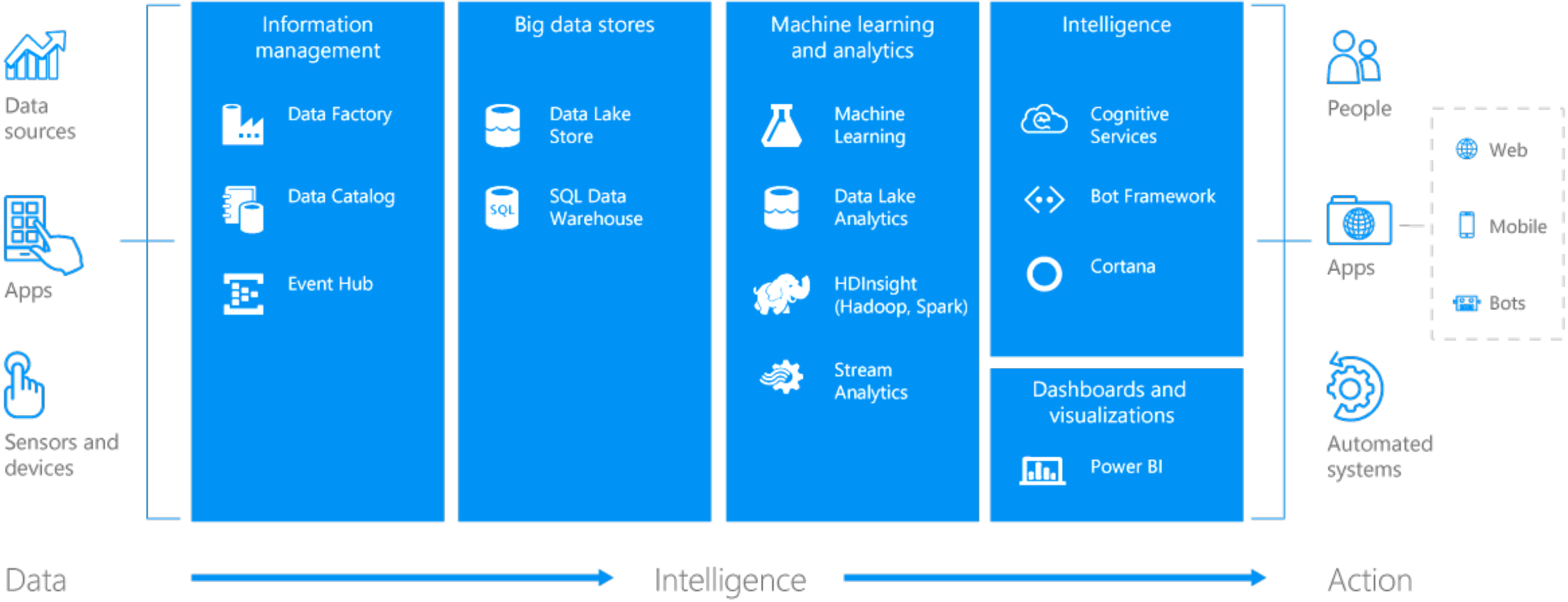
Note: Percentage of respondents that answered 'integral to all decision-making'



Base: 2,165 data and analytics decision-makers

Source: a commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2016

Complex Analytics



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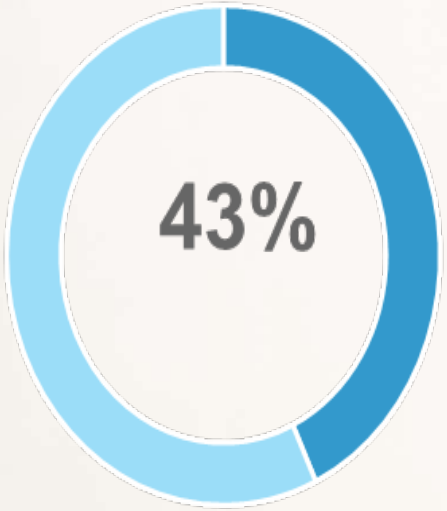
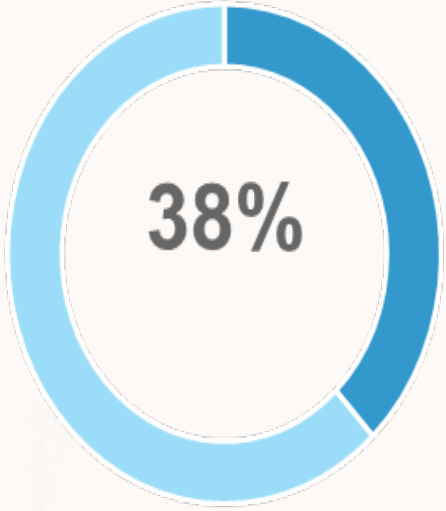
Trust Deficit

Confidence in their data insights

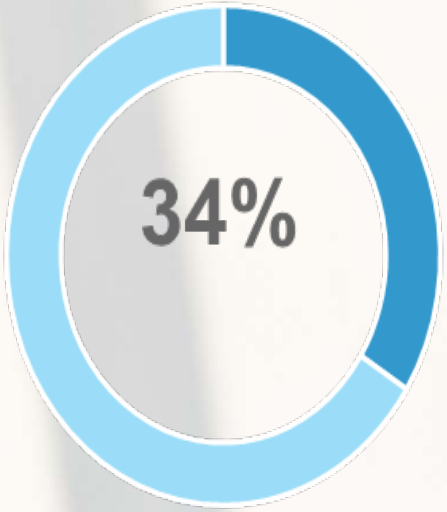
D&A for risk and security



D&A for customer insight



D&A for business operations



The four anchors of trusted analytics

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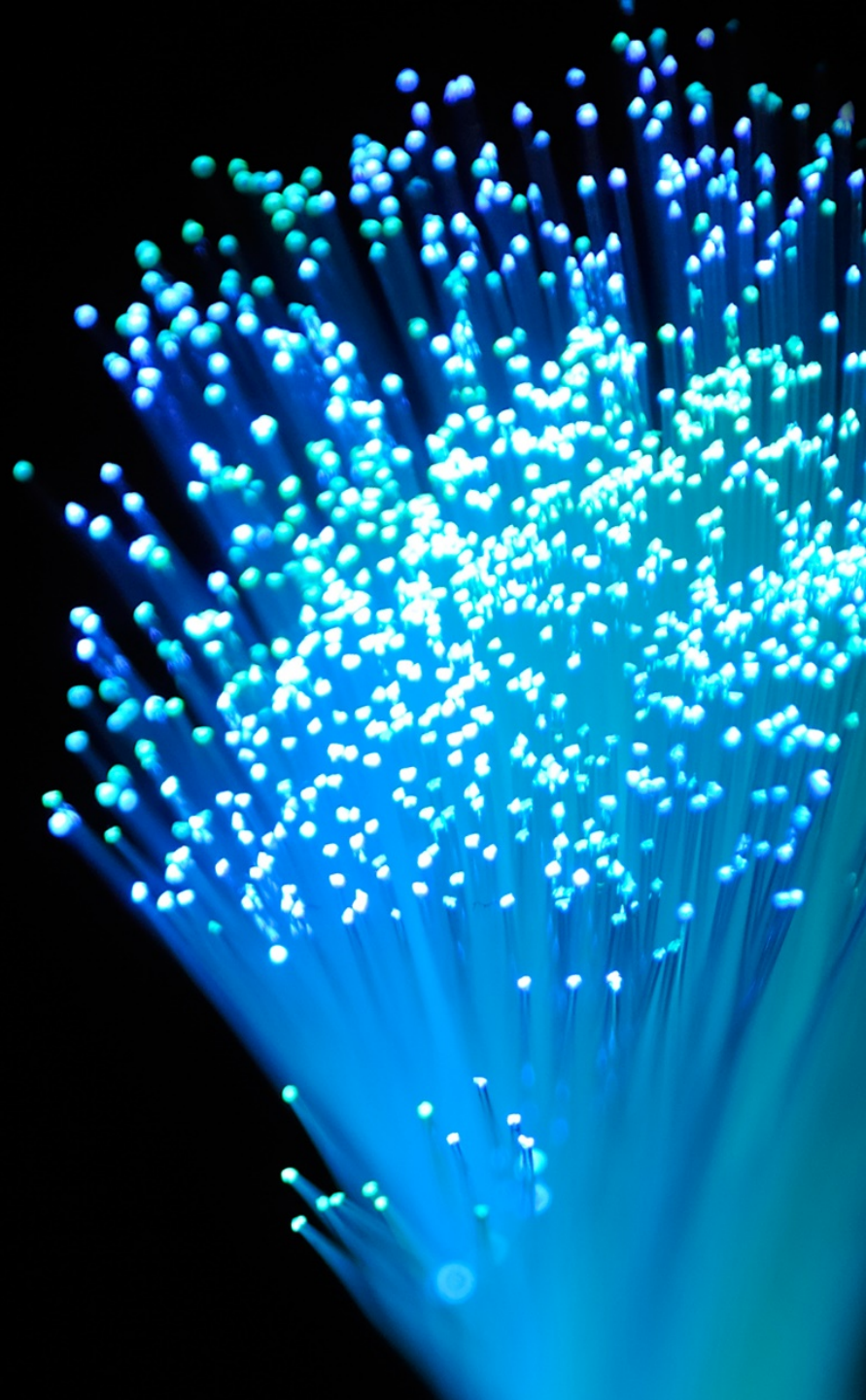
Strengthening the anchors of trust

- Start with the basics
  - Assess your trust gaps.
- Create purpose
  - Clarify and align goals.
- Raise awareness
  - Increase internal engagement.
- Build expertise
  - Develop an internal D&A culture and capabilities as your first guardian of trust.

Questions



Frank Rizzo
Partner,
Data & Analytics
T +27 82 719 2059
Frank.rizzo@kpmg.co.za

Karin Kruger
Associate Director,
Data & Analytics
T +27 79 512 9946
Karin.kruger@kpmg.co.za

Vaughan Mason
Senior Manager,
Data & Analytics
T +27 60 997 5372
Vaughan.mason@kpmg.co.za

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Forward to systemic sustainability

KPMG Higher Education Conference 2017

Prof Leopoldt van Huyssteen

Chief Operating Officer, Stellenbosch University

ACKNOWLEDGEMENT OF SOURCES

Views and opinions expressed in this lecture are those of the speaker and do not necessarily represent the views of Stellenbosch University.

Information was sourced from various papers.

Critical moment for HE in SA

- Fluidity in SA politics
- Unequal society
- Instability and protest
- Chronic underfunding in HE
- **Threat to academic project**
- **Financial sustainability under pressure**
- #FMF placed important matters on the agenda
- **Transformation imperative**

UNIVERSITIES SOUTH AFRICA

CHE

THE TIPPING POINT

Malcolm Gladwell describes the tipping point as
*"... that magic moment when **ideas, trends** and **social behaviours** cross a **threshold**, tip and spread like wildfire."*

In his New York Times bestseller, he suggests that there are three rules for this to happen, namely:

- The Law of the Few,
- The Stickiness Factor, and
- The Power of Context.

Did HE in South Africa reach a tipping point in 2015 or not?

How can we emerge from current crisis?

- Beware of short-termism
- Short-term crisis management is counter productive in the long run
- By addressing current challenges PLUS
- Long-term vision and strategic thinking are needed
- Ongoing systemic transformation is needed
- Focus on potential of higher education for society
- Realise that higher education is under financial pressure
- See universities as complex businesses and manage accordingly
- Take self-responsibility (as far as possible)

Change or not to change

- A university is only as strong as its ability to **deal with the forces of change -** not to resist them doggedly, but to redirect them in productive ways.
- When particular models of higher education are no longer sustainable or desirable, they will disappear or lose market share.

The Humanities Proposition

June 28, 2016 - Mariët Westermann, Executive Vice President for Programs and Research at the Mellon Foundation, finds unlikely allies in David Brooks and Judith Butler.

Transforming Existing (Agricultural) Universities

Transformation is probably the most realistic course of action for several reasons:

1) **High cost** of establishing **new** institutions;
2) Great **difficulty** of creating the **political will** to invest in new institutions **when we have a system on the ground** that needs improvement;
3) Tendency of all **institutions to maintain identity and autonomy**, making it difficult for new institutions to influence what is happening within existing institutions - therefore slowing the diffusion of desired change; and
4) The reality that **graduates from any new institution will be absorbed** into a workforce that is dominated by people from existing institutions.

A **transformed university** is one that: "*…is committed to addressing society's most pressing needs through relevant research and training of students who proactively respond to the social, economic and environmental demands of an increasingly globalized world.*"

A Change Agenda For Tertiary Agricultural Education, *N-I Njie, D Sherrard, R Taylor - Sustainability, Education and the Management of Change in the Tropics seminar series.*

Systemic Sustainability

"Sustainability - a **systemic concept** relating to the **continuity** of **economic**, **social**, **institutional** and **environmental** aspects of human society - implies that the critical activities of a higher education institution are (at a minimum) ecologically sound, socially just and economically viable, and that they will continue to be so for future generations.

A truly sustainable university would emphasise these concepts in its curriculum and research, **preparing students to contribute** as working citizens to an **environmentally sound** and **socially just society**.

The institution would **function as a sustainable community**, embodying responsible consumption of food and energy, treating its diverse members with respect, and **supporting these values in the surrounding community**."

(University Leadership for a Sustainable Future, Sustainability Assessment Questionnaire.)

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International context

Forces impacting international HE

- Surging enrolments and enrolment demands
- Increasing HE costs and revenue needs
- Increasing globalisation (universities beyond borders)
- Declining government revenue and subsidies
- Financial challenges world-wide

D Bruce Johnstone and Pamela N Marcucci, 2010, Financing Higher Education Worldwide. Who pays? Who should pay?, Johns Hopkins University Press

Whose responsibility is HE?

- Who is paying? / Who should pay?
  - **Shift:** From governments & taxpayers

    To students & parents
  - **Cost sharing**:

    Government (& taxpayers) + students (& parents) + donors (& industry) **= HE costs**
  - **Cost sharing: public & private good**

    Augment / not replace government revenue

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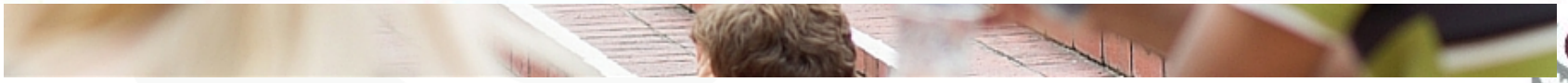
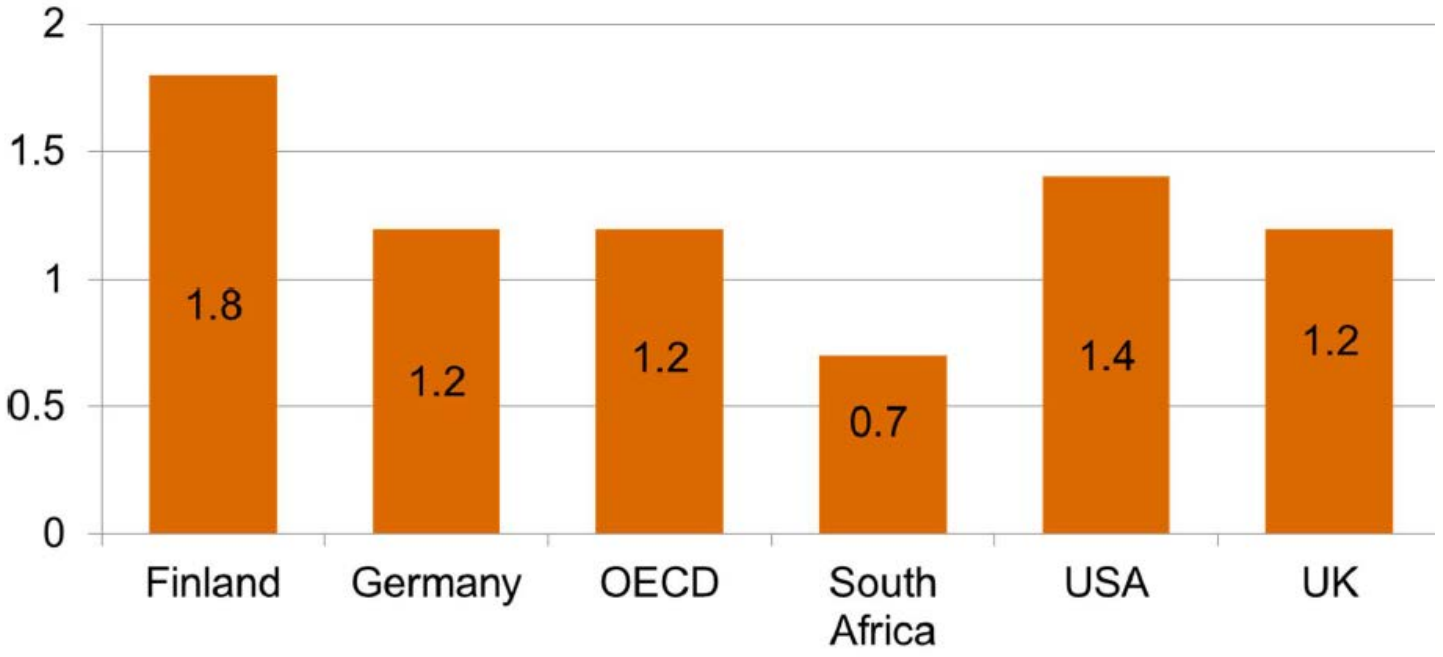
South African context



South African context

Expenditure on tertiary educational institutions as a % of GDP (2012)



Source: OECD Indicators: Education at a Glance 2015

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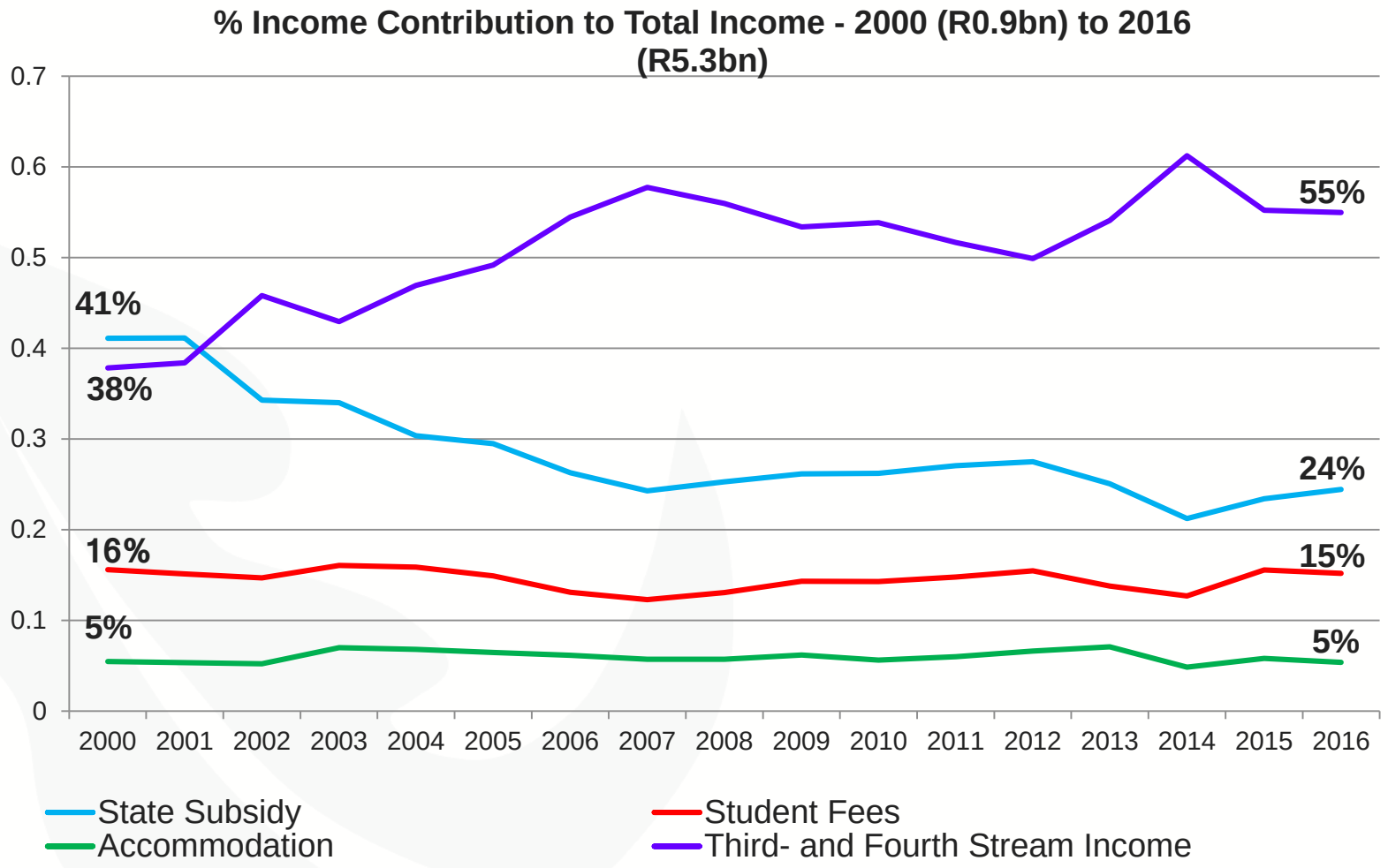
Financial sustainability

Income streams

- **1st stream: STATE SUBSIDY**
  - Based on teaching inputs, teaching outputs, research outputs and institutional factor
- **2nd stream: STUDENT FEES**
  - For tuition and accommodation
- **3rd stream: CONTRACT RESEARCH (see new stream below)**
  - Business transaction
  - Full-cost model
- **4th stream: PHILANTHROPIC DONATIONS**
  - Individuals, trusts and foundations, corporates
- **5th stream: INNOVATION & COMMERCIALISATION**
  - Extending the modern university's footprint into industry
  - Unlocking intellectual property
  - 'Sweating' university's assets

Income streams over time



The changing role of universities

Teaching

- Graduates

Research

- Graduates
- Publications

Innovation

- Graduates ----> Industry
- Publications ---> Researchers
- IP ----------> Entrepreneurs

Knowledge Regions / Grand Knowledge Hubs

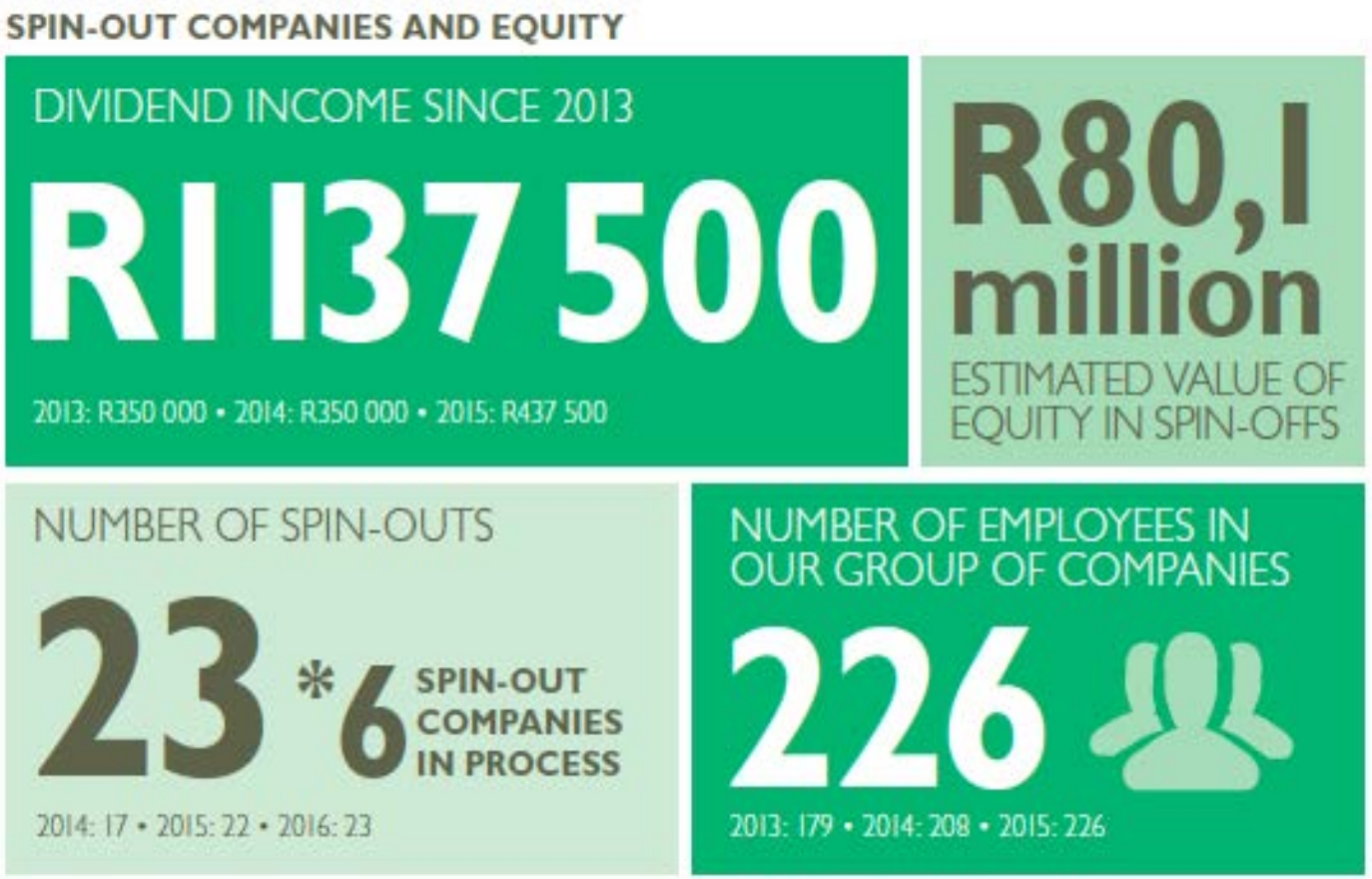
Optimising IP from R&D

- Reorganise research and analysis capabilities in pursuit of revenues. Many universities have **developed TTO's** to improve chances for such financial returns from ideas developed on campus.

- Among the other approaches adopted by various institutions are creating **on-campus incubator units to nurture start-up firms**, entering "e-commerce" and developing fee-for-service offerings. Overall, the **results** of these new efforts **have been mixed**.

- Optimising IP, demands investments and has burdens, *e.g:* Growing Industry / Business / Academic **resistance to complex IP agreements**.
  - Instant Access Licensing
  - Granting industry an exclusive world-wide license to technologies developed
  - Pre-set licensing terms

Making innovation matter



Commercialisation

KPMG: Revenue streams as part of institution's revenue diversification strategy

KPMG Publication: Embracing Innovation, 2015 - 2016 Higher Education Industry Outlook Survey

Q: In recognition of limited federal and state funding opportunities, what revenue streams are part of your institution's revenue diversification strategy?

- Partnerships 47%
- Philanthropy 44%
- Technology transfer 37%
- Online Initiatives 33%

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Physical Facilities

Facilities: Strategic principles

- Physical facilities facilitate STUDENT SUCCESS
  - Facilities Management, in cooperation with faculties, students, staff, commercial services, student affairs
- Physical environment critical to RECRUITMENT & RETENTION of students and staff
- EFFICIENT FACILITIES OPERATIONS can reduce cost
  - More funds to for core academic and student functions
- ENVIRONMENTAL SUSTAINABILITY a key cross-cutting consideration
- FACILITIES PLANNING should be aligned to overall institutional strategy and long-term planning

De Sitter's law of fives

Consequent damage

- If maintenance is not done, then repairs equalling five times the maintenance costs are required
- If repairs are not done, then renewal or refurbishment equalling five times the repair costs is required

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Student housing

Student housing

Cluster approach: integrating residential and day students in structures that promote student success

- A number of residences and day student wards are grouped together, and also linked to faculties
- Ensures that students experience the university as a caring, nurturing place
- Integrates residence and day students in private accommodation

Residential education (ResEd)

- Contributes to academic success and graduate attributes
  - Mentor Programme (peer-assisted)
  - Leadership development
  - Multicultural education

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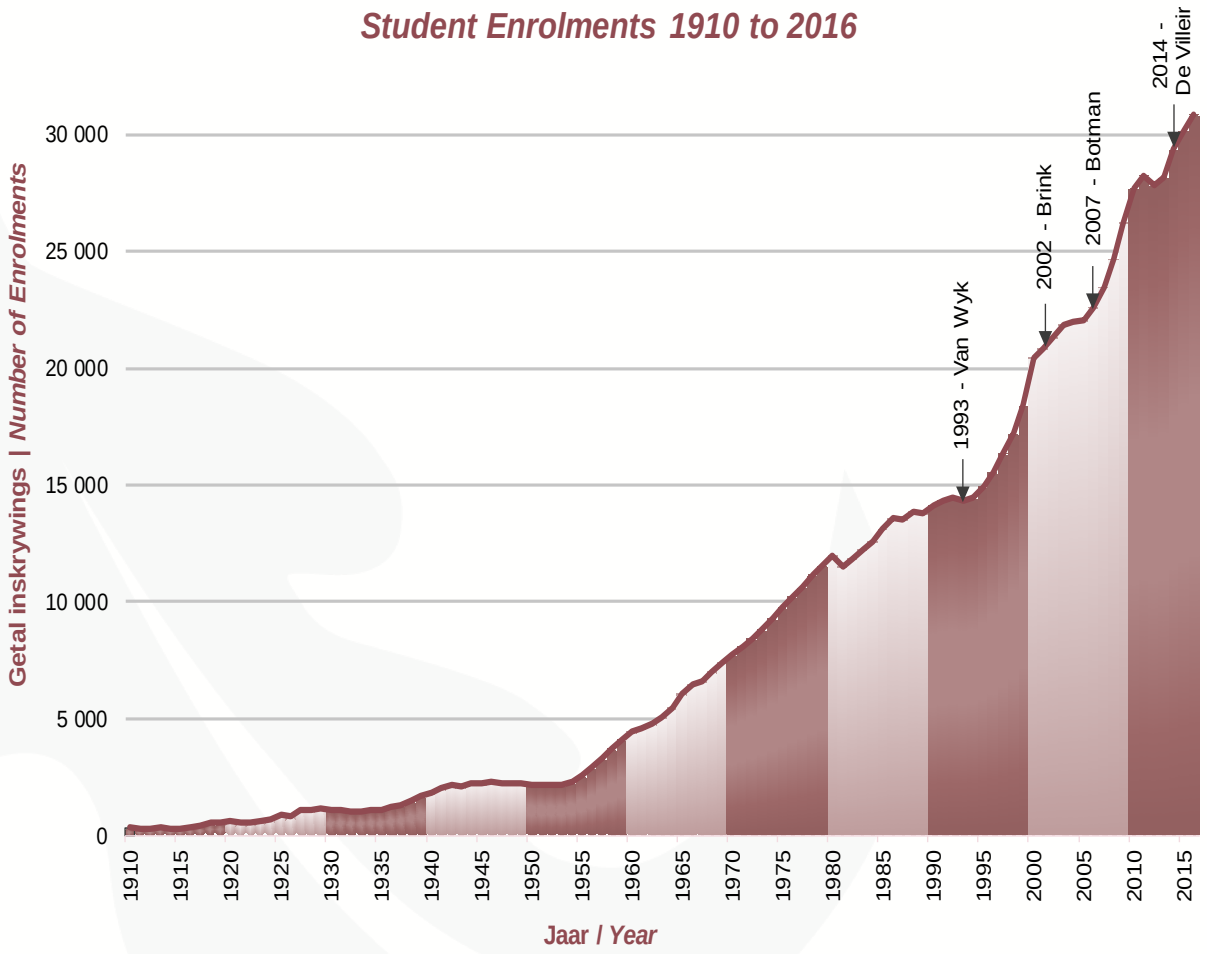
Mobility / Transport

Increasing numbers, limited space



Mobility – different modes

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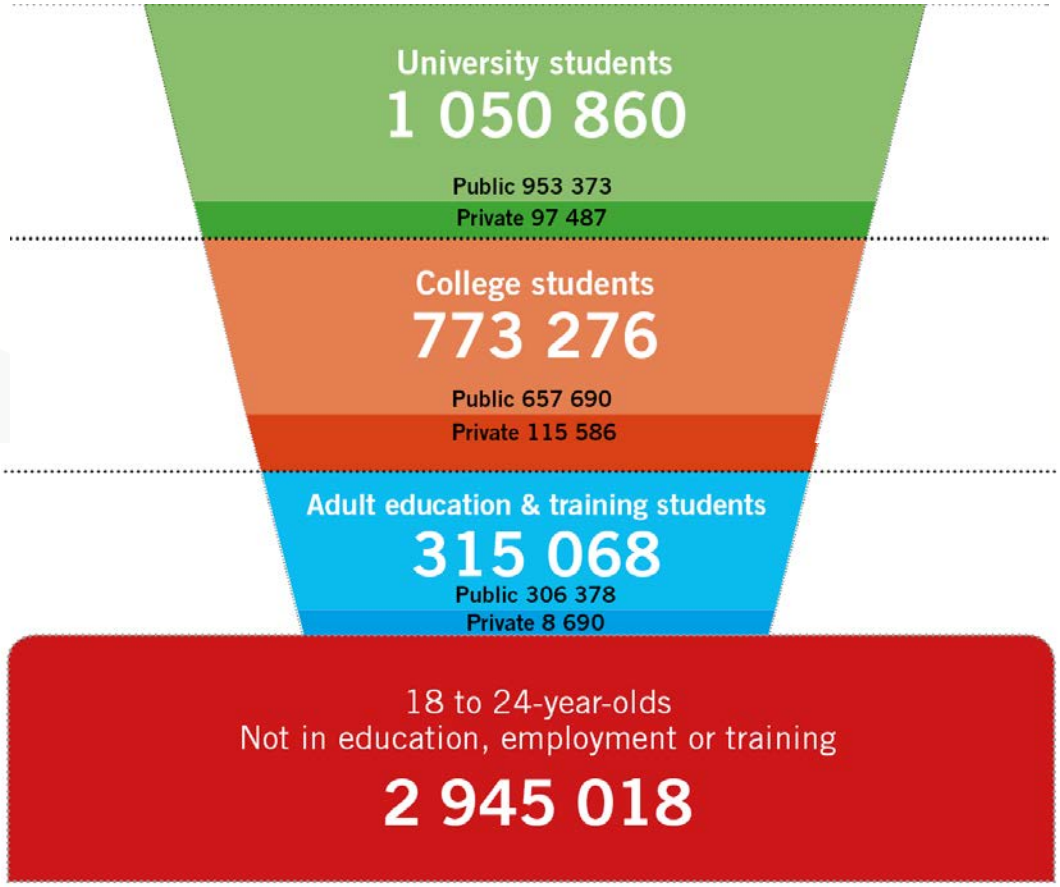
New challenges

New income streams

- "Is this **effort truly core to** who we are and who we want to be? Is this a **legacy I wish** to leave as a leader?"
- **Tension:** When ideas for new revenue streams may be promising in a business sense but threatening in a cultural and organizational sense, and perhaps disserving of the public good, the best choice may be to walk away.
- When promising ideas are also inspired and inspiring, however, much **wisdom** is needed in moving forward.

The South African Post-school System 2012

DST/NRF Centre of Excellence in Scientometrics and STI Policy/University of Stellenbosch – contributed by Nico Cloete, Charles Sheppard and Johan Mouton



Private higher education?

- Opportunities opening up for private providers of HE – including existing universities
- **But not without the state!**
  - Must be transactions with the state, the owner of universities' assets
  - Privatisation of universities will have to be based on agreements with state, dependent on delivering on national goals

Potential downsides of privatisation

- “Some universities - often the better-known and wealthier public universities - could end up **side-lining broader state goals** such as access and affordability in pursuit of their own agendas, such as moving up in college rankings.” (*Mariaan Wang, 2013).*
- "My fear is that if public flagships become **so focused** on **revenue and prestige**, and so focused on **autonomy**, they will minimize their commitment to the public agenda." "They should be leading the public agenda. If they privatize too much, they're not going to be doing it for much longer.” (*R Novak).*
- "I think there's a **potential for** confusion, unhealthy competition, and misuse of resources." *(R O'Neil).*

e-Learning

- ICT radically transforming the HE landscape
  - Moving from direct-contact to open and flexible learning
- Students expect greater access to knowledge: anywhere, any time
- Expansion opportunities not with residential students, but in learn-and-earn market

Myth busting:

Using technology in L & T

~~Technology dictates~~ **Academic** decisions

~~No more face-to-face lectures~~ Use technology to **support/blend**

~~Focus on technology~~ Create **enriched** learning environments and experiences

~~Suitable for everything~~ **Choose** offering carefully

~~Outsourcing?~~ / ~~Insourcing~~ / Viable Sourcing

Definition: 'Taking into account the input of various stakeholders, the university – in a transparent manner – decides on the optimal vehicle for the provision of essential services to the institution.'

Principles:

- Human dignity
- Sustainability of the university
- Financial feasibility
- Mutual best benefit
- Code of Conduct
- Good governance
- Transparency and confidentiality
- Input from stakeholders

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Partnerships

‘Quadruple Helix’ partnerships

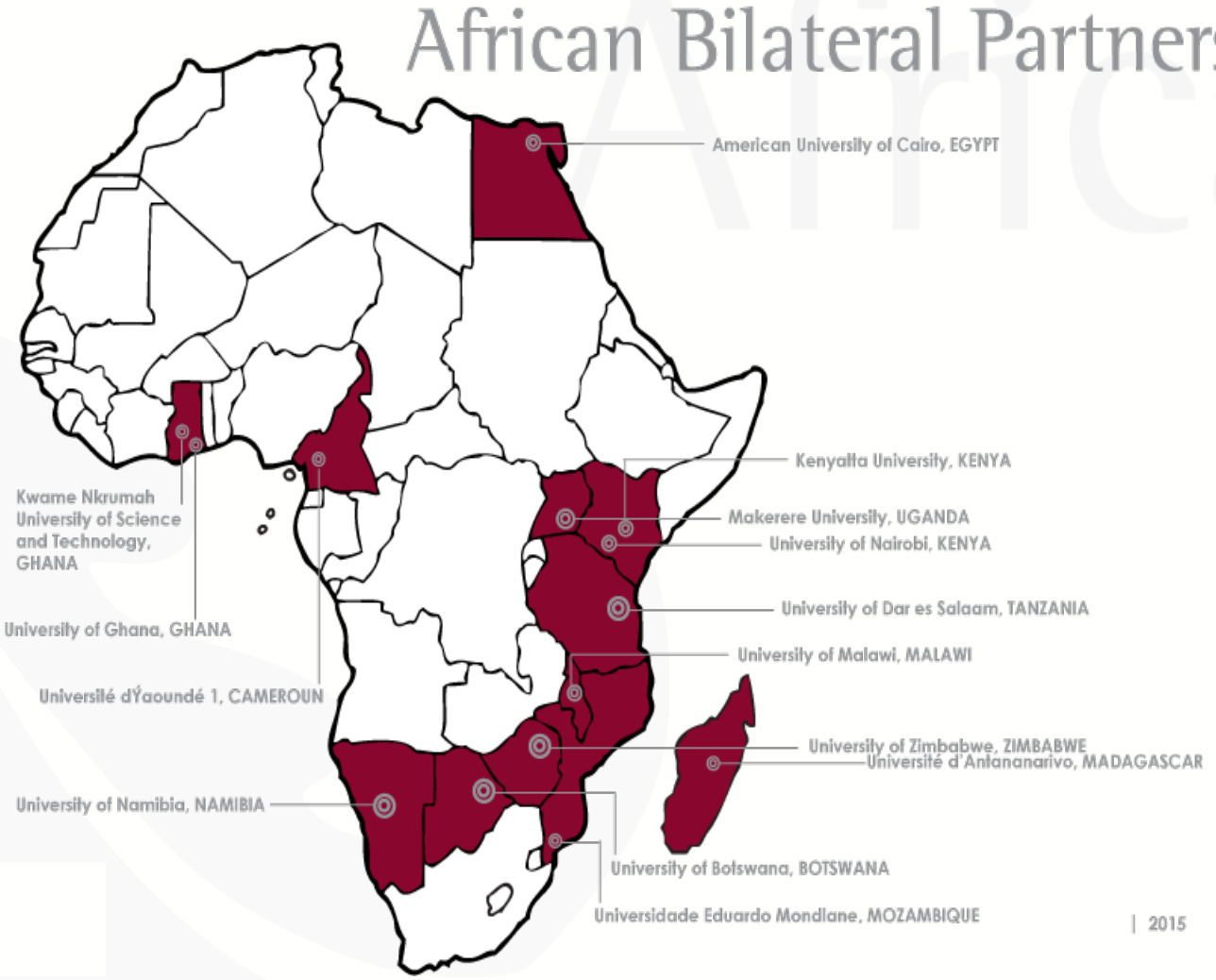
- **Higher education institutions** participate in the public discourse, contribute to public policy and execute joint projects through relationships with …
- **Government**
  - National departments (*e.g.* Health, DHET, Defence, DST)
  - Provincial departments (*e.g.* Health, Education, Economic Development)
  - Municipalities (local and district councils)
- **Business and Industry** (*e.g.* business chambers, companies, employers)
- **Civil Society** (*e.g.* CBOs, FBOs, NGOs)

Network society

- Formal and informal networks are a feature of the 21st century (Lange, 2010)
- The primacy of relationships is confirmed in a time of resource scarcity and complexity
  - Organisations have to team up with others with similar goals and objectives to pool resources
  - Because of complexity and increasing globalisation, different kind of organisations find that they must collaborate with others in networks to address different aspects of the challenges that are experienced
  - Academic knowledge is one part of a knowledge ecology
  - Universities partner with other knowledge partners in the generation of knowledge solutions to address "wicked" problems of 21st century

Research partnerships: International

Research partnerships: Continental



Conclusion (1)

- Universities are **complex businesses**
- Universities are no longer **ivory towers**
- Part of large networks in society for the **public good**
- As each university faces a **distinctive context** shaping its choices, there is no one best approach for institutions seeking new revenue sources. **Local context** must be central to institutional decision making.
- Avoid public authorities coming to believe that higher education can obtain enough new revenue to take care of itself. There are **limits on the amount of funds institutions can garner in new ways**, and further restraint on government support would exacerbate what is already a difficult situation for many institutions around the world.
- The status of higher education as a **public as well as individual good**, and thus its worthiness as a recipient of government funding, must be preserved.

Conclusion (2)

- From an internal perspective, the **implications of new revenue seeking must be thoroughly considered**. some revenue-seeking choices will affect an institution only at its periphery.
- Unlike businesses, institutions **cannot acquire and drop product lines** with little more than financial returns in mind. Unreflective movement toward diversified revenue streams can corrode commitments to established and valued institutional cultures, identities, and missions.
- **Integrate income in your strategy** in line with the mission and identity.
- Give faculties and staff **incentives** to take active part diversifying income.
- It is safer not to be one dimensional, but to **diversify** income streams **as much as possible.**

Thank you
Dankie

King IV™ Presentation

Visionary Leadership is KING
Knowledge and expertise is power

Kerry Jenkins

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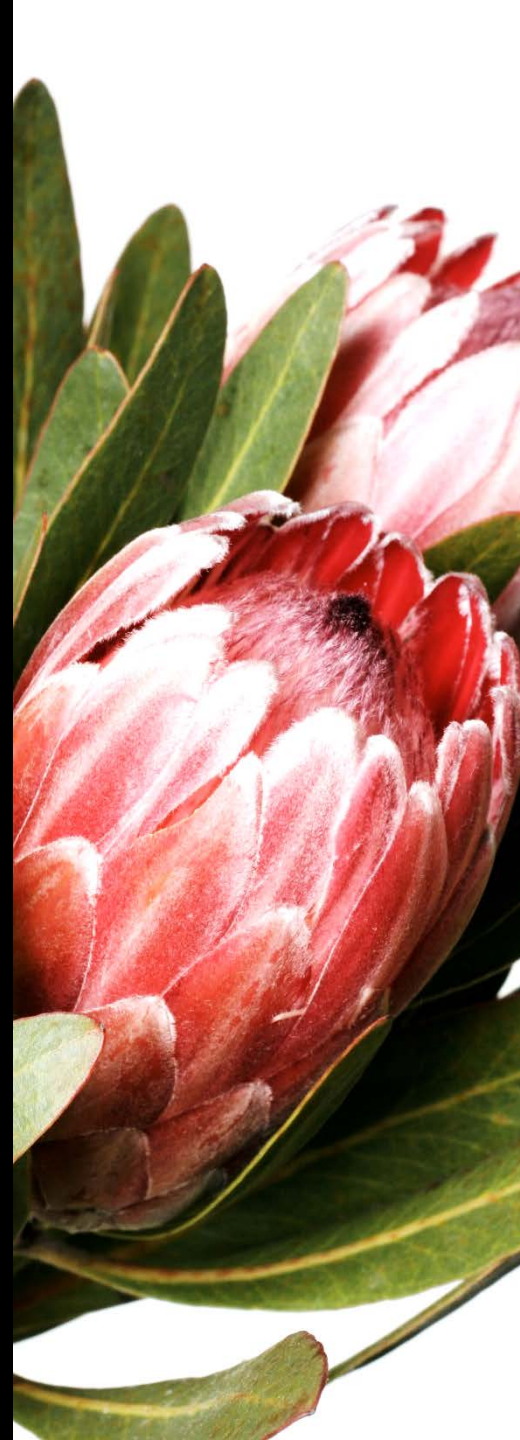
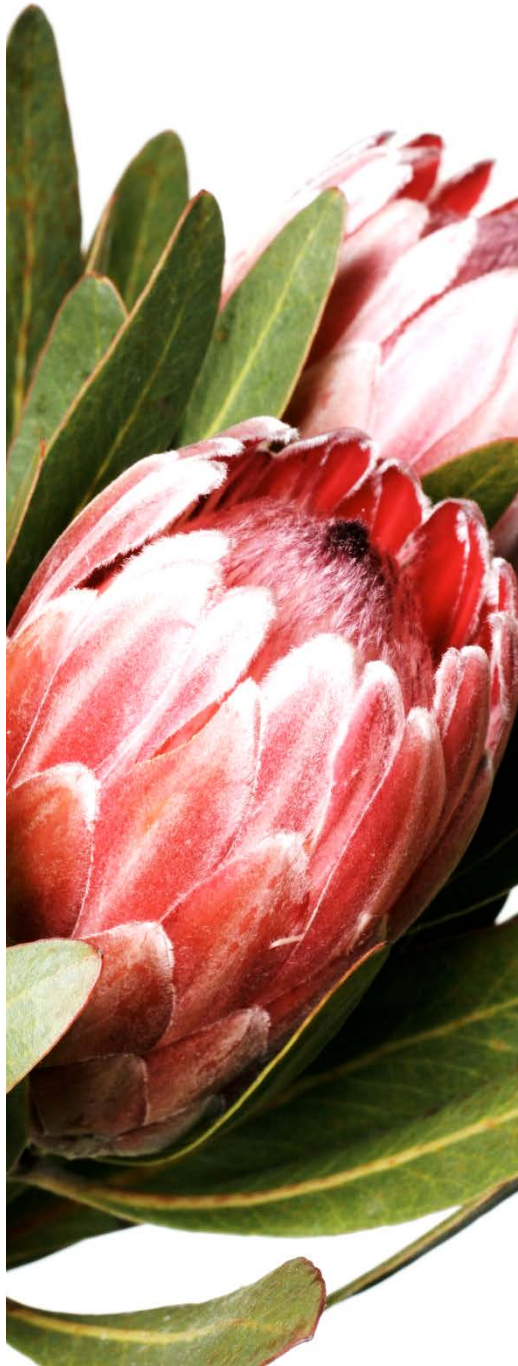


Introduction

- Applicability of King IV™
- The changes between King III and King IV™
- Overview of King IV™
- Implications of King IV™



King IV™ Applicability

- All organisations
- Proportionality
- Legal status
  - Voluntary code
  - JSE Listings Rules
  - Required standard of care
  - S vs Blue Platinum Ventures
- Effective date: Year Ends commencing on/after 1 April 2017

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King IV™ Changes

- Structure (Principles and Practices)
- Apply and Explain
- 16/17 Principles (previously 75 principles)
- Outcomes Oriented
- Sector Supplements
  - Municipalities
  - Non Profit Organisations
  - Retirement Funds
  - Small and Medium Enterprises
  - State Owned Entities

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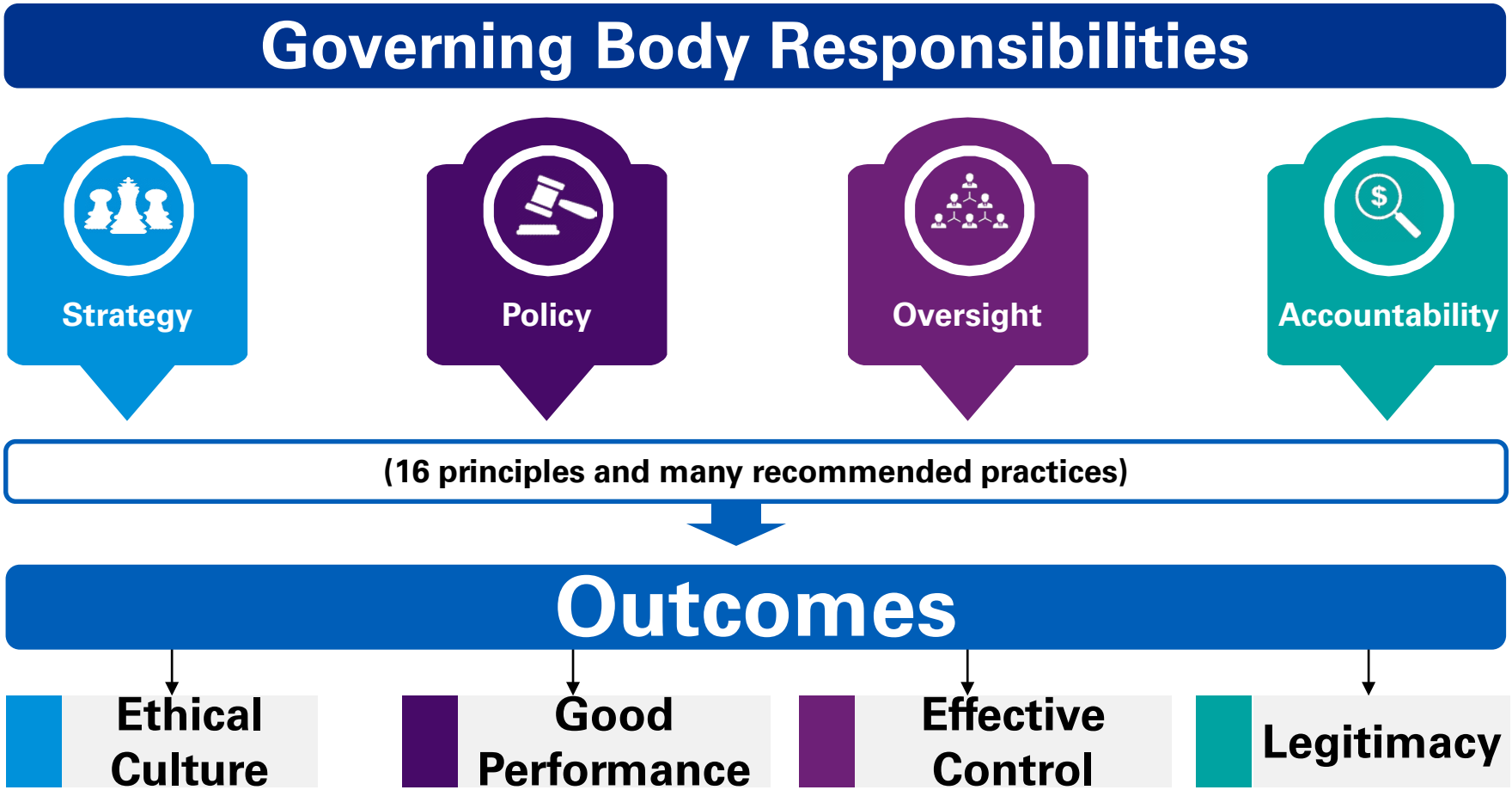
King IV™ overview



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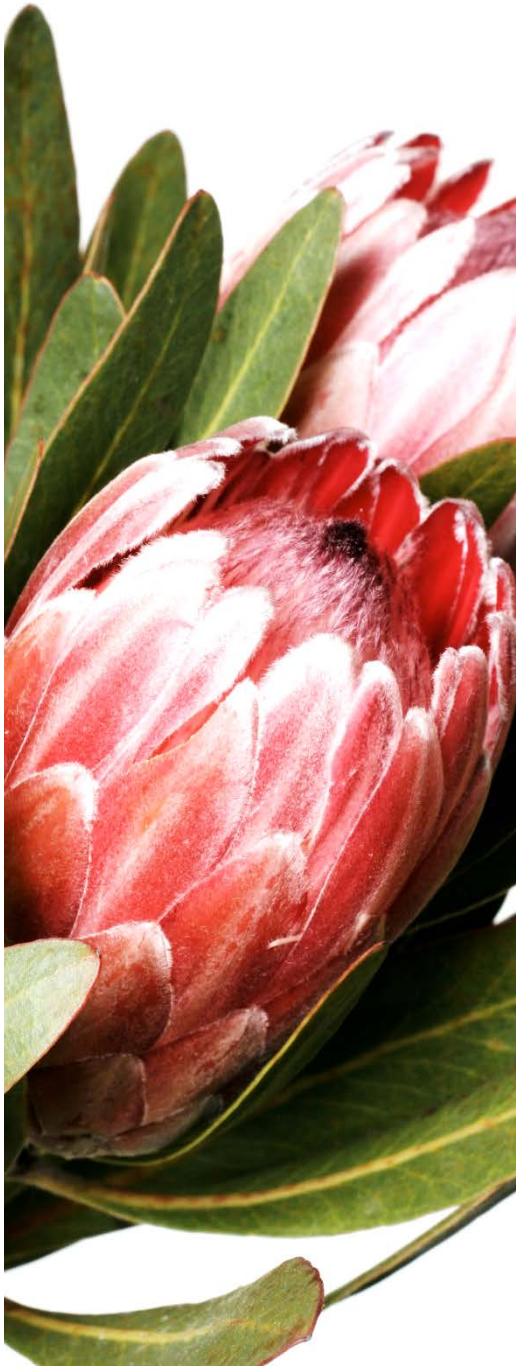
King IV™ Parts

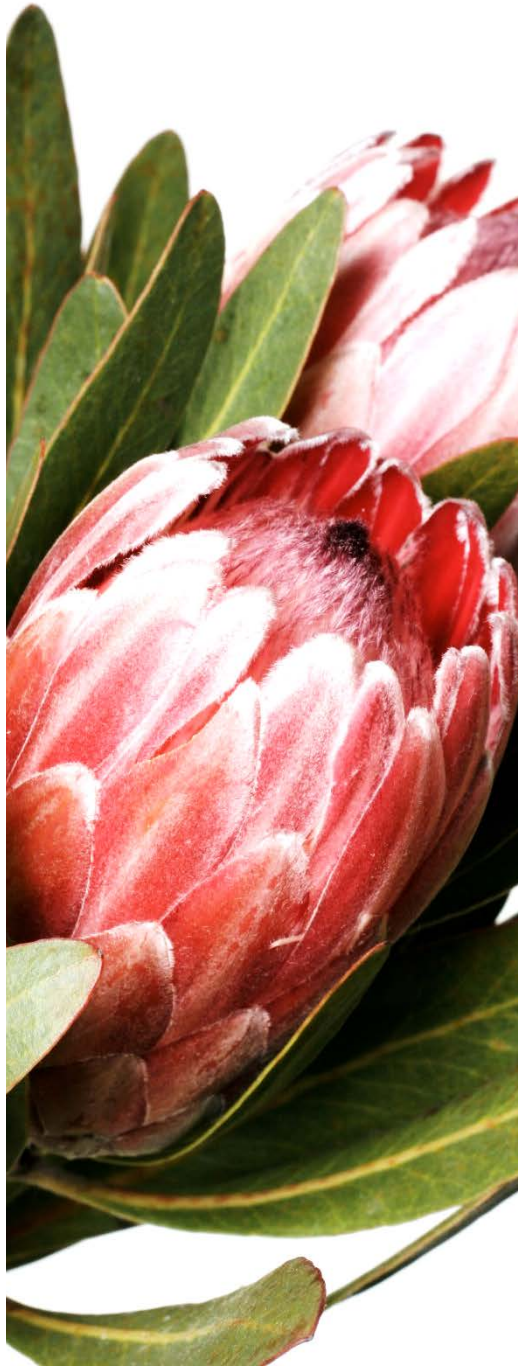
1. Leadership, Ethics and Corporate Citizenship
2. Performance Strategy and Reporting
3. Governing Structures and Delegation
4. Governance Functional Areas
5. Stakeholder Relationships



King IV™ Parts

Leadership, Ethics and Corporate Citizenship 1

- Leadership characteristics
- Organisational ethics and culture
- Responsible Corporate Citizenship

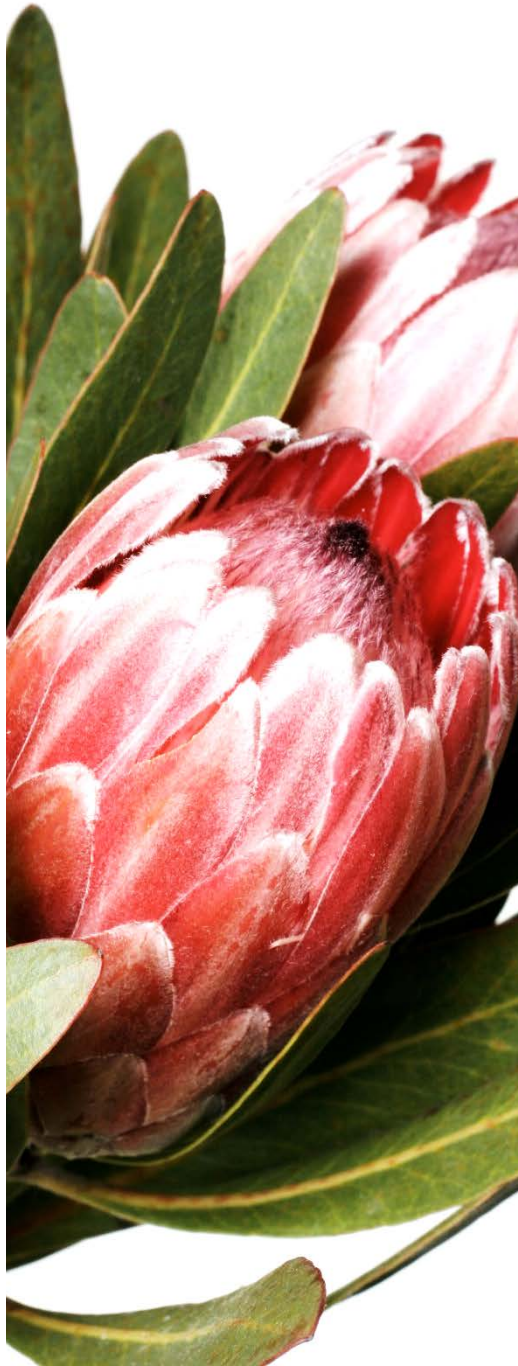


King IV™ Parts

Strategy, Performance and Reporting 2

— Strategy and performance

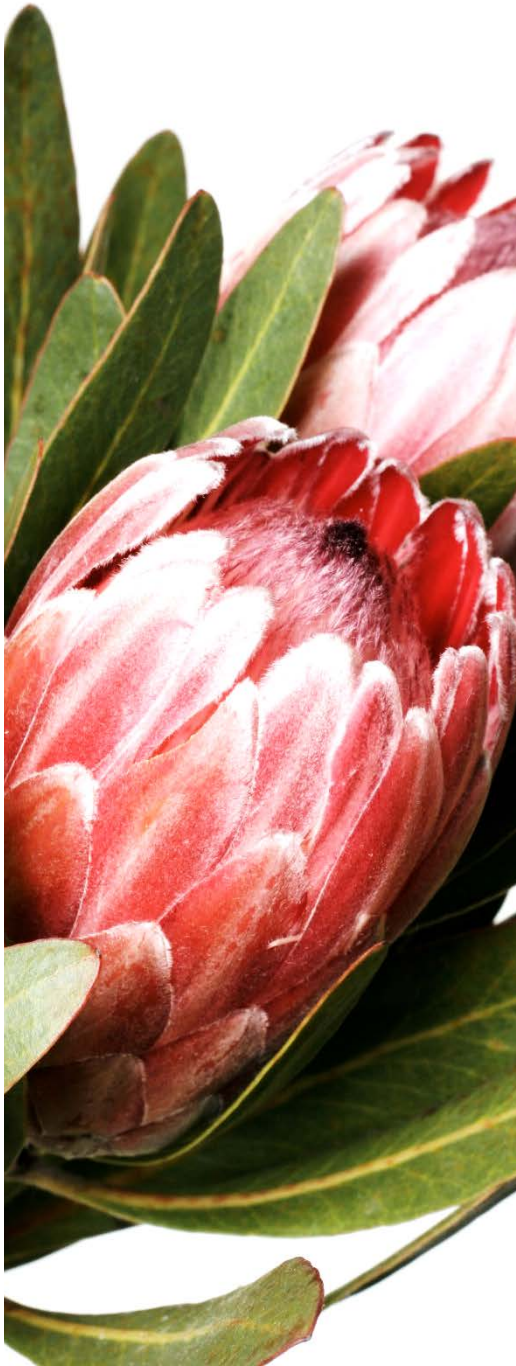
— Reporting



King IV™ Parts

Governing Structures and Delegation 3

- Governing Body
  - Role and responsibilities
- Composition
  - Appointment
  - Independence and conflicts
  - Chairmanship
- Performance Evaluations
- Committees
  - Audit
  - Nominations
  - Risk
  - Remuneration
  - Social and Ethics
- Management appointment and delegations



King IV™ – Audit Committee

- Independent oversight on assurance functions and integrity of AFS and other external reports
- Other matters delegated (AFS approval, Risk governance)
- Financial and other risks affecting external reports
- Composition
  - Skills
  - Membership
  - Chair
- Disclosures
  - External audit independence statement
  - Significant matters -AFS
  - Views on: -quality of external audit; CAE and internal audit effectiveness; Internal Financial Controls (design, implementation, weaknesses;) CFO and Finance Function effectiveness and Combined Assurance (arrangements and effectiveness)

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King IV™ Parts

Governance Functional Areas 4

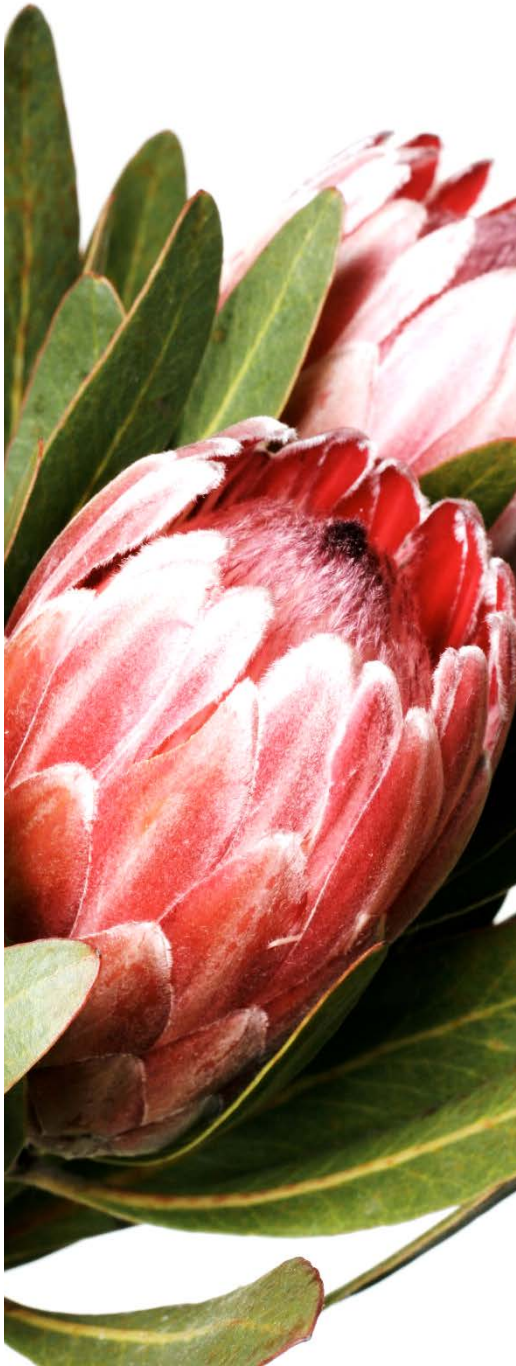
— Risk governance

— Technology and information governance

— Compliance governance

— Remuneration governance

— Assurance



King IV™ – Remuneration

- Remuneration Policy
- Remuneration Report
  - Background statement
  - Remuneration Policy
  - Implementation Report
- Voting on remuneration

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King IV™ – Assurance

- Combined Assurance
- Assurance of external reports
- Internal Audit
  - Board direction
  - Internal Audit Charter
  - Skills and resources
  - CAE independence, appointment, remuneration and removal by board
  - CAE access and position
  - CAE reporting lines
- Internal Audit
  - Risk based plan
  - Risk profile review
- Internal Audit statement on governance, risk management and control processes
- External quality assured
- CAE annual statement on code of ethics

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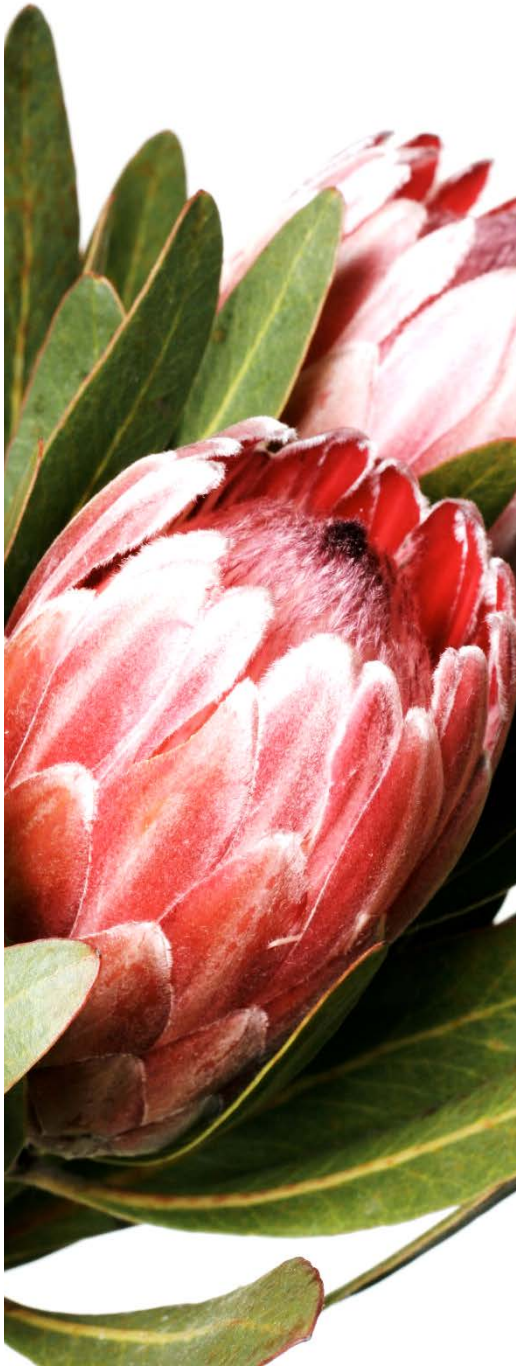
King IV™ Parts

Stakeholder Relationships

5

- Stakeholders
- Shareholder responsibilities
- Responsibility of institutional investors – Principle 17



Challenging areas?

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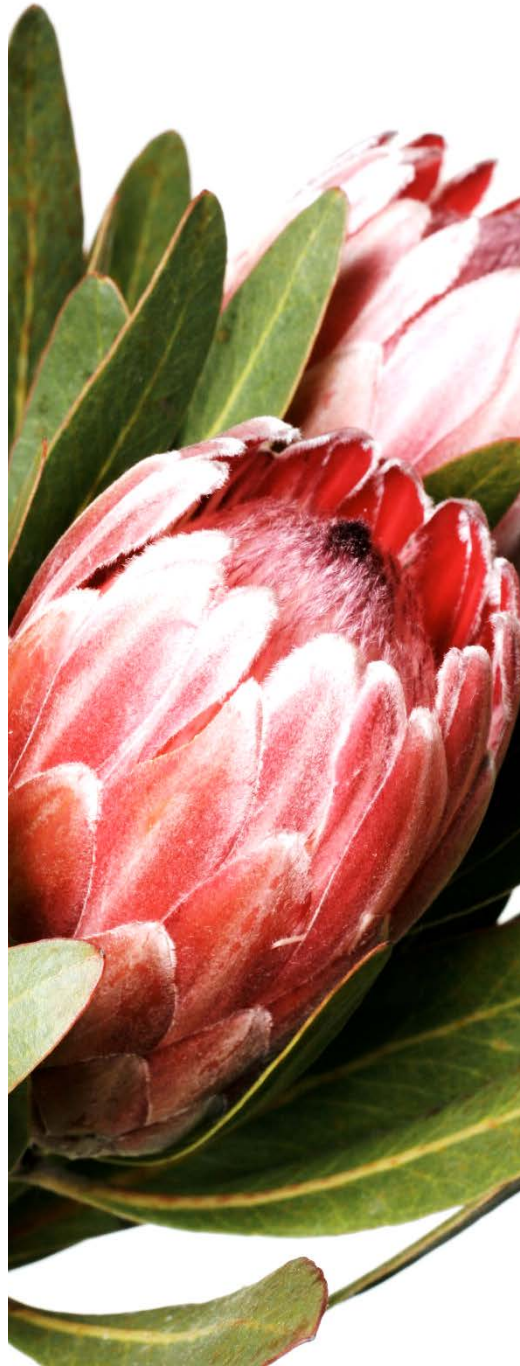
Questions and comments



Presenter:

Kerry Jenkins
+27 (0) 83 297 1197
Kerry.Jenkins@kpmg.co.za

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