

INDEPENDENT AUDITOR'S REPORT

To the Council of Free State Community Education and Training College

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Free State Community Education and Training College, which comprise the statement of financial position as at December 31, 2015, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the financial statements of the Free State Community Education and Training College. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Property, Plant and Equipment

We were unable to obtain sufficient appropriate audit evidence to confirm the property, plant and equipment and the subsequent impairment thereof as the college could not provide supporting documents for the property, plant and equipment as disclosed in the financial statement. In addition, we were also unable to verify the physical assets by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to property, plant and equipment stated as disclosed in note 4 to the financial statements.

Revenue from Non Exchange Transactions

We were unable to obtain sufficient appropriate audit evidence to confirm the government grant revenue as the college could not provide supporting documentation for the grant disclosed. We were unable to confirm the government grant by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to the government grant income stated at R48 658 283 as disclosed in the Statement of Financial Performance and note 7 to the financial statements.

Public Contributions and Donations

We were unable to obtain sufficient appropriate audit evidence to confirm the public contributions and donations as the college could not provide supporting documentation for the donations disclosed. We were unable to confirm the public contributions and donations by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to the public contributions and donations received as disclosed in the Statement of Financial Performance and note 8 to the financial statements.

Employee Related Expenditure

We were unable to obtain sufficient appropriate audit evidence to confirm the employee related expenditure as the college could not provide supporting documentation for the employee related expenditure incurred. We were unable to confirm the expenditure by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to the employee related expenditure stated at R48 658 283 as disclosed in the Statement of Financial Performance and note 9 to the financial statements.

Other information

The council is responsible for the other information. The other information comprises the information included in the Annual Report. The other information does not include the financial statements and the auditor's report.

Our opinion on the financial statements and findings on compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Council for the Financial Statements

The council is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Continuing Education and Training Act of South Africa, 2006 (Act no. 16 of 2006) (CETA), and for such internal control as the council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the council is responsible for assessing the Free State Community Education and Training College's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the council either intends to liquidate the Free State CET College or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the college in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Report on Other Legal and Regulatory Requirements

Performance information reporting

The college is not required to prepare a report on its performance against predetermined objectives, as it does not fall within the ambit of the Public Finance Management Act (PFMA) and such reporting is also not required in terms of the CETA.

Report on the audit of compliance with legislation

In accordance with the Public Audit Act (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the college with specific matters in key legislation. We performed procedures to identifying findings but not to gather evidence to express assurance.

The material findings on compliance with specific matters in key legislation are as follows:

Annual Financial statements

The financial statements submitted for auditing were not supported by complete accounting records, as required by section 25(1)(b) of the CET Act.

Material misstatements of non-current assets, revenue and expenses identified by the auditors in the submitted financial statements where the supporting records could not be provided resulted in the financial statements receiving a disclaimer of opinion.

Financial statements were not submitted for auditing within three months after the end of the financial year, as required by section 25(3) of the CET Act.

Strategic Planning

The strategic plan for 2015 was not prepared as required by section 44(1) of the CET Act

Internal control deficiencies

I considered internal control relevant to my audit of the financial statements and compliance with the CET Act; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

- The financial statements was also not adequately reviewed, which resulted in material misstatements. Several line items and disclosure notes to the financial statements were subject to material corrections resulting from the audit, which can be attributed to the weaknesses in the design and implementation of internal control in respect of financial management and financial reporting.
- The entity did not implement a risk assessment process including risk register to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored.
- The college did not have a functioning internal audit unit and audit committee which contributes to the weaknesses in the design and implementation of internal control.
- The college did not review and monitor compliance with all applicable laws and regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted.

NEXIA SAB&T

Nexia SAB&T

Myburgh Wessels

Director

Registered Auditor

31 March 2019

15 President Steyn Street

Westdene

Bloemfontein

9301