Free State
CET College
Community Education
and Training College

FREE STATE COMMUNITY EDUCATION AND TRAINING COLLEGE

Annual Financial Statements

for the year ended 31 December 2016

Nexia SAB&T 25 YEARS 1994 - 2019
accountants | auditors | consultants

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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 set out on pages 1 to 15, which comprise the statement of financial position as at December 31, 2016, 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 matter 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

Employee-related expenditure

We were unable to obtain sufficient appropriate audit evidence to confirm that the employee related expenditure was properly accounted for 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 R223 885 752 (2015: R48 658 283) as disclosed in the Statement of Financial Performance and note 9 to the financial statements.

Revenue from Non-Exchange Transactions

We were unable to obtain sufficient appropriate audit evidence to confirm the government grant revenue was properly accounted for 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 R226 290 767(2015: R48 658 283) as disclosed in the Statement of Financial Performance and note 7 to the financial statements.

Impairment of receivables

We were unable to obtain sufficient appropriate audit evidence to confirm that the impairment of receivables was correctly accounted for and we were unable to confirm the impairment by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to the impairment amount stated at R6 252 785 in the Statement of Financial Performance.

Public contributions and donations

During 2015, we were unable to obtain sufficient appropriate audit evidence to confirm the amount for public contributions and donations stated in the financial statements as the College could not provide supporting documentation for the amount disclosed. Our audit opinion on the financial statements for the year ended 31 December 2016 was also modified as we were unable to determine the completeness of the revenue amount stated at Rnil (2015: R600 225) in the Statement of Financial Performance and note 8 to the financial statements.

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, due to the non-submission of sufficient supporting documents for the assets as disclosed in the financial statements and we were unable to verify the assets by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to property, plant and equipment stated at R461 319 (2015: Rnil) in note 4 to the financial statements.

Other information

We have read the other information and, in doing so, considered 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. However, due to the disclaimer of opinion in terms of the International Standard on Auditing (ISA) 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, we are unable to report further on this other information

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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

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 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 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

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.

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.

Strategic Planning

The strategic plan for 2016 was not prepared as required by section 44(1) of the CET Act

Internal control deficiencies

We considered internal control relevant to our audit of the financial statements and compliance with the CET Act; however, our 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.

Financial Management

- The College's management of records was inadequate in keeping financial information for routine and non-routine transactions, resulting the auditors not being able to obtain sufficient appropriate evidence for transactions and not expressing an audit opinion.

- The College 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.

Governance

- The College did not have a functioning internal audit unit and audit committee, which contributed to the weaknesses identified in the design and implementation of internal control.

- The Council did not provide sufficient oversight over the effectiveness of the internal control environment and the compliance with laws and regulations.

NEXIA SAB&T

Nexia SAB&T
Myburgh Wessels
Director
Registered Auditor
29 July 2019

15 President Steyn Street
Westdene
Bloemfontein
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The council is required by the Continuing Education and Training Act No. 16 of 2006, as amended, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of council to ensure that the financial statements fairly present the state of affairs of the College as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with GRAP. The external auditors were engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records, related data and relevant parties.

The financial statements have been prepared in accordance with the Standards of GRAP including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) and in the manner required by the Minister of Higher Education and Training.

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

Council acknowledges that it is ultimately responsible for the system of internal financial control established by the College and places considerable importance on maintaining a strong control environment, which includes the safeguarding of assets and compliance with relevant legislation. To enable the council to meet these responsibilities, the council sets standards for internal control aimed at reducing risk in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting and other procedures, and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the College and employees and management are required to maintain the highest ethical standards in ensuring the College's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the College is on identifying, assessing, managing and monitoring all known forms of risk across the College. While operating risk cannot be fully eliminated, the College 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 accepts its responsibility to ensure that the College is managed in a responsible manner, considering the interest of all stakeholders, including the DHET, unions, employees, students, local communities and creditors. Responsible management entails, inter alia, compliance with applicable statutory and regulatory requirements, including risk management.

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 financial statements and that the financial statements are free from material misstatement, whether due to fraud or error. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The council has reviewed the College's cash flow forecast for the year to 31 December 2017 and, in the light of this review and the current financial position, it is satisfied that the College has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The College is dependent on the DHET for continued funding of operations in line with the annual DHET programme funding allocation. The financial statements are prepared on the basis that the College is a going concern and that the DHET and council have neither the intention nor the need to liquidate or curtail materially the scale of the College's operations.

The external auditors are responsible for independently auditing and reporting on the College's financial statements and their report is presented with these financial statements.

The financial statements set out on page 4 to 18 were approved by the council on 15 July 2019 and were signed on its behalf by:

RF Sello
Chairperson of the Council
15 July 2019

Statement of Financial Position as at 31 December 2016

	Note	2016 R	2015 R
ASSETS			
Current assets		**1,451,335**	**7,232,142**
Other receivables from non-exchange transactions, including transfers	3	1,451,335	7,232,142
Non-current assets		**461,319**	**-**
Property, plant and equipment	4	461,319	-
Total assets		**1,912,654**	**7,232,142**
LIABILITIES			
Current liabilities		**600,000**	**300,000**
Trade and other payables from exchange transactions	5	600,000	300,000
Total liabilities		**600,000**	**300,000**
Net assets		**1,312,654**	**6,932,142**
Accumulated surplus		1,312,654	6,932,142
Total net assets and liabilities		**1,912,654**	**7,232,142**
		-	-

Statement of Financial Performance

	Note	2016 R	2015 R
Revenue			
Revenue from exchange transactions		-	29
Other income	6	-	29
Revenue from non-exchange transactions		229,276,967	56,580,118
Government grants and subsidies	7	229,276,967	55,979,893
Public contributions and donations	8	-	600,225
Total revenue		229,276,967	56,580,147
Expenses			
Employee related costs and DHET management fee	9	(223,885,752)	(48,658,283)
Impairment of debtors		(6,252,785)	-
Depreciation and amortisation		(27,137)	-
Books and learning materials		(266,276)	-
Repairs and maintenance		(2,611)	-
Operating lease expense		(21,282)	-
Travel, accommodation and entertainment		(1,300,526)	(51,441)
Security		(39,474)	-
External audit fees		(300,000)	(300,000)
Municipal services		(340,232)	-
Telephone, postage, internet, network and communication costs		(39,238)	-
Printing and stationery		(1,908,835)	(101)
Other expenses	10	(512,307)	(37,955)
Total expenses		(234,896,455)	(49,047,780)
Other gains/losses		-	(600,225)
Impairment (Loss)/Reversal of impairment loss on assets	11	-	(600,225)
Surplus/(Deficit) for the year		(5,619,488)	6,932,142

Statement of Changes in Net Assets

	Note	Accumulated Surplus/ (Deficit)	Total: Net Assets
		14	
		R	R
Balance at 01 January 2015		-	-
Surplus/(deficit) for the year		6,932,142	6,932,142
Balance at 01 January 2016		**6,932,142**	**6,932,142**
Surplus / (deficit) for the year		(5,619,488)	(5,619,488)
Balance at 31 December 2016		**1,312,654**	**1,312,654**

Cash Flow Statement

	Note	2016 R	2015 R
Cash flows from operating activities			
Receipts		**5,391,215**	**56,580,147**
Government grants and subsidies		5,391,215	55,979,893
Public contributions and donations			600,225
Other Receipts			29
Payments		**(4,902,759)**	**(55,979,922)**
Employee costs		-	(48,658,283)
Suppliers		(10,683,566)	(89,497)
Other payments		5,780,807	(7,232,142)
Net cash flows from operating activities	12	**488,456**	**600,225**
		-	-
Cash flows from investing activities			
Purchase of property, plant and equipment		(488,456)	(600,225)
Net cash flows from investing activities		**(488,456)**	**(600,225)**
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-
		-	-

1. ACCOUNTING POLICIES

1.1 Presentation of Financial Statements and Basis of preparation

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and in the manner prescribed by the Minister of Higher Education and Training in terms of the Continuing Education and Training Act No. 16 of 2006, as amended.

These accounting policies are consistent with the previous year.

1.2 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the College.

1.3 Going concern assumption

Management and council have made the assessment that the college is a going concern and the financial statements have been prepared on a going concern basis.

1.4 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing financial statements. These judgements, estimates and assumptions affect the amounts presented in the financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements:

Government funding

Programme funding is allocated to the College by DHET in terms of the CET Act and the National Norms and Standards for Funding of CET Colleges. The budget allocated to the College takes into account the historical background on how PALCs were previously funded by PEDs.

A portion of the government funding is paid via Persal by DHET, directly to the DHET staff placed at the College. This constitutes a service in kind to the College by DHET and it is judged to be accrued when it is paid by DHET and the revenue and related expenses are recognised accordingly.

The College also receives a goods and services allocation in the DHET Procurement budget. Goods and services procured by DHET for the Colleges from these funds constitute goods and services in kind and it is judged to be accrued when it is paid by DHET.

Furthermore, DHET allocates a portion of the College's funding to it in the form of cash transfers. These amounts are transferred to TVET Colleges, who administer it on behalf of the College. These amounts accrue in terms of the allocation letters issued by DHET, and is recognised as revenue as per the accrual dates stipulated in the allocation letters.

The transactions and amounts are disclosed in Note 7.

Employee related costs and DHET management fee

The College's staff consists of two groups:

i) Persons appointed by Minister

ii) Persons appointed by council

Management and other personnel appointed on Persal were remunerated by the DHET. They were not College employees and their remuneration cannot be classified as an employee expense of the College and is therefore classified as "DHET management fee".

Campuses or other property used and controlled, but not owned by the College

Certain community learning centres and other property are used by the College and are not registered in the name of the College. The lack of legal ownership could affect whether or not the College has control over the campus. Where, inter alia, beneficial control exists, the campus in question is recognised, measured and included in the financial statements as either property, plant and equipment (campuses or other property) or investment property (other property) in terms of the definition of an asset as per the Framework for the Preparation and Presentation of Financial Statements and the definition of Property, Plant and Equipment in GRAP 17 Property, Plant and Equipment or Investment Property in GRAP 16 Investment Property.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates are recognised prospectively by including it in surplus or deficit in:

(a) the period of the change, if the chnage affects that period only, or

(b) the period of the change and future periods, if the change affects both.

Useful lives and residual values of assets; depreciation and amortisation

The College's management determines the estimated useful lives and residual values of all non-current, non-financial assets. These estimates are based on industry norms and then adjusted to be College specific. Management determines at reporting date whether there are any indications that the College's expectations of useful lives or residual values have changed from previous estimates. Where indications exist the expected useful lives or residual values are revised accordingly.

Depreciation and amortisation recognised on property, plant and equipment and intangible assets respectively are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the College's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets. Generally, depreciation is accrued over the useful lives of assets on a straight-line basis.

Useful lives are as follows:

Computer equipment: 3 years

The change shall be accounted for as a change in accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Chnages in Accounting Estimates and Errors (GRAP 3).

1.5 Property, plant and equipment

Property, plant and equipment include:
Computer Equipment

Property, plant and equipment is initially measured at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

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 assets, or a combination of assets 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.

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 College 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.

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Refer to Note 4. for the estimated useful lives.

At reporting date it is assessed whether there are any indications that the College's expectations of useful lives or residual values have changed from previous estimates. Where indications exist the expected useful lives or residual values are revised accordingly.

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

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

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 Statutory receivables

Funding receivable from DHET arise from non-contracted arrangements as the basis for DHET funding is found in the Division of Revenue Act. Cash receivable from DHET as part of programme funding is regarded as a "statutory receivable".

The statutory receivable is initially measured at the transaction amount and subsequently measured using the cost-method, which changes the initial measurement to reflect any impairment or amounts derecognised. An explanation on when the DHET programme funding and any related receivables or payables are recorded is provided in note 1.4 and 1.7.

The statutory receivable is included in Other receivables from non-exchange transactions. Refer to note 3.

1.7 Revenue from non-exchange transactions

When the College receives an asset or a service as part of a non-exchange transaction and the definition and recognition criteria of an asset is met, the College recognises the asset and initially measures it at its fair value as at the date of acquisition.

When there are conditions on transferred assets or services received by the College which result therein that the College has a present obligation on initial recognition, which meets the definition and recognition criteria of a liability, the College recognises a corresponding liability, initially measured as the best estimate of the amount required to settle the present obligation at the reporting date.

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 College 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.

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

When, as a result of a non-exchange transaction, the College 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.

Government funding
The portion of government funding emanating from the procurement of goods and services by DHET for the Colleges; as well as the portion emanating from DHET for paying the remuneration of management and employees stationed at the College through Persal, are recognised when DHET makes the relevant payments.

The government funding received through these avenues are measured at the amount of payments made by DHET in this respect, in accordance with payment reports received from DHET. The related revenue is recognised as Goods and services received in kind as per note xx. The related expense for goods and services procured by DHET are recognised as assets or expenses and classified according to the nature of the asset or expense. The related expense for Persal salaries paid by DHET are classified a DHET management fee expense as per note 9..

The portion of government funding paid in cash to TVET Colleges, to administer on behalf of the College, is recognised as per the accrual dates indicated on the allocation letter issued by DHET and it is measured at the amounts indicated on the allocation letter.

Services in-kind

The College recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related 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. If the services in-kind are not significant to the College's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the nature and type of services in-kind received during the reporting period is disclosed.

When the criteria for recognition are satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition.
Programme funding and DHET procurment transactions are services in-kind, and are dealt with under Government funding.

1.8 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Significant influence may be exercised in several ways, usually by representation on the governing body but also, for example, by participation in the policy-making process, material transactions between entities within an economic entity, interchange of managerial personnel or dependence on technical information.

Significant influence may be gained by an ownership interest, statute or agreement or otherwise. With regard to an ownership interest, significant influence is presumed in accordance with the definition contained in the Standard of GRAP on Investments in Associates.

Management are those persons responsible for planning, directing and controlling the activities of the College, including those charged with the governance of the College 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 College.

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

1.9 Events after the reporting date

Events after the 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).

Reporting date means the date of the last day of the reporting period to which the financial statements relate. The reporting date of the College is 31 December 2016.

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

	Note	2016 R	2015 R

2. Standards, amendments to Standards, Directives and Interpretations issued but not yet effective

The following GRAP and / or amendments thereto have been approved by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The college has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

Standard name	Standard number	Effective date (Periods starting on or after)	Expected Impact
Investment Property	GRAP16	01 April 2016	Clarification of conditions necessary to classify property as investment property. Increased disclosure relating to Repairs and Maintenance and Long-overdue projects.
Property, Plant and Equipment	GRAP17	01 April 2016	Increased disclosure relating to Repairs and Maintenance and Long-overdue projects. Re-assessment of useful lives and residual values on a indicator basis - not annually. Encouraged disclosure removed.
Segment Reporting	GRAP18	01 April 2018	No material impact expected
Related Party Disclosures	GRAP20	Not yet set	No material impact expected
Service Concession Arrangements:Grantor	GRAP 32	Not yet set	No material impact expected
Separate Financial Statements	GRAP 34		No material impact expected
Consolidated Financial Statements	GRAP 35	Not yet set	No material impact expected
Investments in Associates and Joint Ventures	GRAP 36	Not yet set	No material impact expected
Joint Arrangements	GRAP 37	Not yet set	No material impact expected
Disclosure of Interests in Other Entities	GRAP 38	Not yet set	No material impact expected
Statutory Receivables	GRAP 108	Not yet set	No material impact expected
Accounting by Principals and Agents	GRAP 109	Not yet set	No material impact expected
Living and Non-living Resources	GRAP 110	Not yet set	No material impact expected
Interpretation of the Standard of the GRAP on Service Concession Arrangements Where a Grantor controls a Significant Residual Interest in an Asset	GRAP 17	Not yet set	No material impact expected
The Selection of An Approriate Reporting Framework by Public Entities	Directive 12	01 April 2018	No material impact expected

	Note	2016 R	2015 R

3. Other receivables from non-exchange transactions, including transfers

Statutory receivable: Government grants and subsidies (Refer also note 7)		6,511,000	6,511,000
Flavius Mareka TVET College		1,193,120	721,142
Less: Provision for debt impairment		(6,252,785)	-
Total other debtors		**1,451,335**	**7,232,142**

Terms and conditions of other receivables

Statutory receivable: Government grants and subsidies

This is the grant that has been deposited into Flavius Mareka TVET College's account for which there is a memorandum of understanding on the use of funds, grants are receivable to the college to the extent they are unspent.

	Note	2016 R	2015 R

Credit quality of other receivables from non-exchange transactions

The receivable relates to both unspent grants transferred to Flavius Mareka TVET College by DHET and grants unspent by DHET belonging to the college. Since these monies are current and not oustanding for more than 30 days, the credit quality is performing (as explained below).

Method of determining credit quality of other receivables from non-exchange transactions

We internally assess the quality of the receivables based on a number of factors such as delinquency and the financial strength of individual borrowers and guarantors. Because many of these indicators are difficult to apply across an entire class of receivables, we evaluate individual loans on a quarterly basis and classify these loans into three categories based on the key credit quality indicators for the individual loan. These three categories are performing, watchlist and non-accrual. We measure delinquency based on the contractual payment terms of our finance receivables. In determining the delinquency aging category of an account, any/all principal and interest received is applied to the most past-due principal and/or interest amounts due. If a significant portion of the contractual portion of the contractually due payment is delinquent, the entire finance receivable balance is reported in accordance with the most past-due delinquency aging category.

	Note	2016 R	2015 R
The credit quality of other receivables from non-exchange transactions		**Internally determined credit quality (weighted average credit quality of the balance)**	**Externally determined credit quality (weighted average credit quality of the balance)**
Statutory receivable: Government grants and subsidies		258,215	6,511,000
Flavius Mareka TVET College		1,193,120	721,142
		1,451,335	7,232,142

Fair value of other receivables from non-exchange transactions

The carrying value of trade and other receivables approximates their fair value. The approach used to determine the fair value is as follows: The amount that was transferred to Flavius Mareka TVET College by DHET as substantiated by the BAS report and DHET allocation letter.

	Note	2016	2015
		R	R

4. Property, plant and equipment

	2016 Cost	2016 Accumulated Depreciation and Impairment	2016 Carrying Value	2015 Cost	2015 Accumulated Depreciation and Impairment	2015 Carrying Value
	R	R	R	R	R	R
Furniture and Fittings	-	-	-	1,235,722	(1,235,722)	-
Office Equipment	-	-	-	1,123,253	(1,123,253)	-
Computer Equipment	488,456	(27,137)	461,319	282,987	(282,987)	-
Total	488,456	(27,137)	461,319	2,641,962	(2,641,962)	-

Reconciliation of Property Plant and Equipment - 2016

	Carrying Value Opening Balance	Additions	Acquisitions through entity combinations	Disposals	Depreciation	Transfers	Impairment loss	Impairment reversal	Other movements	Carrying Value Closing Balance
	R	R	R	R	R	R	R	R	R	R
Computer Equipment	-	-	488,456	-	(27,137)	-	-	-	-	461,319
Total	-	-	488,456	-	(27,137)	-	-	-	-	461,319

Reconciliation of Property Plant and Equipment - 2015

	Carrying Value Opening Balance	Additions	Acquisitions through entity combinations	Disposals	Depreciation	Transfers	Impairment loss	Impairment reversal	Other movements	Carrying Value Closing Balance
	R	R	R	R	R	R	R	R	R	R
Other property, plant and equipment	-	600,225	-	-	-	-	(600,225)	-	-	-
Total	-	600,225	-	-	-	-	(600,225)	-	-	-

	Note	2016 R	2015 R

5. Trade and other payables from exchange transactions

Accruals	600,000	300,000
Total creditors	**600,000**	**300,000**

6. Other income

From exchange transactions		
Insurance pay-outs	-	29
	-	**29**

7. Government grants and subsidies

Reconciliation of Movement - 2016

	Balance unspent at beginning of year R	Current year receipts R	Conditions met - transferred to revenue R	Conditions still to be met - remain liabilities R
Programme funding: Grants paid cash	-	-	2,986,200	-
Services in kind - Persal salaries	-	-	223,885,752	-
Goods and services in kind - Other	-	-	2,405,015	-
Total Government Grant and Subsidies	-	-	**229,276,967**	-

8. Public contributions and donations

Donations	-	600,225
Total public contributions and donations	-	**600,225**

9. Employee related costs and DHET management fee

Employee related costs		
Employee related costs - Salaries and Wages	223,885,752	48,658,283
	223,885,752	**48,658,283**
Total employee related costs and DHET management fee	**223,885,752**	**48,658,283**

	Note	2016 R	2015 R

10. Other expenses

Advertising		(3,992)	-
Cleaning		(245,428)	-
Council fees		(37,728)	-
Exam registration fees		(18,600)	-
Insurance		(27,201)	-
Management fees		(149,310)	(37,955)
Subscription, membership fees and levies		(10,873)	-
Catering and refreshments		(19,175)	-
		(512,307)	**(37,955)**

11. Impairment (Loss)/Reversal of Impairment loss on assets

Property, plant and equipment		-	600,225

The Community Education and Training Colleges (CETCs) came into existence on 1 April 2015 when the Public Adult Learning Centres (PALCs) migrated to the Department of Higher Education and Training (DHET) from the Provincial Education Departments (PEDs), which were part of the Department of Basic Education. The Adult Basic Education and Training (ABET) Centres, that were legal entities prior to 1 April 2015, were now called Community Learning Centres (CLCs) and were no longer legal entities but part of the College which is a legal entity established under the CET Act of 2006. On migration to DHET, staff of the ABET had a choice to transfer to DHET or to stay with the Department of Basic Education. This resulted in some assets being under utilised to the extent that staff did not move to DHET hence the indication of impairment in terms with the Generally Recognised Accounting Practice (GRAP) 26 Impairment of cash-generating assets.

Total Impairment (loss)/Reversal of Impairment Loss		-	**600,225**

	Note	2016 R	2015 R

12. Cash flows from operating activities

Surplus/(deficit) for the year		(5,619,488)	6,932,142
Adjustment for:			
Depreciation and amortisation		27,137	-
Debt impairment		6,252,785	-
Impairment loss/reversal of impairment loss on assets		-	600,225
		660,434	7,532,367
Changes in working capital:			
Increase in trade and other receivables from exchange transactions		(6,252,785)	-
(Increase) / decrease in other receivables from non-exchange transactions		5,780,807	(7,232,142)
Increase in trade and other payables from exchange transactions		300,000	300,000
Net cash flows from operating activities		**488,456**	**600,225**

13. Related parties

Members of key management	*Members of Council, Principal and Deputy Principals*
Close family member of key management	*Close family members of members of Council, of Principal and/or of any Deputy Principal*
DHET	*Umbrella body, has control over the College*
Other CET Colleges	*Fellow colleges under control of DHET*
SETAs	*Institutions under control of DHET*
TVET Colleges	*Institutions under control of DHET*

Related party balances		
Amounts included in Receivable (Payable) regarding related parties		
Flavius Mareka TVET College	1,193,120	721,142
DHET	258,215	6,511,000
Related party transactions		
Management fees		
Flavius Mareka TVET College	149,310	-

	Note	2016 R	2015 R

14. Net Assets

In terms of the CET Act, the Minister of Higher Education and Training may close a public College subject to certain conditions. In such a case, the net assets of the College, comprising the accumulated surplus and reserves, will vest in the Minister of Higher Education and Training after the settlement of all liabilities.

	Note	2016 R	2015 R

15. Risk management and other financial instrument disclosures

Maximum credit risk exposure

Credit risk exposure arise mainly from cash deposits, cash equivalents and trade debtors. The College only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base, comprising mainly of students of the College. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the council. The utilisation of credit limits is regularly monitored.

	2016 R	2015 R
The financial assets expose the College to credit risk. The value of the maximum exposure to credit risk are as follows for each of classes of financial assets:		
Other receivables from non-exchange transactions, including transfers	1,451,335	7,232,142

Liquidity risk

The College's risk to liquidity is a result of the funds available to cover future commitments. The College manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the College's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2016	Later than three months and not later than one year	Later than one year and not later than five years
Trade and other payables	300,000	300,000
Trade and other payables		300,000

	Note	2016 R	2015 R

Fair value disclosures

The College uses the following hierarchy to determine the fair value of those instruments carried at fair value:
Level 1 - Fair value determined based on unadjusted quoted prices in an active market
Level 2 - Fair value determined based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3 - Fair value determined based on inputs for the asset or liability that are not based on observable market data (unobservable inputs), i.e. Valuation techniques

At the reporting date the College held the following financial assets carried at fair value:

2016

Assets measured at fair value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Total
Other receivables from non-exchange transactions		1,451,335		
Total	-	**1,451,335**	-	-

Assets measured at fair value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Total
Other receivables from non-exchange transactions		7,232,142		
Total	-	**7,232,142**	-	-

16. Tax exemption

The College is exempt from normal taxation in terms of Section 10(1)(cN) of the Income Tax Act, 1962 (Act No.58 of 1962).

17 Authorisation of issue of annual financial statements

The annual financial statements for the year ended 31 December 2016 were authorised for issue on 15th July 2019 by council.