FREE STATE COMMUNITY EDUCATION AND TRAINING COLLEGE

Annual Financial Statements

for the year ended 31 December 2018

GENERAL INFORMATION

Controlling entity	Department of Higher Education and Training (DHET)
Financial Statements relate to	FREE STATE COMMUNITY EDUCATION AND TRAINING COLLEGE (Individual entity and not group)
Domicile, legal form and jurisdiction	The College is a Community Education and Training College, constituted in terms of the Continuing Education and Training Act No. 16 of 2006, as amended (CET Act), and operates within the Republic of South Africa.
Nature of business and principal activities	To provide continuing education and training to registered students for all learning and training programmes leading to full qualifications or part qualifications at level 1 of the National Qualifications Framework as well as skills programmes as determined by the community.
Councillors	FR Sello (Chairperson) Adv MI Komape MA Matlawa (Principal) N Mkhize MW Rantsane N Dlamini TP Khambule ZB Lawerlot T Mothate T Lehare N Khakanga
Principal	Ms MA Matlawa
Chief Financial Officer (CFO)	Position currently vacant
Registered office	Spitskop Building 86 Kelner Street Westdene Bloemfontein 9301
Bankers	Absa
Auditors	Nexia SAB&T

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The reports and statements set out below comprise the annual financial statements presented to the shareholder:

Council's Responsibilities and Approval

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 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, except for the matters reported in the audit report. 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 2019 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 has 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 thier report is presented with these financial statements.

The financial statements set out on page 7 to 26 were approved by the council on 05 December 2019 and were signed on its behalf by:

FR Sello
Chairperson of the Council
10 ~~05~~ December 2019

Nexia SAB&T
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 7 to 39, which comprise the statement of financial position as at 31 December 2018, 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

Other Receivables from non-exchange transactions, including transfers

We were unable to obtain sufficient appropriate audit evidence for the amounts disclosed as receivables from non-exchange transactions for the DHET Grants transferred to the TVET Colleges. We could not confirm receivables from non-exchange transactions by alternative means. Consequently, we were unable to determine whether any further adjustments were necessary to receivables from non-exchange transactions for the DHET Grants transferred to TVET Colleges stated R 3 297 760 (2017: R3 201 974) as disclosed in the Statement of Financial Position and note 3 to the financial statements.

Property, plant and equipment

We were unable to obtain sufficient appropriate audit evidence to confirm that the property, plant and equipment was properly accounted for as the College could not provide supporting documentation for the property, plant and equipment as disclosed in the financial statements. We were unable to verify the property, plant and equipment by alternative means. In addition, the college did not review the residual values and useful lives of all property, plant and equipment at each reporting date in accordance with GRAP 17, *Property, plant and equipment*. We were unable to determine the impact on the net carrying amount stated at R2 767 877 (2017: R1 790 028) as disclosed in the Statement of Financial Position and note 5 to the financial statements as it was impracticable to do so.

Revenue from Non-Exchange Transactions

We were unable to obtain sufficient appropriate audit evidence to confirm that the government grant and subsidies for services in kind – persal salaries were properly accounted for as the College could not provide supporting documentation for this government grant and subsidies revenue as disclosed. We could not confirm this government grant revenue by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to the government grant and subsidies revenue stated at R188 285 022 (2017: R187 428 739) as disclosed in the Statement of Financial Performance and note 10 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 R188 285 022 (2017: R187 428 739) as disclosed in the Statement of Financial Performance and note 11 to the financial statements.

General expenditure

We were unable to obtain sufficient appropriate audit evidence to confirm the general expenditure as the College could not provide supporting documentation for the general 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 general expenditure stated at R5 532 461 (2017: R4 621 001) as disclosed in the Statement of Financial Performance.

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) ('CET Act'), 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 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 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 College’s financial statements in accordance with International Standards on Auditing and to issue an auditor’s report. However, because of the matters 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 the corresponding sections 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 the audit of the annual performance report

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 CET Act.

Report on the audit of compliance with legislation

Introduction and Scope

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 identify 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.

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 on it. 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 in the auditors not being able to obtain sufficient appropriate evidence for transactions and therefore not expressing an audit opinion.

- The College did not implement a risk assessment process including a 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
11 December2019

62B Calliope Street
Pentagon Park
Bloemfontein
9301

Statement of Financial Position as at 31 December 2018

	Note	2018 R	2017 R
ASSETS			
Current assets		**3,372,379**	**3,362,145**
Cash and cash equivalents	3	74,619	160,171
Other receivables from non-exchange transactions, including transfers	4	3,297,760	3,201,974
Non-current assets		**2,767,877**	**1,790,028**
Property, plant and equipment	5	2,767,877	1,790,028
Total assets		**6,140,256**	**5,152,173**
LIABILITIES			
Current liabilities		**2,345,774**	**1,203,551**
Trade and other payables from exchange transactions	6	1,648,836	900,000
Finance lease liability	7	696,938	303,551
Non-current liabilities		**770,699**	**851,053**
Finance lease liability	7	770,699	851,053
Total liabilities		**3,116,473**	**2,054,604**
Net assets		**3,023,783**	**3,097,569**
Accumulated surplus		3,023,783	3,097,569
Total net assets and liabilities		**6,140,256**	**5,152,173**

Statement of Financial Performance

	Note	2018 R	2017 R
Revenue			
Revenue from exchange transactions		**1,250**	**283,750**
Sale of goods and rendering of services	8	-	280,000
Rental of facilities and equipment	9	1,250	3,750
Revenue from non-exchange transactions		**195,857,734**	**194,693,581**
Government grants and subsidies	10	195,785,528	194,693,581
Public contributions and donations	11	72,206	-
Total revenue		**195,858,984**	**194,977,331**
Expenses			
Employee related costs and DHET management fee	12	(188,285,022)	(187,428,739)
Impairment of debtors	13	-	(258,215)
Depreciation and amortisation	14	(503,028)	(200,446)
Books and learning materials	15	(2,862,910)	(2,290,914)
Student support services	16	(218,964)	-
Repairs and maintenance	17	(15,320)	(5,272)
Operating lease expense	18	(874,776)	(702,223)
Travel, accommodation and entertainment		(1,312,259)	(384,015)
Security		(5,548)	(13,639)
External audit fees		(300,000)	(300,000)
Municipal services		(454,686)	(708,895)
Telephone, postage, internet, network and communication costs		-	(9,572)
Printing and stationery		(239,852)	(147,466)
Finance costs	19	(184,713)	(34,218)
Other expenses	20	(675,692)	(708,802)
Total expenses		**(195,932,770)**	**(193,192,416)**
Surplus/(Deficit) for the year		**(73,786)**	**1,784,915**

Statement of Changes in Net Assets

	Note	Accumulated Surplus/ (Deficit)	Total: Net Assets
			27
		R	R
Balance at 01 January 2017		1,312,654	1,312,654
Surplus/(deficit) for the year		1,784,915	1,784,915
Balance at 01 January 2018		**3,097,569**	**3,097,569**
Surplus / (deficit) for the year		(73,786)	(73,786)
Balance at 31 December 2018		**3,023,783**	**3,023,783**

Cash Flow Statement

	Note	2018 R	2017 R
Cash flows from operating activities			
Receipts		**1,250**	**283,750**
Sale of goods and rendering of services		-	280,000
Rental of facilities and equipment		1,250	3,750
Payments		**(86,802)**	**(123,579)**
Suppliers		(86,802)	(123,579)
Net cash flows from operating activities	21	**(85,552)**	**160,171**
		-	**-**
Net increase/(decrease) in cash and cash equivalents		**(85,552)**	**160,171**
Cash and cash equivalents at the beginning of the year	3	160,171	-
Cash and cash equivalents at the end of the year		74,619	160,171

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 financial statements have been prepared using the accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an approved and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenue and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous year, except for the changes set out in note 0.

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 entity 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 10.

Employee related costs and DHET management fee

The College's staff consists of two groups:

i) Employees and management staff appointed on Persal

ii) Employees appointed in the College payroll

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".

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 that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the College's accounting policies the following estimates, were made:

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.

Effective interest rate

The College uses an appropriate interest rate, taking into account guidance provided in GRAP, and applying professional judgement to the specific circumstances, to discount future cash flows, to the present value of the item being discounted.

Refer to the respective notes for the carrying amounts of financial assets affected.

1.5 Property, plant and equipment

Property, plant and equipment include:
Furniture and Fittings
Office Equipment
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.

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

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Refer to Note 5. 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.

Deemed cost

When the College initially recognises an asset using the Standards of GRAP, it measures such assets using either cost or fair value at the date of acquisition (acquisition cost). Where the accounting for assets is incomplete at the start of the reporting year as the acquisition cost of an asset is not available at that time, acquisition cost is measured using a surrogate value (deemed cost) at the date the College adopted the Standards of GRAP (the measurement date). Deemed cost is determined as the fair value of an asset at the measurement date.

1.6 Financial instruments

The College has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Trade and other payables	Financial liability at cost

The College measures a financial asset and financial liability initially at its fair value plus transaction costs (for financial instruments at amortised cost) that are directly attributable to the acquisition or issue of the financial instrument.

The College measures all financial instruments after initial recognition as follows:

- Financial instruments at fair value: Fair-value at reporting date
- Financial instruments at amortised cost: Amortised cost using the effective interest rate method, less any impairment losses.
- Financial instruments at cost. Cost, less any impairment losses.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.7 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.8 **Cash and cash equivalents**

Cash and cash equivalents consist of the following:

i) cash;

ii) cash in current bank accounts;

iii) cash in interest bearing bank accounts or money market accounts where the funds are available immediately; and

iv) fixed term deposits used to deposit funds until it is needed for the operations of the College, where the maturity date does not exceed three [period to be determined by the College, but 3 months is the example used in GRAP 2] months from the reporting date. Longer term fixed deposits are classified as other financial assets.

1.9 Provisions and contingencies

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

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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the College settles the obligation.

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

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

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

If the College has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the College has a detailed formal plan for the restructuring, identifying at least:
- the activity/operating unit or part of a activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the College

No obligation arises as a consequence of the sale or transfer of an operation until the College is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in College combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes & .

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Where a fee is received by the College for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. W here a fee is charged and the College considers that an outflow of economic resources is probable, an College recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.10 Revenue from exchange transactions

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the College has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the College retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the College; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the College;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

Interest, royalties, dividends and tuition fees

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the College's right to receive payment has been established.

Tuition fees are recognised over the period of instruction.

1.11 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 12..

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.

Transfers

Apart from Services in kind, which are only recognised as indicated below, the College recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Debt forgiveness and assumption of liabilities

The College recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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 procurement transactions are services in-kind, and are dealt with under Government funding.

1.12 Comparative figures

When the presentation or classification of items in the financial statements is amended due to better presentation and/or better understandability and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are reclassified. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.13 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.

1.14 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 2018.

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	2018 R	2017 R

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

The following Standards of 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:

Title of the standard and nature of impending changes in accounting policy and expected impact	Effective date (Periods starting on or after)	Financial year in which the College plans to apply the Standard initially
GRAP20 Related Party Disclosures: Currently use it as guidance for accounting policies, therefore no impact expected on initial adoption.	Not yet set	Not yet set
GRAP32 Service Concession Arrangements: Grantor: None	Not yet set	Not yet set
GRAP108 Statutory Receivables: No changes to recognition and measurement are expected, but additional disclosures and separate classification in the notes will be done on adoption.	01 April 2019	Not yet set
GRAP109 Accounting by Principals and Agents: No changes to recognition and measurement are expected, but additional disclosures in the notes will be done on adoption.	Not yet set	Not yet set
IGRAP 17 Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset: None	Not yet set	Not yet set
Directive12 The Selection of an Appropriate Reporting Framework by Public Entities: None	01 April 2018	31 December 2019

3. Cash and cash equivalents

	2018 R	2017 R
Cash at bank	74,619	160,171
	74,619	**160,171**

The College has the following bank accounts:

ABSA

Absa Cheque Account Number: 4088673869

	2018 R	2017 R
Cash book balance at beginning of year	160,171	-
Cash book balance at end of year	74,619	160,171
Bank statement balance at beginning of year	160,171	(1,404)
Bank statement balance at end of year	74,619	160,171
Total cash and cash equivalents	74,619	160,171

	Note	2018 R	2017 R

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

Flavius Mareka TVET College		3,021,729	1,704,617
Motheo TVET College		276,031	1,497,357
Total other debtors		**3,297,760**	**3,201,974**

Terms and conditions of other receivables

Statutory receivable: Government grants and subsidies

The DHET Grant allocated to the College, was administered by Flavius Mareka TVET College and Motheo TVET College during the financial year. DHET paid the grant to the two TVET Colleges and they administer it on behalf of the College (i.e. they use it to do procurement for the College), in terms of a MOA between the College and each of the TVET Colleges, respectively.

	Note	2018 R	2017 R

Credit quality of other receivables from non-exchange transactions

The receivable relates to both unspent grants transferred to Flavius Mareka TVET College and Motheo TVET College by DHET belonging to the college. Since these monies are current and not outstanding 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	2018 R	2017 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)**
Flavius Mareka TVET College		3,021,729	1,704,617
Motheo TVET College		276,031	1,497,357
		3,297,760	3,201,974

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 and Motheo TVET College by DHET as substantiated by the BAS report and DHET allocation letters.

	Note	2018 R	2017 R

5. **Property, plant and equipment**

	2018			2017		
	Cost	Accumulated Depreciation and Impairment	Carrying Value	Cost	Accumulated Depreciation and Impairment	Carrying Value
	R	R	R	R	R	R
Furniture and Fittings	600,963	(51,015)	549,948	330,239	(12,139)	318,100
Office Equipment	2,079,758	(294,452)	1,785,306	1,206,212	(28,326)	1,177,886
Computer Equipment	817,767	(385,144)	432,623	481,160	(187,118)	294,042
Total	**3,498,488**	**(730,611)**	**2,767,877**	**2,017,611**	**(227,583)**	**1,790,028**

Reconciliation of Property Plant and Equipment - 2018

	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
Furniture and Fittings	318,100	270,725	-	-	(38,877)	-	-	-	-	549,948
Office Equipment	1,177,886	873,546	-	-	(266,126)	-	-	-	-	1,785,306
Computer Equipment	294,042	336,606		-	(198,025)	-	-	-	-	432,623
Total	**1,790,028**	**1,480,877**	**-**	**-**	**(503,028)**	**-**	**-**	**-**	**-**	**2,767,877**
										-

Reconciliation of Property Plant and Equipment - 2017

	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
Furniture and Fittings	-	-	330,239	-	(12,139)	-	-	-	-	318,100
Office Equipment		-	1,206,212	-	(28,326)	-	-	-	-	1,177,886
Computer Equipment	461,319	-	-	(7,296)	(159,981)	-	-	-	-	294,042
Total	**461,319**	**-**	**1,536,451**	**(7,296)**	**(200,446)**	**-**	**-**	**-**	**-**	**1,790,028**

Estimated useful lives

	Note	2018 R	2017 R

The annual depreciation rates are based on the following estimated asset useful lives:

Class	Useful Life Range in Years
Furniture and Fittings	5 - 15 years
Office Equipment	5 - 7 years
Computer Equipment	3 years

Repairs and maintenance incurred [Prospective application for 2017]
2018:

	Employee related costs and DHET management fee	Depreciation and amortisation	Repairs and maintenance	Telephone, postage, internet, network and communication costs	Total Repairs and maintenance incurred
Furniture and Fittings	-	-	6,000	-	6,000
Computer Equipment	-	-	9,320	-	9,320
	-	-	15,320	-	15,320

2017:

	Employee related costs and DHET management fee	Depreciation and amortisation	Repairs and maintenance	Telephone, postage, internet, network and communication costs	Total Repairs and maintenance incurred
Furniture and Fittings	-	-	5,272	-	5,272
	-	-	5,272	-	5,272

PPE for which the College does not have the legal title, but has control
The College entered into a finance lease for 20 Photocopy machines with Sunlyn (Pty) Ltd. The leased machines had a cost price of R 2 073 410, accumulated depreciation of R 293 641 and a carrying value of R 1 779 769 at year end. The legal title remains with Sunlyn (Pty) Ltd for the duration of the lease, but the risks and rewards have been judged by management to have passed substantially to the College.

	Note	2018 R	2017 R

6. Trade and other payables from exchange transactions

Trade creditors		448,836	-
Accruals		1,200,000	900,000
Total creditors		**1,648,836**	**900,000**

7. Finance lease liability

2018 **Amounts payable under finance leases**	Future Minimum lease payments R	Future finance charges R	Present value of future minimum lease payments R
Within one year	813,878	116,940	696,938
Within two to five years	803,233	32,534	770,699
Total future minimum lease payments	**1,617,111**	**149,474**	**1,467,637**
Less: Amount due for settlement within 12 months (current portion)	(813,878)	(116,940)	(696,938)
Non-current future minimum lease payments	**803,233**	**32,534**	**770,699**

2017 **Amounts payable under finance leases**	Future Minimum lease payments R	Future finance charges R	Present value of future minimum lease payments R
Within one year	513,876	210,325	303,551
Within two to five years	942,106	91,053	851,053
Total future minimum lease payments	**1,455,982**	**301,378**	**1,154,604**
Less: Amount due for settlement within 12 months (current portion)	(513,876)	(210,325)	(303,551)
Non-current future minimum lease payments	**942,106**	**91,053**	**851,053**

Finance Leases consists of the following:

The College entered into two finance leases for photocopying machines as follows:
- 11 Machines over 3 years at a total monthly instalment of R 42 823, starting 1 November 2017 with the last payment to be made on 1 October 2020. The effective interest rate is 17.75%. The assets are included in PPE as office equipment.
- 9 Machines over 3 years at a total monthly instalment of R 25 200, starting 1 April 2018 with the last payment to be made on 1 March 2021. The effective interest rate is 2.57%. The assets are included in PPE as office equipment.

	Note	2018 R	2017 R

8. Sale of goods and rendering of services

	2018 R	2017 R
Rendering of services		
SETA projects	-	280,000
	-	**280,000**
Total sale of goods and rendering of services	-	280,000

Details
The revenue refers to grants received from MERSETA in respect of projects undertaken by the College.

9. Rental of facilities and equipment

	2018 R	2017 R
Rental of facilities	1,250	3,750
- Straight-lined operating lease income	1,250	3,750
Total rentals	**1,250**	**3,750**

10. Government grants and subsidies

Reconciliation of Movement - 2018

	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	-	(5,071,000)	5,071,000	-
Services in kind - Persal salaries	-	(187,228,039)	187,228,039	-
Goods and services in kind - Other	-	(3,486,489)	3,486,489	-
Total Government Grant and Subsidies	**-**	**(195,785,528)**	**195,785,528**	**-**

Reconciliation of Movement - 2017

	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	-	(6,636,098)	6,636,098	-
Services in kind - Persal salaries	-	(187,357,290)	187,357,290	-
Goods and services in kind - Other	-	(700,193)	700,193	-
Total Government Grant and Subsidies	**-**	**(194,693,581)**	**194,693,581**	**-**

	Note	2018 R	2017 R

11. Public contributions and donations

Donations		72,206	-
Total public contributions and donations		**72,206**	**-**
Reconciliation of conditional contributions			
Current year receipts		72,206	-
Conditions met - transferred to revenue		(72,206)	-

12. Employee related costs and DHET management fee

DHET management fee cost			
Employee related costs - Salaries and Wages		188,285,022	187,428,739
		188,285,022	**187,428,739**
Total employee related costs and DHET management fee		**188,285,022**	**187,428,739**

In terms of the CET Act, employees that are employed by DHET have a dual accountability towards the council and DHET respectively.

13. Impairment of debtors

Changes in debt impairment provision		-	(258,215)
		-	**(258,215)**

14. Depreciation and amortisation

Property, plant and equipment		503,028	200,446
		503,028	**200,446**

15. Books and learning materials

Other		2,862,910	2,290,914
		2,862,910	**2,290,914**

16. Student support services

Student prizegivings and graduation ceremonies		213,192	-
SRC events		5,772	-
		218,964	**-**

	Note	2018 R	2017 R

17. Repairs and maintenance

Property, plant and equipment		15,320	5,272
		15,320	**5,272**

18. Operating lease expense

Rental of office equipment		874,776	702,223
		874,776	**702,223**

19. Finance costs

Finance leases		184,713	34,038
Bank overdrafts		-	180
		184,713	**34,218**

20. Other expenses

Advertising		1,756	-
Bank charges		2,802	3,398
Cleaning		-	185,684
Council fees		263,600	-
Management fees		285,975	514,404
Uniforms, protective clothing and health & safety		-	4,050
Litigation settlements		5,589	1,266
Delivery and courier costs		13,500	-
Losses due to theft		38,788	-
Catering and refreshments		63,682	-
		675,692	**708,802**

	Note	2018 R	2017 R

21. Cash flows from operating activities

Surplus/(deficit) for the year		(73,786)	1,784,915
Adjustment for:			
Depreciation and amortisation		503,028	200,446
Debt impairment		-	258,215
Finance costs (non-cash)		184,713	34,038
Government funding paid via Persal		(187,228,039)	(187,357,290)
Goods and Services received in kind		(3,486,489)	(700,193)
Cash grants paid to TVET Colleges		(5,071,000)	(6,636,098)
Non cash donations from TVET Colleges		(72,206)	-
Procurement of goods and services by TVET colleges		4,012,374	4,211,359
DHET Management fee expense		188,285,022	187,428,739
Goods and services expenses paid for by the DHET		2,111,995	636,040
		(834,388)	**(139,829)**
Changes in working capital:			
Increase in trade and other payables from exchange transactions		748,836	300,000
Net cash flows from operating activities		**(85,552)**	**160,171**

22. Operating lease commitments

At the reporting date the College has outstanding commitments under operating lease commitments which fall due as follows:

Operating lease commitment arrangements

Lessee

The College entered into an operating lease for 16 Photocopy machines at a total monthly lease payment of R 63347.88. The lease commenced on 1 March 2017 and the last lease payment is due on 1 February 2019.

At the reporting date the College had outstanding commitments under non-cancellable operating lease commitments, which fall due as follows:

	2018	2017
Up to 1 year	126,696	760,175
1 to 5 years	-	126,696
	126,696	**886,870**

	Note	2018 R	2017 R

23. In-kind donations and assistance

The College received the following in kind donations and assistance which was not recognised:
If the DHET SAICA HR and Financial Management Support Project's services in kind transactions are not recognised, for the years they were in place :

DHET / SAICA CFO Support Project

The DHET SAICA HR and Financial Management Support Projects provide support to the College through the provision of a part time HR Business Partner and a full time SFA [if any further team members are allocated to the College, it should be described here], as well as central project management support, including technical, policy development, governance and business management systems support. The project management support also includes a provincial management and performance management support, to assist the College in managing the HRBP's and the SFA's performance. The Project is funded by the National Skills Fund and the services are provided by SAICA as part of its Nation Building initiative on a recovery of cost basis, which is well below fair value.

DHET / SAICA HR Support Project

The HR Support project is scheduled to conclude on 31 December 2018 and the Financial Management Support Project is scheduled to conclude on 28 February 2021. After the conclusion of the Projects, the College will have to bear the cost of obtaining additional HR support that may be required and it will also have to bear the cost appointing any interim finance personnel placed at the College through the Project. [If there is additional support provided by the Project, which will have to be replaced by a permanent resource, the details should be inserted here.] and to create the resources to replace the central support provided by the project management.

	Note	2018 R	2017 R

24. 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*

	2018 R	2017 R
Related party balances		
Amounts included in Receivable (Payable) regarding related parties		
Flavius Mareka TVET College	3,021,729	1,846,767
Motheo TVET College	276,031	1,497,357
Related party transactions		
Key management personnel employee cost		
DHET Grants		
Programme funding: Grants paid cash	5,071,000	6,636,098
Services in kind - Persal salaries	187,228,039	187,357,290
Goods and services in kind - Other	3,486,489	700,193
Administration fees paid to (received from) related parties		
Flavius Mareka TVET College		120,000
Management fees		
Flavius Mareka TVET College	150,400	142,150
Motheo TVET College	51,575	252,254

	Note	2018 R	2017 R

25. Restatement of comparative information

The following comparative information have been restated

The external audit fees were disclosed as part of Management fees under other expenses in the 2017 AFS. In the comparative figures of the 2018 AFS, this has been reclassified as External audit fees which is disclosed on the face of the Statement of Financial Performance.

The financial impact of the above reclassification is a net effect of zero on the expenses of the College.

The comparative figures of the Cash Flow Statement were restated as follows:
- Government grants and subsidies of R 7 336 291 was removed.
- Payments to suppliers was changed from R 7 051 101 to R 123 579.
- Finance cost of R 34 218 was removed.
- Purchase of PPE of R 534 722 was removed.
- Net increase in cash and cash equivalents was changed from R 0 to R 160 171.

The comparative figures in note 21 Cash flows from operating activities were restated as follows:
- Finance cost changed from R 0, to R 34 038.
- Government funding paid via Persal changed from R 0 to (R 187 357 290).
- Goods and services received in kind changed from R 0 to (R 700193).
- Cash grants paid to TVET Colleges changed from R 0 to (R 6 636 098).
- Procurement of goods and services by TVET Colleges changed from R 0 to R 4 211 359.
- DHET management fee expense changed from R 0 to R 187 428 739.
- Goods and services expenses paid for by DHET changes from R 0 to R 636 040.
- Increase in trade and other receivables from exchange transactions changed from (R 258 215) to R 0.
- Increase in other receivables from non-echange transactions changed from (R 1 750 639) to R 0.

In note 29:
- For 2017. the trade and other payables not later than 1 month, as well as that payable later than 1 month, not later than three months, were both changed from R 300 000 to R 0.
- For 2017, the trade and other payables payable later than one year and not later than five years was changed from R 0 to R 900 000.

26. Going concern

We draw attention to the fact that at 31 December 2018, the College had accumulated profits of R 3 023 783 and that the College's total assets exceed its liabilities by that amount.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the College to continue as a going concern is dependent on a number of factors. The most significant of these is that the College is dependent on programme funding received from DHET at a level which, when combined with other revenue generated by the College, is sufficient to fund the operations of the College.

	Note	2018 R	2017 R

27. 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	2018 R	2017 R

28. 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.

Other receivables consist of amounts being held by Public TVET Colleges, from which they must perform procurement for the College. Due to the fact that the Public TVET Colleges are also governed by DHET, the probability that the amounts will be recoverable is high.

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	3,201,974	1,451,335

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 planning it's future expenditure to be within the funding that the College must receive in the form of grants.

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.

2018	Not later than one month	Later than one month and not later than three months
Trade and other payables	-	-

2018	Later than three months and not later than one year	Later than one year and not later than five years
Trade and other payables	1,648,836	-

2017	Not later than one month	Later than one month and not later than three months
Trade and other payables	-	-

2017	Later than three months and not later than one year	Later than one year and not later than five years
Trade and other payables	-	900,000

	Note	2018 R	2017 R

29. 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).