FLAVIUS MAREKA TVET COLLEGE

Annual Financial Statements
for the year ended 31 December 2019

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Tertiary Education To provide continuing education and training to registered students for all learning and training programs leading to qualifications or part qualifications at levels 1 to 4 of the National Qualifications Framework.
Council members	Dr SJ Mohapi - Chairperson of Council Dr CM Mabaso - Deputy Chairperson of Council Mr D Charlie - Ministerial appointee and Chairperson: Planning Committee Ms NJ Khanye - SRC Deputy President Ms N Kumalo - Council Member and Chairperson of the Conditions of Employment Committee Mr TS Letho - Principal and Chairperson: Academic Board Mr R Lethule - Academic board Member Dr GJ Maseko - Ministerial appointee Ms LJ Mbambo - Academic Staff Representative Mr R Mbhalati - Council Member and Chairperson of the Audit/Risk Committee Dr CN Mbileni-Morema - Council Member: Donors Mr MP Moremi - Ministerial appointee and Chairperson: Finance Committee Mr MD Ntaje - Representative of Non-teaching staff Mr NS Radebe - SRC President Mr FF Wetes - Council Member
Principal	Mr TS Letho
Deputy Principal: Finance	Ms A le Roux
Registered office	Corner Fichardt and Bell Street Sasolburg 1947
Business address	Corner Fichardt and Bell Street Sasolburg 1947
Postal address	Private Bag X 2009 Sasolburg 1947
Controlling entity	Department of Higher Education and Training
Bankers	ABSA Bank Limited
Auditors	Auditor-General of South Africa
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Continuing Education and Training Act 16 of 2006, as amended.
Preparer	The annual financial statements were independently compiled by: Rakoma & Associates Inc Chartered Accountants (SA)

Index

The reports and statements set out below comprise the annual financial statements presented for audit:

The following supplementary information does not form part of the annual financial statements and is unaudited:

Index

AGSA	Auditor General of South Africa
ASB	Accounting Standards Board
CET Act	Continuing Education and Training Act No. 16 of 2006, as amended
CLC	Community Learning Centres
COID	Compensation for Occupational Injuries and Diseases
COS	Centres of Specialisation
DHET	Department of Higher Education and Training
GEHS	Government Employee Housing Scheme
GRAP	Generally Recognised Accounting Practice
HRBP	DHET SAICA HR Support Project Human Resources Business Partner
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
NSF	National Skills Fund
NSFAS	National Student Financial Aid Scheme
SARS	South African Revenue Services
SSS	Student Support Services
VAT	Value Added Tax

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 Auditor-General was 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 annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The Council acknowledges that they are ultimately responsible for the system of internal financial control established by the College and place considerable importance on maintaining a strong control environment. To enable the Council to meet these responsibilities, the Council sets standards for internal control aimed at reducing the risk of error in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the College and all employees 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

The Council has reviewed the College's cash flow forecast for the year to 31 December 2020 and, in the light of this review and the current financial position, they are 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 Auditor-General is responsible for independently auditing and reporting on the College's financial statements and his report is presented with these financial statements.

The annual financial statements set out on pages 13 to 54, which have been prepared on the going concern basis, were approved by Council on 17 April 2020 and were signed on its behalf by:

Mohapi

Dr SJ Mohapi - Chairperson of Council
17 April 2020

Audit Committee Report

We are pleased to present our report for the financial year ended 31 December 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and met five times during the year.

Name of member	Number of meetings attended
R Mbhalati (Chairperson)	5
TS Letho (Principal)	5
A le Roux (DP: Finance)	5
C Mbileni-Morema	3
MD Mokhampanyane (ASD M & E)	4
M Moremi	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from the principles of section 38(10)(1) of the PFMA and Treasury Regulation 3.1. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the College over financial and risk management is effective, efficient and transparent. Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the auditors, it was noted that no matters were reported that indicate material deficiencies in the system of internal control. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Council of the College during the year under review.

Evaluation of annual financial statements

The audit committee has not:

- reviewed and discussed the unaudited annual financial statements, with the external auditor;
- reviewed the auditor's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions and
- reviewed significant adjustments resulting from the audit.

External auditor

The audit committee has not met with the auditor to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Report of the auditor-general to the minister of Higher Education, Science and Innovation and the council of the Flavius Mareka Technical and Vocational Education and Training (TVET) College

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Flavius Mareka TVET College set out on pages ... to ..., which comprise the statement of financial position as at 31 December 2019, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report the financial statements present fairly, in all material respects, the financial position of Flavius Mareka TVET College as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Continuing Education and Training Act of South Africa, 2006 (Act No. 16 of 2006) (CETA).

Basis for qualified opinion

Property, plant and equipment

3. The college did not account for property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. The college did not account for all the items of property plant and equipment in their asset register. Consequently, property, plant and equipment as disclosed in note 9 to the financial statements was understated by R3 436 316. There was also a resultant impact on depreciation, the surplus for the period and the accumulated surplus.

Context for the opinion

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

5. I am independent of the college in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 29 and 30 to the financial statements, the corresponding figures for 31 December 2018 were restated as a result of an error in the financial statements of the college at, and for the year ended, 31 December 2019.

Material impairments

9. As disclosed in note 4 of the financial statements, receivables from exchange transactions were impaired with R13 680 157 (2018: R12 374 342).

Significant subsequent event

10. As disclosed in note 34 to the financial statements, which deals with the subsequent events and especially the possible effects and future implications of Covid-19 on the college's future cash flows. Management have also described how they plan to deal with these events and circumstances.

Responsibilities of the council for the financial statements

11. The council is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the 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.

12. 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 appropriate governance structure either intends to liquidate the college or to cease operations, or has no realistic alternative but to do so.

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

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

14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

15. The college is not required to prepare a report on its performance against predetermined objectives, as it does not fall within the ambit of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and such reporting is also not required in terms of the CETA.

Report on the audit of compliance with legislation

Introduction and scope

16. In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the college with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

17. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

18. The financial statements submitted for auditing were not prepared in accordance with generally recognised accounting practice and as required by section 25(1)(b) of the CETA. Material misstatements of expenditure, non-current assets and current liabilities were corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion.

Other information

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

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

21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that it contains a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

23. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my 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 basis for the qualified opinion and the findings on compliance with legislation included in this report:

24. Management did not adequately implement controls over daily and monthly processing and reconciling transactions, in a form of detailed reviews of transactions that are captured on the financial system and frequent asset counts.

AUDITOR - GENERAL

Bloemfontein

30 September 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and on the college's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the college's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council
   - conclude on the appropriateness of the council's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Flavius Mareka TVET College's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a college to cease continuing as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the council that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Council's Report

The Council submits its report for the year ended 31 December 2019.

1. Domicile, legal form and jurisdiction

The College is a Public Technical and Vocational Education and Training College, constituted in terms of the Continuing Education and Training Act No. 16 of 2006, as amended, and operates within the Republic of South Africa.

2. Review of activities

Main business and operations

The operating results and state of affairs of the College are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the College was R 25,295,091 (2018: surplus R 8,226,086).

3. Going concern

We draw attention to the fact that at 31 December 2019, the College had an accumulated surplus of R 339,434,393 (2018: R 277,843,788).

The College incurred a net surplus of R 25,295,091 (2018: surplus R 8,226,086). Management still believes that the College will be able to successfully continue its operations as funding is received from the Department of Higher Education and Training. Management is of the opinion that the TVET sector is a priority focus area for the Department to attain its strategic objectives to provide quality technical and vocational education and training services and increase academic achievement and success of students and therefore believes that the Department of Higher Education and Training will continue to fund the College.

The annual 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.

4. Subsequent events

The President on 26 March 2020 in terms of Section 27(1) of the Disaster Management Act announced a lockdown due to the COVID-19 pandemic. The pandemic has impacted many industries including the public sector-local government, provincial and national government. The educational sector is also affected and this might result in reduced funding as the economy is under severe pressure.

The College re-allocated budgets to cover the additional costs encured to ensure compliance to the COVID-19 protocols and to support offsite College operations when required. Strict financial control has been implemented to ensure that the available funding would cover the College expenditure. All protocols are observed to ensure the safety of our students and staff becomes priority, yet educational services and all other College operations are performed in line with the DHET guidelines and timelines.

5. Accounting policies

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.

Council's Report

6. Council

The Council of the College during the year and to the date of this report is as follows:

Name	Nationality	Changes
Dr SJ Mohapi - Chairperson of Council	South African	Independent Council member (Chairperson)
Dr CM Mabaso - Deputy Chairperson of Council	South African	Independent Council member
Mr D Charlie - Ministerial appointee and Chairperson: Planning Committee	South African	Independent Council member
Ms NJ Khanye - SRC Deputy President	South African	Independent Council member
Ms N Kumalo - Council Member and Chairperson of the Conditions of Employment Committee	South African	Independent Council member
Mr TS Letho - Principal and Chairperson: Academic Board	South African	Independent Council member
Mr R Lethule - Academic board Member	South African	Independent Council member
Dr GJ Maseko - Ministerial appointee	South African	Independent Council member
Ms LJ Mbambo - Academic Staff Representative	South African	Independent Council member
Mr R Mbhalati - Council Member and Chairperson of the Audit/Risk Committee	South African	Non-independent Council member
Dr CN Mbileni-Morema - Council Member: Donors	South African	Non-independent Council member
Mr MP Moremi - Ministerial appointee and Chairperson: Finance Committee	South African	Non-independent Council member
Mr MD Ntaje - Representative of Non-teaching staff	South African	Non-independent Council member
Mr NS Radebe - SRC President	South African	SRC Member
Mr FF Wetes - Council Member	South African	SRC Member

7. Auditors

Auditor-General of South Africa will continue to be auditors of the College.

Statement of Financial Position as at 31 December 2019

	Note(s)	2019 R	2018 Restated* R
Assets			
Current Assets			
Inventories	3	2,642,448	1,885,931
Receivables from exchange transactions	4	7,919,249	5,952,023
Receivables from non-exchange transactions	5	19,158,426	9,328,933
Prepayments	6	1,264,810	1,208,904
Investments	7	824,590	765,953
Cash and cash equivalents	8	45,705,469	44,824,766
		77,514,992	**63,966,510**
Non-Current Assets			
Property, plant and equipment	9	286,840,651	288,742,189
Intangible assets	10	464,405	517,736
		287,305,056	**289,259,925**
Total Assets		**364,820,048**	**353,226,435**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	13,284,578	12,796,481
Payables from non-exchange transactions	12	8,290,988	5,201,891
Unspent conditional grants and receipts	13	3,810,089	15,044,160
Grant received in advance	14	-	6,044,601
		25,385,655	**39,087,133**
Total Liabilities		**25,385,655**	**39,087,133**
Net Assets		**339,434,393**	**314,139,302**
Accumulated surplus		339,434,393	314,139,302

* See Note 29

Statement of Financial Performance

	Note(s)	2019 R	2018 Restated* R
Revenue			
Revenue from exchange transactions			
Tuition and related fees	15	34,834,549	37,594,585
Student fees earned		1,318,088	1,393,815
Recoveries		443,964	499,947
Insurance income		163,344	52,541
Sundry income	16	3,282,633	2,776,691
Interest received	17	627,142	1,174,309
Total revenue from exchange transactions		**40,669,720**	**43,491,888**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	18	75,407,693	43,878,406
Service received in kind		54,251,020	52,249,549
Total revenue from non-exchange transactions		**129,658,713**	**96,127,955**
Total revenue	19	**170,328,433**	**139,619,843**
Expenditure			
Personnel expenses and DHET management fee	20	(90,429,325)	(83,932,317)
Administration expenses	21	(13,684,084)	(12,956,504)
External auditors remuneration		(2,706,195)	(2,374,459)
Depreciation and amortisation		(9,939,959)	(9,601,761)
Repairs and maintenance	22	(1,575,239)	(2,136,426)
Debt impairment provision		(3,743,388)	(3,659,386)
Consulting and internal audit fees		(316,410)	(521,052)
Education services	23	(20,606,100)	(13,662,062)
General expenses	24	(1,822,969)	(2,448,091)
Total expenditure		**(144,823,669)**	**(131,292,058)**
Operating surplus / (deficit)		**25,504,764**	**8,327,785**
Loss on disposal of assets		(209,673)	(101,699)
Surplus / (deficit) for the year		**25,295,091**	**8,226,086**

* See Note 29

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	296,133,486	296,133,486
Prior year adjustments:		
Prior period error (2017)	9,779,730	9,779,730
Balance at 01 January 2018 as restated	**305,913,216**	**305,913,216**
Deficit for the year as previously reported	(18,752,774)	(18,752,774)
Prior year adjustments:		
Prior period errors (Note 29)	26,978,860	26,978,860
Total changes	8,226,086	8,226,086
Restated balance at 01 January 2019	**314,139,302**	**314,139,302**
Surplus for the year	25,295,091	25,295,091
Total changes	25,295,091	25,295,091
Balance at 31 December 2019	**339,434,393**	**339,434,393**

* See Note 29

Cash Flow Statement

	Note(s)	2019 R	2018 Restated* R
Cash flows from operating activities			
Receipts			
Student and tuition fees earned		30,345,770	40,635,550
Grants		50,542,550	60,749,330
Interest income		627,142	1,167,794
Other receipts		5,777,532	1,263,636
		87,292,994	103,816,310
Payments			
Employee costs		(35,103,831)	(31,228,377)
Suppliers		(43,197,583)	(34,977,203)
		(78,301,414)	(66,205,580)
Net cash flows from operating activities	25	**8,991,580**	**37,610,730**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(8,201,572)	(1,860,821)
Proceeds from sale of property, plant and equipment	9	149,332	18,786
Purchase of other intangible assets	10	-	(533,310)
Interest received from investments		(58,637)	(53,131)
Net cash flows used in investing activities		**(8,110,877)**	**(2,428,476)**
Net increase in cash and cash equivalents		**880,703**	**35,182,254**
Cash and cash equivalents at the beginning of the year		44,824,766	9,642,512
Cash and cash equivalents at the end of the year	8	**45,705,469**	**44,824,766**

* See Note 29

Unaudited Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Difference between final budget and actual %	Reference
Statement of Financial Performance							
Revenue							
Revenue from exchange transactions							
Rendering of services	33,366,999	-	**33,366,999**	34,834,549	**1,467,550**	**5%**	33.1
Student fees earned	616,260	-	**616,260**	1,318,088	**701,828**	**112%**	33.2
Recoveries	-	-	**-**	443,964	**443,964**	**100%**	33.11
Insurance income	-	-	**-**	163,344	**163,344**	**100%**	33.3
Sundry income	1,300,000	-	**1,300,000**	3,282,633	**1,982,633**	**153%**	33.4
Interest received - investment	900,000	-	**900,000**	627,142	**(272,858)**	**-24%**	33.5
Total revenue from exchange transactions	**36,183,259**	**-**	**36,183,259**	**40,669,720**	**-**	**-**	
Revenue from non-exchange transactions							
Transfer revenue							
Government grants & subsidies	54,892,271	-	**54,892,271**	75,407,693	**20,515,422**	**13%**	33.6
Service received in kind	56,883,782	-	**56,883,782**	54,251,020	**(2,632,762)**	**-5%**	
Total revenue from non-exchange transactions	**111,776,053**	**-**	**111,776,053**	**129,658,713**			
Total revenue	**147,959,312**	**-**	**147,959,312**	**170,328,433**			
Expenditure							
Personnel expenses and DHET management fee	(82,225,000)	-	**(82,225,000)**	(90,429,325)	**(8,204,325)**	**10%**	33.7
Administration	(13,935,200)	-	**(13,935,200)**	(13,684,084)	**251,116**	**-5%**	
External auditors remuneration	(2,460,000)	-	**(2,460,000)**	(2,706,195)	**(246,195)**	**10%**	33.8
Depreciation and amortisation	-	-	**-**	(9,939,959)	**(9,939,959)**	**100%**	33.9
Repairs and maintenance	(2,713,000)	-	**(2,713,000)**	(1,575,239)	**1,137,761**	**-26%**	33.10
Debt Impairment	(1,929,300)	-	**(1,929,300)**	(3,743,388)	**(1,814,088)**	**55%**	33.11
Consulting and internal audit fees	(200,000)	-	**(200,000)**	(316,410)	**(116,410)**	**92%**	33.12
Education services	(14,641,190)	-	**(14,641,190)**	(20,606,100)	**(5,964,910)**	**41%**	33.13
Loss on disposal of assets	-	-	**-**	(209,673)	**(209,673)**	**100%**	33.9
General Expenses	(1,606,550)	-	**(1,606,550)**	(1,822,969)	**(216,419)**	**13%**	
Total expenditure	**(119,710,240)**	**-**	**(119,710,240)**	**(145,033,342)**	**-**		
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**28,249,072**	**-**	**28,249,072**	**25,295,091**	**-**	**-**	

The College deems a difference of 10% to be a material difference. Please refer to note 33 for reasons for material differences.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), and in the manner prescribed by the Minister of Higher Education and Training in terms of the Further Education and Training Act 16 of 2006 as amended.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. In the absence of an issued 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, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the College will continue to operate as a going concern for at least the next 12 months.

1.3 Comparison of budget and actual amounts

The College does not fall within the scope of GRAP 24 Presentation of Budget Information in Financial Statements, as its budgets are not made publicly available as per GRAP 24. The College has decided to comply with GRAP 24 on a voluntary basis to add value to the users of the Financial Statements.

The approved budget is the budget that is approved by the Council of the College, before the commencement of the financial year. The final budget is the approved budget, updated with all the budget amendments approved by the Council of the College during the financial year.

The financial statements and the budget are prepared on a comparable basis and the budget consists of a Statement of Financial Performance budget. Therefore, the approved budget is presented on the same accounting basis, with the same classification structure, for the same period and for the same entities and activities as is reported on in the annual financial statements.

The comparison of budget and actual amounts are done through the inclusion of a separate additional statement of comparison of budget and actual amounts in the annual financial statements.

The approved budget is for the period 01 January to 31 December 2019.

1.4 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual 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 amount recognized in the financial statements:

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Campuses used and controlled, but not owned by the College

Certain campuses 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 can be illustrated, the campus in question is recognized, measured and included in the financial statements as property, plant and equipment in terms 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 or Investment Property in GRAP 16.

Programme funding

In terms of the CET Act and the Funding Norms for TVET Colleges, the Colleges are funded (Programme Funding) based on their Full Time Equivalent (FTE) student numbers. Therefore, in terms of the CET Act and the Funding Norms, a College receives Programme Funding to enrol and train a certain number of students for the year and that Programme Funding accrues to the College in terms of the CET Act and the Funding Norms and the accrual is separate and independent from how the funds are distributed to the College. The full amount of allocated Programme Funding therefore has to be paid to the College by DHET, irrespective of how it is paid. DHET settles its liability for Programme Funding towards the College in part by paying the employment cost of the College employees employed by DHET, via Persal. The remaining liability towards the College is settled in cash.

The Funding norms that is currently applicable to TVET Colleges was Gazetted on 15 May 2015 and paragraph 117 contains provisions which may cause conditions as defined in GRAP 23 to exist under certain circumstances. These conditions would be applicable to the portion of the Programme Funding which is withheld to pay for employee cost of Persal employees deployed at the College. However, DHET has indicated that the intention of the Funding Norms is not to impose conditions which may be introduced by paragraph 117 and that the intention is that a College's Programme Funding accrues to it in total. Therefore, any difference between the amount withheld for paying Persal salaries and the amount that is eventually used to pay for Persal salaries, is automatically payable to Colleges. DHET has aligned its systems to facilitate the payment of these amounts to Colleges.

The substance over form nature of the Programme Funding for a College is therefore that it accrues to the College, in full and without any conditions, in the financial year of the College during which the enrolment and training of students occur. The date on which it accrues is 1 January of the relevant year, or the date on which the final grant amount is communicated to the College, whichever is later. The full Programme Funding allocation to the College is therefore recognised as revenue in the College's financial year.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

DHET management fee

The College's staff consists of two groups:
i) Employees and management staff appointed on Persal
ii) Employees appointed on the College payroll

The management and other staff who are stationed at a College (College's staff) and are paid through Persal are employed by DHET on DHET's Persal payroll. Therefore in terms of labour legislation they are DHET employees and not College employees. However, these employees are stationed permanently and exclusively at the College and are also subject to the governance and management oversight of the Council of the College and the intention is for the College to operate with relative autonomy. The employees are therefore substantively under the operational control of the College, with DHET performing and supporting certain HR related functions, e.g. administering the payroll and appointment, performance management, termination and disciplinary processes.

In terms of the CET Act and the Funding Norms for TVET Colleges, the Colleges are funded (Programme Funding) based on their Full Time Equivalent (FTE) student numbers. Therefore, in terms of the CET Act and the Funding Norms, a College receives Programme Funding to enrol and train a certain number of students for the year and that Programme Funding accrues to the College in terms of the CET Act and the Funding Norms and the accrual is separate and independent from how the funds are distributed to the College. The full amount of allocated Programme Funding therefore has to be paid to the College by DHET, irrespective of how it is paid. DHET settles its liability for Programme Funding towards the College in part by paying the employment cost of the College employees employed by DHET, via Persal. The remaining liability towards the College is settled in cash.

DHET employs the College's management and other staff for it, performs certain HR related functions for the College and uses the College's funds to pay the salaries of the College staff in DHET's employment.

There is therefore a College expense (outflow of College economic resources) which has to be accounted for by a College and the questions that remain are how that expense should be classified and measured.

With respect to the classification, the nature of the expense is clearly related to employee cost, but is not classified as employee cost, because the College is not the employer in terms of labour and related legislation. The expense is therefore classified as a DHET management fee expense in the hands of a College. On the face of the Statement of Financial Performance, it is aggregated with the College's Employee cost expense and it is disclosed separately in the notes.

With respect to the measurement of the expense, DHET settles the liability for Programme Funding towards the College, by assuming an employee cost liability towards the College's employees employed by DHET and paid via Persal. The cost or value of the expense for the College is therefore the same as the amount by which the liability that DHET owes to the College decreases as a result of DHET assuming the employee cost liability towards the College employees. This is inclusive of all short and long term employee benefits, e.g. leave and bonus accruals, capped leave and long service awards.

DHET SAICA TVET CFO and HR Support Projects

Both the DHET SAICA TVET HR and CFO Support Projects are funded by the National Skills Fund (NSF) and managed by SAICA for DHET. SAICA appoints and manages the Project teams in accordance with the Project Business Plans. In the HR Support Project, support is provided directly to DHET by the placement of Project team members at DHET to fulfil certain functions and HR Business Partners (HRBPs) are also allocated to Colleges, with each HRBP supporting more than one College. In the CFO Support Project, there is a Project management team which assists DHET to coordinate the financial management in the sector. For the CFO Support Project, SAICA has also seconded a team member to DHET and DHET has placed the Project Team member as Acting DPF in the College.

SAICA supports DHET with these Projects on a cost recovery basis, as part of SAICA's Nation Building initiative.

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:

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Trade and other receivables

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

Non-financial asset impairment

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

Allowance of doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives of assets, depreciation and amortisation

The College's management determines the estimated useful lives and related depreciation charges for these assets. These estimates are based on industry norms and then adjusted to be College specific. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and vice versa.

Depreciation and amortization recognised on property, plant and equipment 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 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 assets informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the College; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Deemed cost was determined using depreciated replacement cost for items of property, plant and equipment.

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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	Depreciation method	Average useful life
Land	Not applicable	Indefinite
Buildings and fixed structures	Straight line	10 - 50 years
Plant and machinery	Straight line	5 - 15 years
Furniture and fixtures	Straight line	5 - 20 years
Motor vehicles	Straight line	5 - 15 years
IT equipment	Straight line	3 - 12 years
College Infrastructure	Straight line	5 - 50 years
Sporting facilities	Straight line	15 - 25 years
Emergency Equipment	Straight line	7 - 15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the College to amend the previous estimate unless expectations differ from the previous estimate.

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.

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

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

When the College initially recognises an asset using the Standards of GRAP, it measures such assets using the cost at the date of acquisition (acquisition cost). When the acquisition cost of an asset is not available on the adoption of the Standards of GRAP, acquisition cost is measured using a surrogate value (deemed cost) at the date a College adopts the Standards of GRAP (measurement date). Deemed cost is determined as the fair value of an asset at the measurement date.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the College and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the College intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the College or from other rights and obligations.

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

Accounting Policies

1.6 Intangible assets (continued)

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

The College assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

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

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

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

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

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

Computer software	10 years

1.7 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of a College after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the College designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Prepayments	Financial asset measured at amortised cost

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
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Accounting Policies

1.7 Financial instruments (continued)

Initial recognition

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

The College recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The College measures a financial asset and financial liability initially at its fair value (if subsequently measured at fair value).

Payables from exchange and non-exchange transactions

Payables from non-exchange transactions arise when the College has an obligation to return the grant funds and/or receipts transferred to it by any third parties, through a non-exchange transaction, if conditions of the grant have not been met (conditional grants). A non-exchange transaction is a transaction where an the College either receives value from another entity without directly giving approximately equal value in exchange, or gives value to an entity without directly receiving approximately equal value in exchange.

When funds are received as per stipulations of the grant contract, they give rise to a present obligation. A present obligation arising from a non-exchange transaction, that meets the definition of a liability shall be recognised as a liability when, and only when: it is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and reliable estimate can be made of the amount of the obligation.

Payables from exchange transactions are initially measured at fair value and are subsequently measured at cost. Where fair value is the best estimate of the amount required to settle the present obligation at the reporting date and cost is the cashoutflow payable to the third upon unsuccessful discharge of grant conditions.

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 and/or expenditure, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

1.8 Tax

Income tax

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

1.9 Leases

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

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

Operating leases - lessee

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

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and current replacement cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Current replacement cost is the cost the College would incur to acquire the asset on the reporting date.

The cost of inventories is assigned using the weighted average cost formula. The same formula is used for all inventories having a similar nature and use to the College.

Recognition as an expense.

When inventories are distributed, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the College; or
- the number of production or similar units expected to be obtained from the asset by the College.

Identification

The College assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the College estimates the recoverable service amount of the asset.

1.11 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of a non-cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the College estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the College applies the appropriate discount rate to those future cash flows.

1.12 Employee benefits

The College contributes to the Government Employees Pension Fund. The Government Employees Pension Fund define an amount of pension benefits that employees will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. However, the College has no legal or constructive obligation to pay those future benefits as its only obligation is to pay the contributions as they fall due. If the College ceases to employ members of the state plan, it will have no obligation to pay the benefits earned by its own employees in previous years.

For this reason, the Government Employees Pension Fund is a defined contribution plan. For defined contribution plans, the College pays contributions to a publicly administered pension insurance plan on a mandatory and contractual basis. The College has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extend that a cash refund or a deduction in the future payment is available.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

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

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

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

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

DHET/PDE management fee

In terms of the CET Act and DHET Circulars, non-management personnel (lecturing and support staff) of the College whom elected to be appointed and remunerated through the Department of Higher Education and Training (DHET) have migrated to DHET and are DHET employees. Non-management personnel whom did not elect to be transferred to DHET payroll remain employees of the College.

Management personnel was previously (and continue to be) remunerated through PERSAL and not from College funds, and this constitutes services in kind which are recognised at the cash value of the services to the State. The income is recognised as "Services in Kind" as part of revenue from non-exchange transactions, and the expense is recognised as "DHET management fees".

For the period 1 April to 31 December 2015 Management and non-management personnel whom elected to be transferred are remunerated by DHET via Persal. The remuneration of these personnel cannot be classified as an employee expense of the College and is therefore, classified as "DHET management fee". The income is recognised as "services in kind" as part of revenue from non-exchange transactions.

Accounting Policies

1.13 Provisions and contingencies

Provisions are recognised when:

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

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.

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.

Provisions are not recognised for future operating losses.

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 contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the College.

A contingent liability is:

- A possible obligation that arises from past event, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the College; or

- A present obligation that arises from past events but it is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised, but are disclosed in the notes to the financial statements.

1.14 Commitments

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

Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.

The notes to the financial statements must disclose the nature and amount of each material individual expenditure commitment and each material class of capital expenditure commitment as well as non-cancelable operating leases contracted for at the reporting date. Commitments for the supply of inventories, where a liability under a contract has not yet been recognised, do not require disclosure as a commitment.

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Accounting Policies

1.14 Commitments (continued)

The College discloses future lease payments under non-cancellable operating leases for each of the following periods:

- No later than one year;
- Later than one year and not later than five years, and
- Later than five years.

1.15 Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

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.

Tuition and residence fee

Tuition and residence fees are recognised as income at the fair value of the consideration received or receivable in the period to which they relate (academic year).

Interest and dividends

Revenue arising from the use by others of the College's assets yielding interest and dividends or similar distributions is recognised when:

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

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

1.16 Revenue from non-exchange transactions

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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

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

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

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

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the College with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the surplus or deficit (separately).

Grants, gifts and donations (other than services in-kind) are recognised when the definition of an asset is met and the recognition criteria of an asset are satisfied.
For grants, gifts and donations received without conditions attached, revenue is recognised when the asset is recognised. For grants, gifts and donations received that have conditions attached to it, a liability will be recognised to the extent that the conditions have not been met, and will be reduced as the conditions are satisfied with a corresponding increase in revenue.

Private grants

Private grants, gifts and donations are recognised as income at the fair value of the consideration received or receivable in the period to which they relate. Any such income is recognised as income in the financial period when the College is entitled to use those funds. Therefore, funds that will not be used until some specified future period occurrence are deferred to deferred income and released to the income statement as the College becomes entitled to the funds.

Grants received to compensate for expenses to be incurred are often prescriptive in nature and therefore is recognised over a certain period under the terms of the grant. Prescriptive grant income is recognised with reference to the stage of completion at the reporting date. If the stage of completion cannot be measured reliably, the recognition of this income is limited to the expenses incurred. The balance is recognised as deferred income in the statement of financial position.

Services in-kind

In terms of the CET Act and DHET Circular 1 of 2015, with effect from 1 April 2015, all non-management personnel (lecturing and support staff) of the College whom elected to be appointed and remunerated through the Department of Higher Education and Training (DHET) have migrated to DHET and are DHET employees. Non-management personnel whom did not elect to be transferred to DHET payroll remain employees of the College. For the period 1 January to 31 March 2015, all these employees still remained employees of the College.

Management personnel was previously (and continue to be) remunerated through PERSAL and not from College funds, and this constitutes services in kind which are recognised at the cash value of the services to the State. The income is recognised as "Services in Kind" as part of revenue from non-exchange transactions, and the expense is recognised as "DHET management fees".

For the period 1 April to 31 December 2015 Management and non-management personnel whom elected to be transferred are remunerated by DHET via Persal. The remuneration of these personnel cannot be classified as an employee expense of the College and is therefore, classified as "DHET management fee". The income is recognised as "services in kind" as part of revenue from non-exchange transactions.

No other services in-kind are recognised.

Accounting Policies

1.17 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.

1.18 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 reporting date); and
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after 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 2019.

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.

Notes to the Financial Statements

	2019	2018
	R	R

2. New standards and interpretations

2.1 Standards 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:
• Guideline on The Application of Materiality to Financial Statements: No changes to recognition and measurement are expected, but additional disclosures in the notes will be done on adoption.	01 April 2020	2021 Financial year
• GRAP 110 Living and Non-living Resources: The expected impact has not been determined yet and is unknown at this stage.	Not yet set	Not yet set
• Guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme: None	01 April 2019	It is not expected that the Standard will be applied
• GRAP 32 Service Concession Arrangements: Grantor: It is expected that there will be no impact.	01 April 2019	It is not expected that the Standard will be applied
• GRAP 108 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	2020 Financial year
• GRAP 109 Accounting by Principals and Agents: No changes to recognition and measurement are expected, but additional disclosures in the notes will be done on adoption.	01 April 2019	2020 Financial year
• IGRAP 17 Interpretation of the Standard of GRAP on service concession arrangements where a grantor controls a significant residual interest in an asset: It is expected that there will be no impact.	01 April 2019	It is not expected that the Standard will be applied
• IGRAP 18 Interpretation of the Standard of GRAP on recognition and derecognition of land: No changes to recognition and measurement are expected, but additional disclosures in the notes will be done on adoption.	01 April 2019	2020 Financial year
• IGRAP 19 Interpretation of the Standard of GRAP on liabilities to pay levies: It is expected that there will be no impact.	01 April 2019	2020 Financial year

Notes to the Financial Statements

	2019 R	2018 R

3. Inventories

Inventory text books	2,614,213	1,858,948
Inventories cartridges	28,235	26,983
	2,642,448	**1,885,931**

Inventory recognised as an expense during the year of R3,065,842 (2018: R3,622,537) is included in learning material. Refer to note 23.

Inventory pledged as security

No inventories held by the College are pledged as security.

4. Receivables from exchange transactions

Student receivables	3,982,445	4,540,847
Other receivables	3,936,804	1,411,176
	7,919,249	**5,952,023**

No receivables were pledged as security for any financial liability of the College.

The carrying value of receivables approximates their fair value, due to its short term nature.

Credit quality of trade and other receivables

The credit quality of trade and other receivables from exchange transactions are determined and monitored with reference to historical payment trends. Accordingly the credit quality of the customers included in the balance of trade and other receivables from exchange transactions is determined internally through application of the College's own credit policy.

Other receivables

The ageing of Other receivables are as follows:

Current (0 - 30 days)	3,259,545	1,199,505
30 - 90 days	7,080	4,131
120+ days	832,414	308,700
Impairment	(162,235)	(101,160)
	3,936,804	**1,411,176**

Student receivables impaired

The detail of the Student receivables are as follows:

Student receivables	17,500,367	16,814,029
Receivables impairment	(13,517,922)	(12,273,182)
	3,982,445	**4,540,847**

The ageing of Student receivables are as follows:

0 - 120 days	5,848,814	6,075,188
121+ days	11,651,553	10,738,841
Impairment	(13,517,922)	(12,273,182)
	3,982,445	**4,540,847**

Notes to the Financial Statements

	2019 R	2018 Restated* R

4. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of Student receivables

Opening balance	(12,273,182)	(11,719,850)
Provision for impairment	(3,673,506)	(3,596,395)
Utilisation	2,428,766	3,043,063
	(13,517,922)	**(12,273,182)**

5. Receivables from non-exchange transactions

Maintenance grant debtor	1,860	105,791
Unauthorised debit orders	59,708	24,963
DHET debtor - subsidy	18,894,527	8,996,851
Accrued income	202,331	201,328
	19,158,426	**9,328,933**

2019

Payments made on behalf of the Department of Higher Education in respect of Maintenance grant. Amounts to be recovered from the respective grant allocations after year end.

6. Prepayments

Prepayments	Current year	Prior year
NSF grant expenses paid in advance	1,264,810	335,043
COS grant expenses paid in advance	-	873,861
	1,264,810	**1,208,904**

7. Investments

Fixed deposit	824,590	765,953

The College has a fixed deposit held with ABSA Bank Limited. The investment bears interest at a rate of 7.32% (2018: 7.36%) per annum. The investment has a maturity period of 6 months.

Pledged as security

No investments of the College were pledged as security.

* See Note 29

Notes to the Financial Statements

	2019 R	2018 Restated* R

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Cash on hand	9,074	9,120
Bank balances	42,519,813	35,219,804
Short-term deposits	3,176,582	9,595,842
	45,705,469	**44,824,766**

A facility with ABSA Bank to the value of R 5,000 on credit card account is available (2018: R 5,000).

The College had the following bank accounts

Account description	Account number	Bank statement balances			Cash book balances		
		31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
Bank - Flavius Mareka	520 153 306	273,892	2,040,031	671,615	273,892	2,040,031	671,615
Bank - Call Account	920 475 6351	6,054,537	3,683,040	251,911	6,054,537	3,683,040	251,911
Sasolburg - Student Dep	405 668 6636	87,423	120,069	125,065	87,423	120,069	125,065
Kroonstad - Student Dep	404 952 0229	21,806	33,181	52,068	21,806	33,181	52,068
Bank - NSF	713 546 240	230,106	3,437,058	1,145	230,106	3,437,058	1,145
Bank - Kroonstad Cheque Account	970 830 367	950	701	408	950	701	408
Bank - SLA 2012-2013	406 074 9199	212	607	1,434	212	607	1,434
Bank - Lotto Account	407 653 6651	70,399	68,689	66,932	70,399	68,689	66,932
Bank - Capex	407 427 1338	219	259	586	219	259	586
Petty Cash - Sasolburg	-	-	-	6,000	6,000	6,009	6,000
Petty Cash - Kroonstad	-	-	-	3,000	3,074	3,111	3,000
Bank - Sasolburg Petty Cash	916 550 2457	249	-	307	249	238	307
Intermediate Petty Cash Sasolburg	-	-	-	8	-	4	8
Intermediate Credit Card	4550 1900 3024 1033	5,000	5,000	-	5,000	5,000	-
Intermediate Credit Card	4550 1900 3024 0019	9,040	24,287	4,276	9,040	24,287	4,276
Flavius Money Market	914 906 8221	1,768,627	8,393,637	7,549,203	1,768,627	8,393,637	7,549,203
Money Market	916 666 7987	543,766	505,246	470,899	543,766	505,246	470,899
GEHS Account	207 619 9069	864,188	696,959	-	864,188	696,959	437,671
Maintenance account	409 489 9209	35,108,054	17,339,908	-	35,108,054	17,339,908	-
NSF- COS account	409 490 1133	657,924	8,443,340	-	657,924	8,443,340	-
Intermediate transfer account		-	-	-	-	23,396	-
Other		-	-	-	3	(4)	-
Total	**Total**	**45,696,392**	**44,792,012**	**9,204,857**	**45,705,469**	**44,824,766**	**9,642,528**

* See Note 29

Notes to the Financial Statements

	2019	2018 Restated*
	R	R

9. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	15,904,951	-	15,904,951	15,904,951	-	15,904,951
Buildings and fixed structures	270,450,542	(36,375,423)	234,075,119	270,412,477	(30,883,897)	239,528,580
Plant and machinery	10,131,352	(2,979,416)	7,151,936	4,123,744	(2,170,879)	1,952,865
Furniture and fixtures	11,541,277	(5,998,206)	5,543,071	11,394,193	(5,007,873)	6,386,320
Motor vehicles	2,491,077	(629,913)	1,861,164	2,214,745	(510,741)	1,704,004
IT equipment	16,364,223	(10,133,520)	6,230,703	14,761,838	(8,594,509)	6,167,329
College infrastructure	14,008,874	(2,654,087)	11,354,787	14,237,780	(2,241,814)	11,995,966
Sporting facilities	7,123,809	(2,497,529)	4,626,280	7,123,809	(2,138,857)	4,984,952
Emergency equipment	245,695	(153,055)	92,640	245,695	(128,473)	117,222
Total	**348,261,800**	**(61,421,149)**	**286,840,651**	**340,419,232**	**(51,677,043)**	**288,742,189**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Land	15,904,951	-	-	-	15,904,951
Buildings and fixed structures	239,528,580	38,065	-	(5,491,526)	234,075,119
Plant and machinery	1,952,865	6,045,182	(37,575)	(808,536)	7,151,936
Furniture and fixtures	6,386,320	159,735	(12,651)	(990,333)	5,543,071
Motor vehicles	1,704,004	290,000	(13,668)	(119,172)	1,861,164
IT equipment	6,167,329	1,668,590	(66,205)	(1,539,011)	6,230,703
College infrastructure	11,995,966	-	(228,906)	(412,273)	11,354,787
Sporting facilities	4,984,952	-	-	(358,672)	4,626,280
Emergency equipment	117,222	-	-	(24,582)	92,640
	288,742,189	**8,201,572**	**(359,005)**	**(9,744,105)**	**286,840,651**

* See Note 29

	2019	2018 Restated*
	R	R

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Land	15,904,951	-	-	-	15,904,951
Buildings and fixed structures	244,979,227	39,429	-	(5,490,076)	239,528,580
Plant and machinery	2,173,456	206,983	(23,850)	(403,724)	1,952,865
Furniture and fixtures	7,065,072	351,191	(32,356)	(997,587)	6,386,320
Motor vehicles	1,596,881	204,758	-	(97,635)	1,704,004
IT equipment	7,209,870	1,042,078	(283,480)	(1,801,139)	6,167,329
College infrastructure	12,408,875	-	-	(412,909)	11,995,966
Sporting facilities	5,343,623	-	-	(358,671)	4,984,952
Emergency equipment	125,285	16,382	-	(24,445)	117,222
	296,807,240	**1,860,821**	**(339,686)**	**(9,586,186)**	**288,742,189**

A copy of the College's fixed asset register is available for inspection at the registered office.

Land totaling R 15,904,951 (2018: R 15,904,951) and buildings and fixed structures totaling R 214,439,332 (2018: R 219,456,166) are not owned by the College but by the Free State Provincial Government. These assets are however controlled by the College. Refer to accounting policy note 1.5 for further detail.

Included in property, plant and equipment are 1,606 (2018: 1,606) minor assets with a nil carrying value at year end. The cost price of these assets amount to R 2,040,005 (2018: R 2,040,005). These assets are not significant to the College's operations and service delivery objectives.

During the year the condition of the assets, as well as their useful lives were reassessed. The conditions rating of the assets had not changed and therefore no assets had been impaired.

Pledged as security

There were no assets pledged as security for current year.

Change in accounting estimate

Various movable assets with original remaining useful lives varying between 1 - 2 years have been revised in the beginning of the period to reflect a new depreciable amount and the actual pattern of service potential derived from these assets. Furniture and fixtures original useful lives of 5 years increased to 15 years and IT equipment original useful lives of 7 years increased to 10 years.

The effect on the current and future periods will be a decrease in the depreciation charge of R 153,758 in the current period and an increase in the depreciation charge of R 491,276 over the future periods.

Depreciation - current year	(153,758)
Depreciation - future periods	491,276

* See Note 29

Notes to the Financial Statements

	2019	2018 Restated*
	R	R

10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	533,310	(68,905)	464,405	533,310	(15,574)	517,736

Management estimates that intangible assets have an useful life of 10 years.

Included in intangible assets is 1 (2018: 1) software with a R1 carrying value at year end. The cost price of this asset amounts to R 545,000 (2018: R 545,000). This asset had reached the end of its useful life, but is still used by the College in its operations.

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	517,736	(53,331)	464,405

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	1	533,310	(15,575)	517,736

* See Note 29

Notes to the Financial Statements

	2019 R	2018 Restated* R

11. Payables from exchange transactions

Bonus accrual (refer to breakdown below)	716,520	667,811
Leave pay accrual (refer to breakdown below)	180,692	117,070
GEHS Creditor	993,828	696,959
Third party creditors	2,527,720	2,708,350
Accrued salary expenses	1,028,562	66,418
External debtors with credit balances	2,600	50,515
Student debtors with credit balances	4,083,776	6,711,046
Trade payables	2,586,365	598,322
Unallocated deposits received	1,164,515	1,179,990
	13,284,578	**12,796,481**

Bonus accrual		
Opening balance	667,812	613,826
Increase in accrual	48,708	53,986
	716,520	**667,812**

Leave pay accrual		
Opening balance	117,070	46,326
Increase in accrual	63,622	70,744
	180,692	**117,070**

The carrying value of payables approximates their fair value, due to its short term nature.

Government Employees Housing Scheme (GEHS)

In terms of PSCBC Resolution 7 Of 2015 all employees (employed before 27 May 2015) who are eligible to receive the housing allowance but do not own a house shall continue to receive an allowance of R 900 per month. The difference of R 300 between the total new housing allowance of R 1,200 (as from July 2015) and the R 900 shall be diverted into a savings account (investment account) to host the funds of the rental contributors. This account will be interest bearing. The bank charges will be diverted to the main account. All employees employed after 27 May 2015 that are renting will receive R 1,200 as a benefit, but the total amount is diverted monthly into the savings account. Employees will have access to the accumulated funds in the savings account once proof of ownership of property is provided.

This amount increased to R 1,276.00 from 01 July 2017.

From 01 April 2018 the amount increased to R 1,336.22, with a total amount of R 436.22 diverted into the savings account.

12. Payables from non-exchange transactions

CLC allocation	-	3,872,456
Maintenance grant	1,860	-
Bursary creditors	5,985,652	830,664
Bursary allocations due to NSFAS	2,303,476	498,771
	8,290,988	**5,201,891**

There is a Memorandum of Agreement signed between the Department and the College, to assist with the procurement of goods and services for Community Learning Centres (CLCs) on behalf of Community and Training (CET) Colleges.

This budget was only to be transferred to CET Colleges at the time when the financial management systems and governance structures of the CET Colleges were in place. This process was concluded in October 2019. The allocation for the CLCs will therefore not continue to be transferred to the identified TVET Colleges for procurement of goods and services as CET Colleges will do this themselves.

* See Note 29

Notes to the Financial Statements

	2019 R	2018 Restated* R

13. Unspent conditional grants and receipts

Unspent grants and receipts comprises of:

Unspent conditional grants and receipts		
Lotto allocation	70,399	68,689
College fee allocation grant	-	237,682
NSF grant	1,494,915	3,787,272
COS grant	2,244,775	10,950,517
	3,810,089	**15,044,160**

Movement during the year

Balance at the beginning of the year	14,824,040	1,709,497
Additions during the year	6,821,783	16,917,370
Income recognition during the year	(17,835,734)	(3,582,707)
	3,810,089	**15,044,160**

See note 18 for reconciliation of government grants and subsidies.

14. Grant received in advance

The College received from the Department of Higher Education their 2019 allocation in respect of COS in December 2018.

COS Grant received in advance	6,044,601	6,044,601
Income recognition during the year	(6,044,601)	-
	-	**6,044,601**

* See Note 29

Notes to the Financial Statements

	2019 R	2018 Restated* R

15. Tuition and related fees

Students - NCV	4,883,574	6,941,644
Students - Report 191	21,051,725	20,367,813
Skills and Learnership fees	8,634,280	9,997,933
Other fees	264,970	287,195
	34,834,549	**37,594,585**

Tuition fees paid by Students or other funding

Students - NCV	2,247,904	2,933,869
Students - Report 191	10,439,900	10,273,628
Skills and Learnership fees	8,634,280	9,997,933
Other fees	264,970	287,195
	21,587,054	**23,492,625**

Tuition fees paid by NSFAS Bursaries

Students - NCV	2,635,670	4,007,775
Students - Report 191	10,611,825	10,094,185
	13,247,495	**14,101,960**

16. Sundry income

Hair care income	148,470	107,585
Student income	11,724	22,813
WSP grants received	44,633	53,344
Work integrated learning income	41,580	-
Staff income	3,046	28,785
Income realised from unallocated income	150,730	77,483
Rental and Hostel income	2,050,983	1,642,618
Sport income	49,140	67,910
CLC Administration income	-	150,400
Other income	782,327	625,753
	3,282,633	**2,776,691**

17. Interest revenue

Bank	627,142	1,174,309

* See Note 29

Notes to the Financial Statements

	2019 R	2018 Restated* R

18. Government grants and subsidies

Departmental subsidies	43,268,662	14,911,050
College fee allocation	237,682	871,680
Maintenance grant	14,043,199	25,386,083
NSF grant	8,927,799	1,924,704
COS grant	8,930,351	-
DHET Staff bursary allocation	-	579,010
Roll over grant allocation	-	205,879
	75,407,693	**43,878,406**

Reconciliation of government grants and subsidies

Departmental subsidies

Current-year receipts	43,268,662	14,911,050
Subsidy transferred to revenue	(43,268,662)	(14,911,050)
	-	-

Lotto allocation

Balance unspent at beginning of year	68,689	66,932
Current-year receipts	1,710	1,757
Conditions met - transferred to revenue	-	-
	70,399	**68,689**

Conditions still to be met - remain liabilities (see note 13).

Provincial allocation

Balance unspent at beginning of year	-	1,433
Conditions met - transferred to revenue	-	(1,433)
	-	-

Roll over allocation

Balance unspent at beginning of year	-	205,879
Conditions met - transferred to revenue	-	(205,879)
	-	-

* See Note 29

Notes to the Financial Statements

	2019 R	2018 Restated* R

18. Government grants and subsidies (continued)

DHET Staff bursary allocation

Balance unspent at beginning of year	-	285,010
Current-year receipts	-	294,000
Conditions met - transferred to revenue	-	(579,010)
	-	-

The DHET Staff bursary allocation is granted to the College to be utilise for staff development according to the training plan of the College.

College fee allocation grant

Balance unspent at beginning of year	237,682	1,109,362
Conditions met - transferred to revenue	(237,682)	(871,680)
	-	**237,682**

Conditions still to be met - remain liabilities (see note 13).

The College fee allocation is utilise to subsidise the fee adjustments for the poor and the missing middle students to a maximum of 6%.

National Skills Fund (NSF)

Balance unspent at beginning of year	3,787,272	-
Current-year receipts	6,505,815	5,711,976
Interest	130,528	-
Conditions met - transferred to revenue	(8,927,800)	(1,924,704)
Payment in advance	(1,264,810)	-
Reallocation to prepayment- conditions not met	1,264,810	-
Other	(900)	-
	1,494,915	**3,787,272**

Conditions still to be met - remain liabilities (see note 13).

The objective for the National Skills Fund is to assist the College and DHET in improving the capacity of the Post School Education and Training System in order to meet the needs of the country.

The funds will be utilised to roll out the Occupational Programmes for which the College is accredited.

Centres of Specialisation (COS) grant

Balance unspent at beginning of year	10,950,517	-
Current-year receipts	-	10,950,517
Interest	224,609	-
Conditions met - transferred to revenue	(8,930,351)	-
	2,244,775	**10,950,517**

Conditions still to be met - remain liabilities (see note 13).

The COS grant is utilised for the implementation of the Centres of Specialisation Programme specialising in Electrical and Plumbing trades.

* See Note 29

Notes to the Financial Statements

	2019	2018 Restated*
	R	R

18. Government grants and subsidies (continued)

Government and Persal grants

The College receives government subsidies as per Funding norms for operating expenditure.

The Persal grant is kept at the Department to cover salaries of employees paid by the department and those employees in the employment of the Department. Refer to note 20.

19. Revenue

	2019 R	2018 Restated* R
Tuition fees (refer to note 15)	34,834,549	37,594,585
Student fees earned	1,318,088	1,393,815
Recoveries	443,964	499,947
Insurance income	163,344	52,541
Sundry income (refer to note 16)	3,282,633	2,776,691
Interest received (refer to note 17)	627,142	1,174,309
Government grants and subsidies (refer to note 18)	75,407,693	43,878,406
Service received in kind (refer to note 20)	54,251,020	52,249,549
	170,328,433	**139,619,843**

	2019 R	2018 Restated* R
The amount included in revenue arising from exchanges of goods or services are as follows:		
Tuition fees	34,834,549	37,594,585
Student fees earned	1,318,088	1,393,815
Recoveries	443,964	499,947
Insurance reimbursement income	163,344	52,541
Sundry income	3,282,633	2,776,691
Interest received	627,142	1,174,309
	40,669,720	**43,491,888**

	2019 R	2018 Restated* R
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants and subsidies	75,407,693	43,878,406
Service received in kind	54,251,020	52,249,549
	129,658,713	**96,127,955**

* See Note 29

Notes to the Financial Statements

	2019 R	2018 Restated* R

20. Personnel expenses and DHET management fee

Basic salaries and wages	24,525,827	21,529,848
Leave pay accrual	63,621	70,744
Contributions for UIF, SDL and pensions	3,317,640	2,612,886
Benefits and allowances	3,152,892	2,581,744
Performance and other bonuses	2,100,624	1,759,397
Other employee related costs	2,968,997	3,074,163
Bonus accrual	48,704	53,986
	36,178,305	**31,682,768**

DHET management fee cost

Remuneration of key management

Remuneration of Principal		
Annual remuneration	1,174,128	1,182,069
Remuneration of Deputy - Principals		
Deputy Principal - Academic	865,130	820,457
Deputy Principal - Finance	936,360	816,850
Deputy Principal - Registrar and SSS	851,055	817,208
Deputy Principal - Corporate	962,462	903,811
	4,789,135	**4,540,395**

Basic salaries	3,255,009	3,113,753
Bonuses	429,596	317,065
Pension fund contributions	423,150	404,787
Other benefits	681,380	704,790
	4,789,135	4,540,395
DHET lecturing and support	49,461,885	47,709,154
	54,251,020	**52,249,549**
Total personnel expenses and DHET management fee	**90,429,325**	**83,932,317**

Management personnel was previously (and will continue to be) remunerated via PERSAL and not from College funds. In terms of the CET Act and DHET circular 1 of 2015, with effect from 1st of April 2015, non management personnel (lecturing and support staff) whom elected to be appointed and remunerated by the Departments of Higher Education and Training (DHET) have migrated to DHET payroll and are now DHET employees. Non management employees whom did not elect to be transferred to DHET remain employees of the College.

The remuneration of these personnel represents services in kind and is recognised as such as part of revenue from non-exchange transactions.

* See Note 29

Notes to the Financial Statements

	2019 R	2018 Restated* R

21. Administrative expenditure

Bank charges	537,475	443,839
Cleaning services	765,375	320,151
Council expenses - Refer to Note 28	446,826	357,680
Courier	113,854	230,438
Human resources development and training	579,611	916,780
Insurance	768,735	686,047
IT services	1,488,388	1,928,884
Marketing and advertising	349,677	366,182
Membership and licence fees	565,184	631,207
Municipal services	2,903,502	2,704,084
Other	338,908	301,235
Security services	2,291,405	1,883,499
Stationery and printing	1,200,123	836,249
Telephone	632,831	649,935
Lease rentals on operating lease and photocopying	702,190	700,294
	13,684,084	**12,956,504**

Lease rentals on operating lease and photocopying costs were previously included in stationery and printing costs. In the current year, these costs were disclosed separately. As a result, comparative figures in the note were reclassified. This reclassification was done in order to comply with the fair presentation of the annual financial statements. There was no effect on the total administrative expenditure and surplus or deficit.

22. Repairs and maintenance

Repairs and maintenance	1,575,239	2,136,426

23. Education services

COS Grant Expenditure	3,525,731	-
Improvement of results	220,652	208,386
Learning material	3,655,908	4,208,592
Skills and learnership expenses	11,909,214	7,823,300
Student registration expenses	331,929	319,456
Student support expenses	692,666	997,798
Work integrated learning expenses	270,000	13,680
First Aid training	-	90,850
	20,606,100	**13,662,062**

24. General expenses

Security	40,624	44,644
Functions and awards	157,902	650,904
Travel - local	762,983	895,166
Compensation fund	64,204	28,402
Event workshop expenses	797,256	828,975
	1,822,969	**2,448,091**

* See Note 29

Notes to the Financial Statements

	2019 R	2018 Restated* R

25. Cash generated from operations

Surplus	25,295,091	8,226,086
Adjustments for:		
Depreciation and amortisation	9,939,959	9,601,761
Loss on sale of assets	209,673	101,699
Debt impairment	3,743,388	3,659,386
Leave pay accrual	63,622	70,744
Bonus accrual	48,708	53,986
Accrued salary expenses	1,028,562	-
Services received in kind	(54,251,020)	(52,249,549)
DHET management fee included in personnel expenses	54,251,020	52,249,549
Changes in working capital:		
Inventories	(756,517)	1,141,590
Receivables from exchange transactions	(7,016,426)	(3,076,595)
Other receivables from non-exchange transactions	(9,829,493)	3,504,251
Prepayments	(55,906)	(1,183,379)
Payables from exchange transactions	510,494	(4,879,341)
Unspent conditional grants and receipts	(11,234,071)	13,375,543
Grant received in advance	(6,044,601)	6,044,601
Payables from non-exchange transactions	3,089,097	970,398
	8,991,580	**37,610,730**

26. Commitments

Operational commitments

Already contracted for		
• Automotive spray painting	544,000	-
• Automotive maintenance and repairs	1,005,000	-
	1,549,000	**-**

Total operational commitments		
Already contracted for	1,549,000	-

<u>2018</u>:

There are no commitments for 2018.

Commitments will be financed by existing cash resources and internally generated funds.

Lease commitments

Minimum lease payments due		
- within one year	-	696,807

Operating lease payments represent rentals payable by the College.

Leases are negotiated for an average term of three years. No contingent rent is payable.

There are no restrictions imposed by the lease arrangements.

* See Note 29

Notes to the Financial Statements

	2019 R	2018 Restated* R

27. Related parties

Relationships

Council	Refer to Council's report note
Controlling entity	Department of Higher Education and Training
Other public entities under control of the Minister and DHET	SETA's, All TVET's, NSF, NSFAS and CLC's
Members of key management	TS Letho (Principal)
	FM Chechile (Deputy Principal Academic Affairs)
	A le Roux (Deputy Principal Finance)
	R Singh (Deputy Principal Registrar and SSS)
	J Tema (Deputy Principal Corporate Services)

Related party transactions

	2019 R	2018 Restated* R
DHET		
Management, lecturing and support staff (Note 19 and 20)	54,251,020	52,249,549
Departmental Subsidies (Note 18)	43,268,662	15,782,730

Council remuneration

Council members are remunerated per TVET Circular HV dated 04 June 2019 and they are reimbursed for travel cost incurred at a rate of R3,50 per kilometre and a sitting allowance. Council members do not receive any other remuneration.

Refer to note 28 for detail.

Key management remuneration

2019

	Basic salaries	Bonuses	Pension fund contribution	Other benefits	Total
Remuneration of Principal					
Annual remuneration	695,389	58,674	90,401	329,664	1,174,128
Remuneration of Deputy - Principals					
Deputy Principal - Academic	605,352	50,692	78,696	130,390	865,130
Deputy Principal - Finance	657,240	105,426	85,441	88,253	936,360
Deputy Principal - Registrar and SSS	604,923	105,426	78,640	62,066	851,055
Deputy Principal - Corporate	692,105	109,377	89,974	71,006	962,462
	3,255,009	**429,595**	**423,152**	**681,379**	**4,789,135**

2018

	Basic salaries	Bonuses	Pension fund contribution	Other benefits	Total
Remuneration of Principal					
Annual remuneration	657,483	55,774	85,473	383,339	1,182,069
Remuneration of Deputy - Principals					
Deputy Principal - Academic	571,853	48,186	74,341	126,077	820,457
Deputy Principal - Finance	620,243	52,317	80,632	63,659	816,851
Deputy Principal - Registrar and SSS	618,916	52,317	80,459	65,516	817,208
Deputy Principal - Corporate	645,257	108,471	83,883	66,199	903,810
	3,113,752	**317,065**	**404,788**	**704,790**	**4,540,395**

* See Note 29

	2019	2018 Restated*
	R	R

28. Remuneration of Council

2019

	Travelling	Total
Dr SJ Mohapi - Chairperson of Council	66,012	66,012
Dr CM Mabaso - Deputy Chairperson of Council	60,140	60,140
Mr D Charlie - Ministerial appointee and Chairperson: Planning Committee	72,217	72,217
Ms N Kumalo - Council Member and Chairperson of the Conditions of Employment Committee	48,660	48,660
Mr PD Manoko - External member of ARC	4,735	4,735
Dr GJ Maseko - Ministerial appointee	34,856	34,856
Mr R Mbhalati - Council Member and Chairperson of the Audit/Risk Committee	63,750	63,750
Dr CN Mbileni-Morema - Council Member: Donors	37,109	37,109
Mr MP Moremi - Ministerial appointee and Chairperson: Finance Committee	59,347	59,347
	446,826	**446,826**

Mr PD Manoko is the independent advisory of the Council on the Audit and Risk Committee and not a Council member.

2018

	Travelling	Other benefits*	Total
Mr NL Masoka (Council Chairman)	60,365	-	60,365
Dr CM Mabaso - Deputy Chairperson of Council	42,229	909	43,138
Mr D Charlie - Ministerial appointee	46,737	-	46,737
Mr RP Dikotsi	90,017	4,028	94,045
Dr GJ Maseko - Ministerial appointee	25,482	909	26,391
Adv MM Mofokeng	19,587	-	19,587
Dr MS Mohlala	29,758	-	29,758
Mr S Simelane	29,625	4,017	33,642
Mr L Tshongwe	-	4,017	4,017
	343,800	**13,880**	**357,680**

* See Note 29

Notes to the Financial Statements

	2019 R	2018 R

29. Prior period errors

Receivables from exchange transactions

It was noted that was revenue was incorrectly accounted for which resulted in over and understatement of revenue and in return it resulted in an increase/decrease in student receivables and other receivables

Grants and subsidies

a) During the 2020 financial year, the DHET declared that the maintenance grant is not a conditional grant as previously indicated and that the revenue should be recognised in the year of the allocation. This has resulted in revenue being recognised and unspent grants derecognised.

The amounts that was allocated in 2018 and only received in 2019 financial year was also recognised as revenue and a debtor was raised for DHET, which resulted in an increase in receivable from non-exchange transactions.

b) It was noticed that some grant and subsidies income was incorrectly classified as unspent conditional grants. This resulted in an understatement of income and overstatement of unspent conditional grants.

Payables from exchange transactions

For the 2018 financial year, there were accruals not recognised and some expenses were understated. This was corrected and certain expenditure lines were increased, and others decreased which resulted in the changes in payables from exchange transactions.

Prepayments

Prepayments were incorrectly recognised as expenses, this resulted in the understatement of prepayments and overstatement of expenses.

Prior adjustment - 2017 and beyond

Errors were also identified that related to revenue for 2016 and 2017. This resulted in an increase in opening accumulated surplus and the corresponding receivables.

Employee cost

It was noticed that the amounts for employee costs were not recognised in the correct financial year as an expense. It was corrected and thus resulted in the correcting of the understatement of employee cost and understatement of payables in 2018.

Property plant and equipment.

It was noted that the depreciation on property plant and equipment was incorrectly calculated from 1998 instead of 2013 on take on during the GRAP conversion. This resulted in overstatement of depreciation and overstatement of accumulated depreciation. This had an effect on years prior to 2018 and there was an impact of increase in accumulated surplus and an increase in opening net book value.

Depreciation and accumulated depreciation for 2018 was overstated.

It was noted that the reversal of impairment was incorrectly accounted for which resulted in understatement of depreciation and overstatement of impairment reversal. Assets were identified that was not capitalised that resulted in an understatement of additions and overstatement of expenditure.

It was noticed that the depreciation on disposed assets was incorrectly calculated which resulted in understatement of the disposals.

Notes to the Financial Statements

29. Prior period errors (continued)

The correction of the prior period errors results in adjustments as follows:

	2019 R	2018 R
Statement of Financial Position:		
Increase in receivables from exchange transactions		353,430
Increase in receivables from non-exchange transactions		7,490,759
Increase in prepayments		45,043
Increase in property, plant and equipment	-	11,389,379
Decrease in payables from exchange transactions		(71,548)
Decrease in unspent conditional grants and receipts		17,551,527
Increase in opening accumulated surplus (2017 prior period errors)		(9,779,730)
Effect on accumulated surplus		**26,978,860**

	2019 R	2018 R
Statement of Financial Performance:		
Increase in tuition and related fees		64,350
Decrease in student fees earned		(9,720)
Increase in interest received		6,515
Increase in insurance income		1,299
Increase in government grants and subsidies		24,961,527
Increase in personnel expenses and DHET management fee		(66,418)
Decrease in administration expenses		83,730
Decrease in depreciation and amortisation		2,011,836
Increase in consulting and internal audit fees		(66,598)
Decrease in education services		54,943
Increase in loss on disposal of assets		(62,604)
Effect on surplus or deficit		**26,978,860**

Notes to the Financial Statements

30. Comparative figures

Certain comparative figures have been reclassified. In the prior year, the fixed deposit investment was classified as cash and cash equivalents instead of investments. The fixed deposit has been classified as investment in the current year, and the prior year cash and cash equivalents have been adjusted to reflect this reclassification.

Bursary creditors were disclosed as part of payables from exchange transactions in the current year. In the current year, bursary creditors were disclosed separately in the payables from non exchange transactions note. This resulted in the prior year payables from exchange transactions and payables from non-exchange transactions being adjusted to reflect this reclassification.

DHET management fee has been classified as personnel expenses and DHET management fee in the current year. In the prior year, the DHET management fee expense was disclosed separately as part of total expenditure. As a result, the DHET management fee in the prior year has been reclassified to personnel expenses.

These reclassifications were done in order to comply with the fair presentation of the annual financial statements. The effects of the reclassifications are as follows:

Statement of financial performance - extract

	Notes	Comparative figures previously reported	Reclassification	After reclassification
Personnel expenses and DHET management fee	20	(31,616,350)	(52,249,549)	(83,865,899)
DHET management fee		(52,249,549)	52,249,549	-
Effect on surplus or deficit		**(83,865,899)**	**-**	**(83,865,899)**

Statement of financial position - extract

	Notes	Comparative figures previously reported	Reclassification	Prior period error	After reclassification
Cash and cash equivalents	8	45,590,719	(765,953)	-	44,824,766
Investments	7	-	765,953	-	765,953
Payables from exchange transactions	11	(14,013,488)	1,288,555	(71,548)	(12,796,481)
Payables from non-exchange transactions	12	(3,872,456)	(1,329,435)	-	(5,201,891)
Unspent conditional grants	13	(32,636,567)	40,880	17,551,527	(15,044,160)
Total		**(4,931,792)**	**-**	**17,479,979**	**12,548,187**

Statement of cash flows - extract

	Comparative figures previously reported	Reclassification	After reclassification
Interest received from investments	-	(53,131)	(53,131)
Cash and cash equivalents at the beginning of the year	10,355,334	(712,822)	9,642,512
Total	**10,355,334**	**(765,953)**	**9,589,381**

31. Risk management

Financial risk management

Capital risk management:

The College`s objectives when managing capital which includes all items of capital funds as presented on the Statement of Financial Position are to safeguard the ability of the College to continue as a going concern. In this regard, the College has ensured a sound financial position by limiting exposure to debt and increasing investments and cash balances. This position is managed through a comprehensive budgeting and review process each year.

Financial risk management:

The College`s activities expose it to a variety of financial risks; market risk (including interest rate risk) credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and investments and the availability of funding.

The College manages liquidity risk through an ongoing review of future commitments, credit facilities and a comprehensive budgeting and review process.

The College has minimised risk of liquidity as shown by its sufficient cash and cash equivalents. The College manages a cash budget that is continually updated and reported to the Department of Higher Education.

The table below analyses the College's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	13,284,578	-	-	-

At 31 December 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	12,796,481	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade and other receivables. The College only deposits cash with major banks with high quality credit standing.

No credit limits were exceeded during the reporting period, and management does not expect any surplus from non-performance by these counterparties.

The College`s maximum exposure to credit risk is presented by the carrying amount of these financial assets in the statement of financial position.

Receivables comprise of outstanding student fees and other receivables from a number of customers.

The College is exposed to credit risk arising from student receivables related to outstanding fees. The risk is mitigated by requiring students to pay an initial installment in respect of tuition fees at registration and the regular monitoring of outstanding fees. Students with outstanding balances from previous years of study are only permitted to renew their registration after the settling of the outstanding amount. In addition the Funding from NSFAS also caters for student travel and accommodation.

31. Risk management (continued)

Credit valuations are performed on financial condition of customers other than students. For more detail regarding the nature of the specific credit risks associated with the individual areas, refer to notes for Trade and Other Receivables, Cash and Cash equivalents and Other Financial assets.

The maximum exposure to credit risk at the reporting date was	2019	2018
Receivables from exchange transactions	7,919,249	5,952,023
Investments	824,590	765,953
Cash and cash equivalents	45,705,469	44,824,766
	54,449,308	51,542,742

The College establishes an allowance for impairment that represents its estimate of incurred losses in respect of students and other receivables.

Interest rate risk

The College has significant interest-bearing assets, and therefore its income and operating cash flows are exposed to changes in market interest rates.

The College does not have significant interest bearing liabilities and therefore not exposed to significant interest rate risk in respect of these liabilities. The College however has a best practice to pay creditors within agreed settlement periods to avoid any interest rate exposures.

Interest bearing accounts

Financial instrument	Current interest rate	2019	2018
CAPEX (4074271338)	3.75 %	219	259
Fixed Deposit (2064486218)	7.32 %	824,590	765,953
Lotto Account (4076536651)	3.85 %	70,399	68,689
Kroonstad and Sasolburg - Student Dep	3.85 %	109,229	153,249
SLA 2012-2013 - 406 074 9199	3.90 %	212	607
Call Account (920 475 6351)	5.95 %	6,054,537	3,683,040
Flavius - Money Market (9149068221)	7.28 %	1,768,627	8,393,637
Flavius Mareka (520 153 306)	0.60 %	273,892	2,040,031
Money Market (9166667987)	7.28 %	543,766	505,246
NSF (713 546 240)	4.25 %	230,106	3,437,058
Kroonstad cheque account (9 7083 0367)	- %	950	701
Maintenance account (409 489 9209)	6.25 %	35,108,054	17,339,908
NSF- COS account (409 490 1133)	6.25 %	657,924	8,443,340
GEHS account (2076199069)	6.84 %	864,188	696,959
Average interest rate	4.81 %	46,506,693	45,528,677

A change of 1% in the interest rate at the reporting date would have (increased)/decreased the deficit by the amounts shown below. This analysis as disclosed in the annual financial statements assumes that all other variables remain constant.

Interest earning accounts

Financial instrument	2019	2018
Total investments	46,506,693	45,528,677
1% decrease to 3.81%	(465,067)	(455,287)
1% increase to 5.81%	465,067	455,287

Notes to the Financial Statements

32. Going concern

We draw attention to the fact that at 31 December 2019, the College had an accumulated surplus of R 339,434,393 and that the College's total assets exceed its liabilities with R 339,434,393.

The College incurred a net surplus of R 25,295,091 (2018: surplus R 8,226,086). The College's current assets of R 75,668,543 exceed the current liabilities of R 61,224,961.

The annual 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.

Management believes that the College will be able to successfully continue its operations as funding is received from the Department of Higher Education and Training. Management is of the opinion that the TVET sector is a priority focus area for the Department to attain its strategic objectives to provide quality technical and vocational education and training services and increase academic achievement and success of students and therefore believes that the Department of Higher Education and Training will continue to fund the College.

33. Variances in Budget Statement

33.1 More part time students registered than the projected planned number. Additional fees were generated from unbudgeted Skills and Learnership projects.

33.2 The budgeted amount for student fees and sundry income should be read with each other. A total estimated budgeted income is projected for the 2 line items though separately indicated in the AFS.

33.3 The item was not budgeted for though income was received from insurance claims.

33.4 The budgeted amount for student fees and sundry income should be read with each other. A total estimated budgeted income is projected for the 2 line items though separately indicated in the financial statements. Conservative income budgeting resulted in the net effect of a 140% increase in budgeted and all general income for 2019 received. The amount includes income from the hostels, an MOU with UFS for class rental and income from the selling of tenders.

33.5 The overall cash flow of the College resulted in less interest generated from bank accounts. The interest on the grants are attributed to each grant.

33.6 Additional grants were received from the DHET during the 2019 year for Maintenance and for programme funding.

33.7 More students registered for part time classes with an increase in Personnel salaries. The allocation of more grants also increased the number of staff employed, though funded through the grants.

33.8 Additional time spend on the 2018 audit as well as a mid-term review was performed.

33.9 Non-cash items not budgeted for.

33.10 The additional grant received for the DHET that is earmarked for maintenance, created the opportunity to save on the actual amount in 2019.

33.11 The budgeted amount is the netto amount of students fees recovered and budget for impairment of the 2015 outstanding debts. The difference is due to less recoveries received in January and February 2020 than expected by the College based on historical assumptions.

33.12 Budgeting was concluded before the audit plan of the new service provider for internal audit was approved. More was spent on the consultant for the providing of industrial relations cases in the College.

33.13 Only core College educational services were budgeted for and not the expenses related to Skills and Learnership projects. These projects are separately costed for per project. See note 23 on the annual financial statements.

Notes to the Financial Statements

34. Events after the reporting period

The President on 26 March 2020 in terms of Section 27(1) of the Disaster Management Act announced a lockdown due to the COVID-19 pandemic. The pandemic has impacted many industries including the public sector-local government, provincial and national government. The educational sector is also affected and this might result in reduced funding as the economy is under severe pressure.

The College re-allocated budgets to cover the additional costs encured to ensure compliance to the COVID-19 protocols and to support offsite College operations when required. Strict financial control has been implemented to ensure that the available funding would cover the College expenditure. All protocols are observed to ensure the safety of our students and staff becomes priority, yet educational services and all other College operations are performed in line with the DHET guidelines and timelines.

Unaudited Supplementary Information

1. Supplementary grant schedule

	2019	2018
CIEG bank balance brought forward at 01/01/2019	17,423,494	-
Total CIEG Grant funding received from the Department of Higher Education and Training	17,128,543	17,745,000
Plus: Interest received on the CIEG dedicated bank account	1,691,562	231,083
Total CIEG funding received	**36,243,599**	**17,976,083**
Less: Bank charges / finance charges	-	-
Less: Expenditure paid in terms of approved work package approvals issued by the Department of Higher Education and Training	(1,026,804)	(552,589)
Total CIEG funds per dedicated CIEG bank account	**35,216,795**	**17,423,494**
Less: Committed expenditure not yet paid in terms approved work package approvals issued by the Department of Higher Education and Training	72,604	-
Total AVAILABLE CIEG GRANT funding	**35,289,399**	**17,423,494**

* See Note 29

The supplementary information presented does not form part of the annual financial statements and is unaudited