higher education & training
Department:
High Education and Training
REPUBLIC OF SOUTH AFRICA

Eastcape Midlands TVET College
creating new futures

ANNUAL PERFORMANCE REPORT FOR EASTCAPE MIDLANDS TVET COLLEGE 2019

VISION & MISSION

VISION *Where we want to be*

To excel in creating employability and life-long learning opportunities for all our students & communities.

MISSION *Why we exist*

Educating learners for career success and personal development by utilising committed and competent staff; a conducive learning environment and adequate resources.

- In support of our mission, we are committed to:
- Develop institutional capacity to support our programmes;
- Provide student support and services and endeavour to assist in job placement for our students;
- Be a modern but relevant college who is informed by development challenges facing its communities;
- Be a centre of excellence characterised by competitive competencies, capabilities and service orientation.

At Eastcape Midlands TVET College we are guided by the following **values** which are important to us as an organisation.

VALUE	BEHAVIOUR
Leadership	We value leadership in directing performance of others in the TVET sector and leading the way.
Teamwork	Our employees and students work as a team and value the contributions of each individual. We know that our people are our most important resource.
Integrity	We expect our employees and students to demonstrate sound moral and ethical principles.
Transformation	Transformation is key in our institution as we constantly work towards change and diversity that aligns with the college's strategic objectives.
High standards of service	We continuously strive to maintain high standards of service towards our stakeholders.
Value addition	We encourage employees to add value to themselves and the institution by continuously improving their skills.
Innovation	We think innovatively as we strive towards becoming better.
Human dignity	We treat every stakeholder with a personal sense of worth, value, respect and esteem.
Transparency	Our institution operates in a way that creates openness between the college and all its stakeholders.
Accountability	All stakeholders are accountable to each other in carrying out their duties.

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PART A: GENERAL OVERVIEW

1. INTRODUCTION

The 2019 Annual Report covers the achievements of Eastcape Midlands TVET College (EMC) over the past financial year in terms of financial management, as well as predetermined academic objectives. The College has adopted a new strategic vision to excel in creating employability and life-long learning opportunities for all our students. This vision is embedded in the mission of the College, which is to educate learners for career success and personal development by utilising committed and competent staff; a conducive learning environment and adequate resources. The Council and Executive Committee of the College strive to ensure continuous business excellence in terms of good corporate governance and effectual management of all college resources as well as information and data reporting.

This document aims to bring about uniformity and logic in the organisation and presentation of the annual performance reports by EMC.

2. ABBREVIATIONS AND ACRONYMS

AaA	Accelerate and Advance
AD	Assistant Director
AFS	Annual Financial Statements
APP	Annual Performance Plan
CDC	Career Development Centre
CET	Continuing Education & Training
CETA	Continuing Education & Training Act
CIPSET	Centre for Integrated Post-School Education & Training
COS	Centre of Specialisation
COSACSA	Colleges, Sports, Arts and Culture South Africa
DP	Deputy Principal
DSPP	Dual System Pilot Project
E&A	Examination and Assessment
ECD	Early Childhood Development
ERD	Engineering and Related Design
ETQA	Education and Training Quality Assurance
FES	First Education Specialist
F'SASEC	French South African Schneider Electrical Centre
FTE	Full Time Equivalent
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HE	Higher Education
HIV	Human Immune Virus
LWE	Lecturer Workplace Exposure/Experience

M&E	Monitoring & Evaluation
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MIS	Management Information System
MTSF	Medium Term Strategic Framework
NCOR	National Certificate Orientation
NCV	National Certificate Vocational
NDP	National Development Plan
NEET	Not in employment nor in education and training (youth)
NMU	Nelson Mandela University
NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NSFAS	National Student Financial Aid Scheme
OHS	Occupational Health and Safety
OPS Plan	Operational Plan
PQM	Programmes Qualification Mix
PSET	Post-School Education and Training
QCTO	Quality Council for Trades and Occupations
QMS	Quality Management System
RPL	Recognition of Prior Learning
SACPO	South African College Principals Organisation
SAFETSA	South African Further Education and Training Student Association
SAQA	South African Qualifications Authority
SETA	Sector Education and Training Authority
SNE	Special Needs Education
SRC	Student Representative Council
SO	Strategic Objective
SP	Strategic Plan
SSS	Student Support Services
SSP	Sector Skills Plan
SWOT	Strengths, Weaknesses, Opportunities and Threats
TVET	Technical and Vocational Education Training
UMALUSI	Council for Quality Assurance in General and Further Education and Training
VEOP	Vocational Education Orientation Programme
WBE	Workplace Based Exposure/Experience
WIL	Work Integrated Learning

3. MESSAGE FROM THE COUNCIL CHAIRPERSON

It is my pleasure to present the Annual Performance Report on activities of Eastcape Midlands TVET College for the 2019 academic year. The audited financial report summarises the institution's financial progress in support of our mission. We remain principled in our budgetary processes and priority settings as we plan for the future.

Prioritising investments in innovative teaching and student experience are imperative to advancing the frontiers of knowledge and preparing our students for service to the world. An example of this is the international travelling conducted by students, lecturers and members of management in 2019. Subsequent to the visit to the international Head Quarters of Schneider Electric in Paris, EMC has received confirmation of a sponsorship for electrical equipment for the establishment of a French South African Schneider Electrical Centre (F'SASEC) which has a great impact on the training of our students. Collaborative online projects with students in France has a significant influence in equipping the EMC students further for the workplace.

In accordance with our capacity to grow as an institution and willingness to raise ambitious questions, we are eager to bring forward fresh viewpoints to enhance the intellectual depth and disciplinary breath of our teaching and learning. The College continually aspires to serve as a bridge between students and employers. We are reaching deeper into our communities to build relationships with schools, institutions of higher learning, businesses and SETAS recognising that our strength and resilience is born in collaboration.

The Council applauds the academic and support staff of Eastcape Midlands TVET College for their unwavering dedication to the education of young people. We would also like to record our appreciation to the Department of Higher Education and Training for their unwavering support and guidance.

I am confident that Eastcape Midlands TVET College will continue to scale new heights in the years to come.

I am pleased to present the 2019 Annual Performance Report.

PROF P LOLWANA
COUNCIL CHAIRPERSON

4. THE ACCOUNTING OFFICER'S FOREWORD

True to our commitment EMC has been able to continually provide quality technical & vocational education and training services as well as increase the academic achievements of our students. This kind of unwavering commitment from all stakeholders has lead the College to dominate the academic performance in the Eastern Cape Region as well as in the entire country at large.

In 2019, the NCV programme attained a certification rate of 74.7% and a subject pass rate of 85.7%. This certification rate was an improvement of 1.7% in comparison to 2018. With this performance, the College was ranked number 1 in the Eastern Cape Region and number 7 nationally. For the R191 Business programme, the subject pass rates of 82.8% and 80.2% were achieved for semester 1 and semester 2 respectively. This performance resulted in the College being ranked number 1 in the region and number 5 nationally. In the R191 Engineering programme, the following subject pass rates were achieved: 89% in trimester 1; 76% in trimester 2 and 64% in trimester 3.

With this academic performance, the College is ranked as the top performing college in the Eastern Cape region.

As the accounting officer of EMC I am truly blessed to be able to strive to the achievement of excellence with the immaculate support and commitment that I receive from all stakeholders in the teaching fraternity!

I am proud to present to you the 2019 annual report.

MR C.J. VAN HEERDEN
PRINCIPAL

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

To the best of my knowledge and belief, I confirm the following:

1. All information and amounts disclosed throughout the annual report are to the best of my knowledge, accurate.
2. The annual report has been prepared in accordance with the guidelines issued by the Department of Higher Education and Training.
3. The annual financial statements have been prepared in accordance with the relevant standards, frameworks and guidelines issued by National Treasury.
4. The accounting officer, i.e. the principal, is responsible for the preparation of the annual financial statements and for the judgements made in this document.
5. The accounting officer, i.e. the principal, is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
6. The Auditor-General and/or external auditors express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of Eastcape Midlands TVET College for the 2019 financial year.

MR C.J. VAN HEERDEN
PRINCIPAL

6. LEGISLATION AND OTHER DIRECTIVES

6.1 LEGISLATIVE FRAMEWORK

Eastcape Midlands TVET College is enjoined by Section 44(3) of the Act, read in conjunction with section 25(3) of the same Act to prepare and submit to the Minister for Higher Education and Training an annual report.

In terms of Sections 25(3) and 25(4) of the Continuing Education and Training (CET) Colleges Act, No. 16 of 2006 (as amended), public Technical and Vocational Education and Training (TVET) colleges are required to produce annual financial reports and to comply with any reasonable additional reporting requirement established by the Minister. Moreover, Section 44 of the Act requires colleges to annually report to the Minister in respect of its performance and its use of available resources.

In addition, these pieces of legislation govern and guide the college in the achievement of its strategic and performance objectives.

6.2 LEGISLATIVE AND OTHER MANDATES

Section 44 of the Act requires colleges to annually report to the Minister in respect of its performance and its use of available resources. In addition, these pieces of legislation govern and steer the College in terms of achievement of its strategic and performance objectives.

The Constitution of the Republic of South Africa (Section 29(1) - (4)) also provides for the right of basic and further education to everyone in the official language of their choice provided equity, redress and practicability are taken into account. In addition, the Continuing Education and Training (CET) Colleges Act (No 16 of 2006) provides for the regulation of continuing and further education and training through the establishment, governance and funding of public technical and vocational education and training (TVET) colleges and the promotion of quality in continuing and further education and training.

Some of the legislative and policy mandates utilised in achieving the College's strategic plan and performance are listed below:

- National Qualifications Framework (NQF) Act (No 67 of 2008);
- Higher Education (HE) Act (No 101 of 1997);
- Skills Development Act (No 97 of 1998);
- Skills Development Levies Act (No 9 of 1999); and
- General and Further Education and Training Quality Assurance Act (No 58 of 2001).

In addition, the White Paper for Post-School Education and Training mandates delivery and strategic priorities in the TVET colleges sector. Other policy mandates include:

- National Trade Testing Regulations;
- SETA Grant Regulations;
- National Skills Development Strategy;
- Public TVET College Attendance and Punctuality Policy; and
- Policy on the Conduct of National Examinations and Assessment.

PART B: GOVERNANCE

7. REPORT OF COUNCIL CHAIRPERSON

7.1 CONSTITUTION OF THE COLLEGE COUNCIL AND GOVERNANCE STRUCTURES

This section provides narratives on governance as follows:

i. Names of council chairperson and members as well as their designated functions;

Professor Peliwe Lolwana (Council Interim Chairperson)

ii. Appointments made in the year in terms of sections 10(4) and 10(6) of the CET Act;

Section 10(4) appointments	Date of appointment
P. Lolwana (Prof)	30 January 2019
O. van Heerden (Dr)	30 January 2019
T. Toni (Mr)	30 January 2019
Donor	
Lesley Lee (Dr)	17 September 2019
Lecturing staff	
Thabiso Nogwana (Mr)	15 November 2019
Support staff	
Shirly Smith (Mrs)	15 November 2019

iii. College Council meetings

The CET Act 16 of 2006 requires that the Council and its sub-committees hold at least four (4) ordinary meetings in each academic year, although the Council was not fully constituted yet, it was functional. The following Council meetings were held:

a) Council Meeting (Planning)	: 7 March 2019
b) Council Meeting (Section 10(6)) (Shortlisting)	: 17 April 2019
c) Council Meeting (Special)	: 31 May 2019
d) Council Meeting (Quarter-1)	: 28 June 2019
e) Council Meeting (Quarter-2)	: 16 & 17 September 2019
f) Council Meeting (Quarter-3)	: 15 November 2019

iv. Performance in terms of its statutory functions, explained in Section 10(1)-(3) of the CET Act.

The College Council perform its fiduciary duties in accordance to the CET Act 16 of 2006 and the approved Council Operating Procurers approved by the Department of Higher Education and Training.

7.2 REPORTS BY COMMITTEES OF COUNCIL

This section highlights the activities and performance of various committees within the College. These meetings were held to deliberate on governance matters and to provide oversight to the College's operations:

i. Audit Committee held the following meetings in the previous academic year:

a)	ARC Meeting Quarter 1	: 7 June 2019
b)	ARC Meeting Quarter 2	: 26 July 2019
c)	ARC Meeting Quarter 3	: 15 October 2019

ii. Finance Committee held the following meetings in the previous academic year:

a)	Fincom Meeting Quarter 1	: 14 June 2019
b)	Fincom Meeting Quarter 2	: 20 August 2019
c)	Fincom Meeting Quarter 3	: 23 October 2019
d)	Fincom Meeting (Special)	: 9 November 2019

iii. Human Resources Sub-Committee held the following meetings in the previous academic year:

a)	HR Meeting Quarter 1	: 13 June 2019
b)	HR Meeting Quarter 2	: 30 August 2019
c)	HR Meeting Quarter 3	: 14 October 2019

iv. Planning and Resource Committee

Due to the fact that the Council was not fully constituted, it impacted significantly on the composition of the sub-committee and as a result, no meetings were held in 2019.

v. ICT Governance

Due to Council that was not fully constituted, this impacted significantly on the composition of the sub-committee, as a result, no meetings relating to ICT Governance were held in the previous academic year.

7.3 ACADEMIC BOARD REPORT

This section highlights the activities and performance by the Academic Board as required by the constitution:

Academic Board

As legislated by CET Act 16 of 2006, quarterly meetings were held as follows with recommendations presented to Council for approval:

- Quarter 1, Academic Board Meeting: None
- Quarter 2, Academic Board Meeting: 31 May 2019 & 13 June 2019
- Quarter 3, Academic Board Meeting: None
- Quarter 4, Academic Board Meeting: 29 October 2019

Members of this Committee are listed below:

Chairperson: Mr Charl van Heerden
Names of members:
Mr. Vukile Hewana, Mr. Mike Sdeba, Mr. Nico Botha, Ms. Queenie Xulubana, Mr. Mtheza Twala, Mr. Deon Roux, Mr. Ivan Mapaling, Mr. Lester Moos, Ms. Nomfusi Mugadza, Ms. Elmari van de Merwe, Mr. Johann Retief, Mr. Clyde Sarrahwitz, Mr. Apools Van Rooyen, Mr. Attie Boyce, Mr. Royas Mazorodze, Ms. Nomonde Magxaka, Ms. Nomtandazo Mini, Ms. Roxy Roodt, Ms. Jolanda van Rensburg, Mr. Cornelius Hurter, Ms. Charlotte Harmse, Mr. Cliffy Ryan, Mr. Klasie Claassen, Mr. Lennox Tukwayo, Mr. Solomon Gana, Prof. Peliwe Lolwana, Dr. Hanabe, Ms. Linda Magengenene-Moyake and SRC members.

Functions

The Academic Board is accountable to Council for the following functions listed below:

- All the teaching, learning, research and academic functions of the college.
- Ensuring that the provision of education and training is coordinated with the needs of society and the economy.
- Organise and allocate resources to develop qualifications and learning programmes that are relevant to the needs of the labour market and funding norms that determine which programmes are funded.
- Support education and training provision in workplace and increase collaboration between the skills system, government and industry.
- The academic functions of the College and the promotion of the participation of women and the disabled in learning programmes.
- Establishing internal academic monitoring and quality promotion mechanisms.
- Ensuring that the requirements of accreditation to provide learning against standards and qualifications registered on the National Qualifications Framework (NQF) are met; and
- Performing such other functions as may be delegated or assigned to it by Council.
- Subject to the approval of Council and to any applicable policy, the Board must determine the Programme Quality Mix (PQM) contemplated in Section 43 of the Act that will be offered at the College.
- Develop approaches to improve learning and teaching pedagogies at the course level, including the development and implementation of an annual Academic Professional Development program to support evidence-based practice.
- Oversee operational activities related to curriculum development and assessment.
- Contribute to the development of and overseeing the implementation of Annual Performance Plan Reports and other relevant academic governance committees.
- Oversee the academic quality assurance of the Recognition of Prior Learning and Credit Transfer processes.
- Oversee the implementation of the annual Teaching, Teaching and Assessment Plan.
- Oversee the implementation of teaching and learning policies and procedures approved by Council.
- Assure that improvements and other actions recommended by the Council are implemented.

I. Constitution

The Academic Board of the College consist of:

- The College Principal
- The Deputy Principals:
  - Academic Services
  - Corporate Services
  - Finance
  - Registration

- First Education Specialists
- Two Members of the College Council
  - Prof Lolwana
  - Dr Hanabe

- Members of the College SRC (President, Secretary General and Education and Transformation Officer)
- Student Support Services Manager
- Registrar - Academic
- Registrar - Examinations and Assessments
- Campus Managers

The College Principal serves as the Chairperson of the Academic Board.

ii. Higher Education Collaboration

Eastcape Midlands TVET College is working with the following Higher Education institutions:

UNISA

The College is in partnership with UNISA in offering Higher Certificates in Level 5 in Tourism and Banking. An MOU has been in place since 2018.

Nelson Mandela University (NMU)

The College is working with NMU in the following areas:

- Mathematics Capacitation and development for College Lecturers and students through the Govan Mbeki Mathematics Development Unit.
- Faculty of Education is collaborating with the College on Lecturer Development as well as participating in the development of a TVET Lecturer qualification (Advanced Diploma: Technical and Vocational Training).

7.4 STUDENT REPRESENTATIVE COUNCIL REPORT

The SRC was duly elected at the beginning of the year. An independent electoral body, The Black Hat, was contracted to run free and fair elections to avoid conflict of interests. Elections were held on 9 and 11 April 2019, with the elected officials inducted from 25 to 28 April 2019.

The SRC constitution was reviewed and tabled in the External Academic Board Meeting for approval by the College Council. The Council approved the SRC Constitution on 28 June 2019.

The SRC was represented on the Academic Board, Financial Aid Committee, Council Sub-Committee and Council.

PART C: PERFORMANCE INFORMATION

8. REPORT BY PRINCIPAL ON MANAGEMENT AND ADMINISTRATION

The previous 5-year cycle that ended in 2019 had its challenges. However despite all setbacks encountered, the College has persevered and strived to continually provide quality technical & vocational education and training services as well as increase academic achievements of students. This kind of unwavering commitment from all stakeholders has lead the College to dominate in academic performance in the Eastern Cape Region as well as in the entire country at large.

In 2019, the following academic performance was attained:

- NCV programme attained a certification rate of 74.7% and subject pass rate of 85.7% in NCV. This certification rate was an improvement of 1.7% in comparison to 2018. With this performance, the College was ranked number 1 in the Eastern Cape Region and number 7 nationally.
- For R191 Business programme, subject pass rates of 82.8% and 80.2% were achieved for semester 1 and semester 2 respectively. This performance resulted in the College being ranked number 1 in the region and number 5 nationally.
- In R191 Engineering programme, the following subject pass rates were achieved: 89% in trimester 1; 76% in trimester 2 and 64% in trimester 3.
- With this academic performance, the College is ranked as the top performing college in the Eastern Cape region.

The College also managed to achieve the following during the course of 2019 academic year:

- The College Teaching and Learning Policy was reviewed.
- Through an established partnership with the Chinese Culture Centre in collaboration with MICTSETA and MERSETA, the College facilitated the process of sending 12 Engineering students to China for an international Work Integrated Learning programme.
- Academic collaborative partnerships with two French Colleges were established which resulted in collaborative learning visits to France initially by four members of College Management and later by a delegation of twelve students accompanied by two managers and two lecturing staff.
- A MOU with Schneider Electric South Africa was signed and the partnership resulted in EMC becoming a member of French South African Schneider Electric Education Centre (F'SASEC).
- Two female learners from Eastcape Midlands TVET College became the first to pass all tasks in one sitting and qualify as electricians from the DSPP project in the entire country.

EASTCAPE MIDLANDS COLLEGE AT A GLANCE

Geographic location

• The Head Office is based at c/o Cuyler and Durban Street, Uitenhage

Eastcape Midlands TVET College **campuses** are situated in:

- **Port Elizabeth:** Heath Park campus (18.8Km)
- **Graaff-Reinet:** Graaff-Reinet campus (260Km)
- **Grahamstown:** Grahamstown campus (140km)
- **Uitenhage:** Brickfields (2.7Km), Charles Goodyear (3.9Km), High Street (1.5Km), Park Avenue (1,1Km) and Thanduxolo (7.4Km) campuses

Niche areas of the **Campuses** are as follows:

Brickfields Campus	:	Occupational programmes such as Skills, Learnerships & Artisan Programmes
Charles Goodyear	:	Engineering and Related Design
Graaff-Reinet	:	Safety in Society
Grahamstown	:	Tourism, Hospitality
Heath Park Campus	:	Office Administration
High Street	:	Marketing, Finance Economics & Accounting
Park Avenue	:	Information Technology and Computer Science &
	:	Electrical Infrastructure Construction
Thanduxolo	:	Report 191 Business (N4-N6)

Brickfields Campus

Charles Goodyear Campus

Graaff-Reinet Campus

Grahamstown Campus

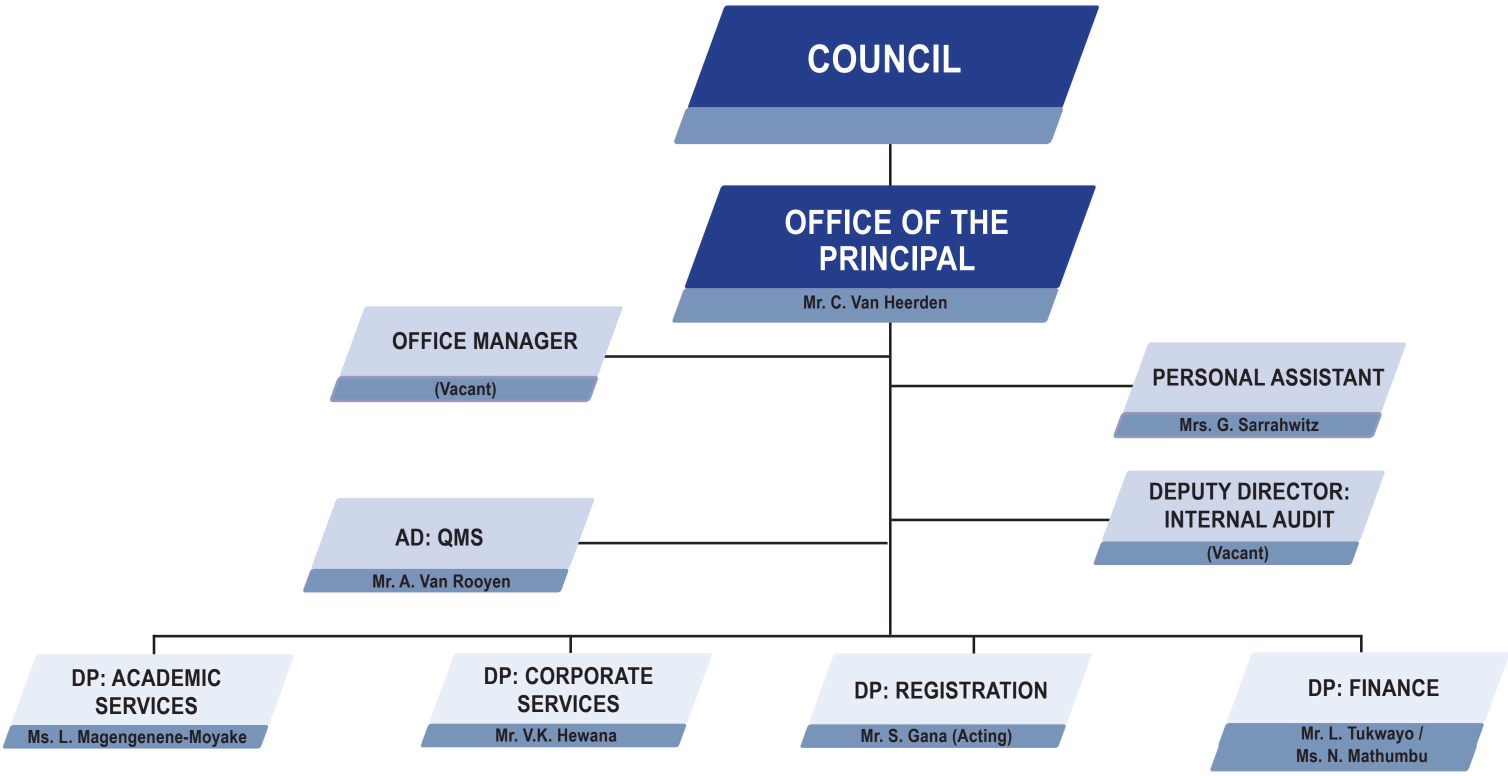
Heath Park Campus

High Street Campus

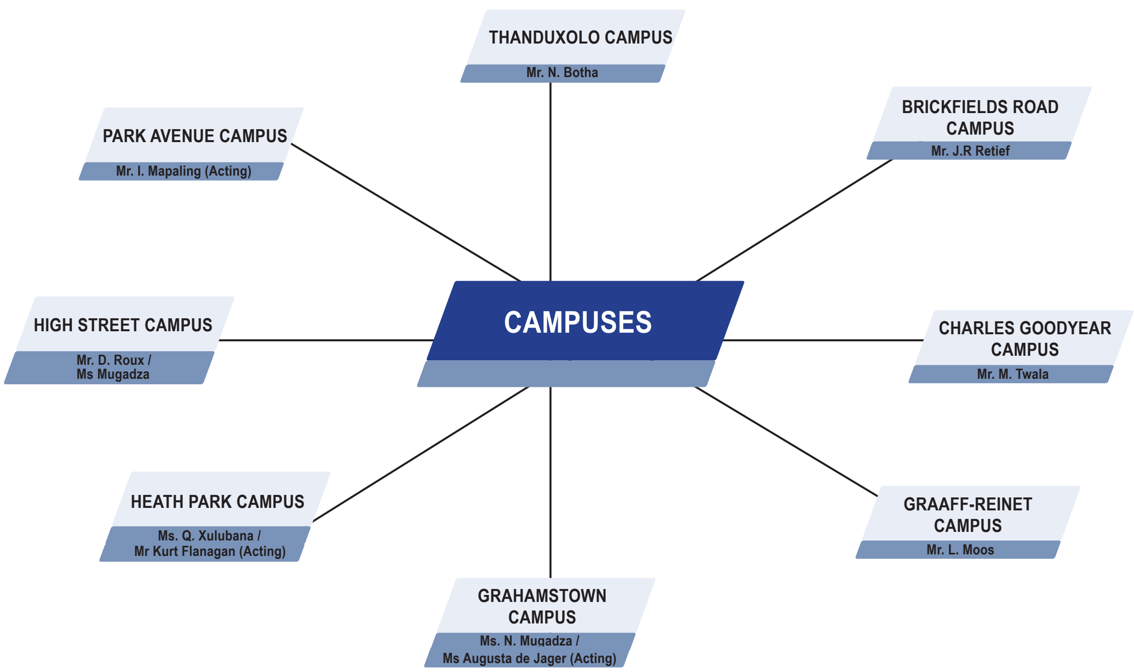
Park Avenue Campus

Thanduxolo Campus

COLLEGE ORGANISATIONAL STRUCTURE



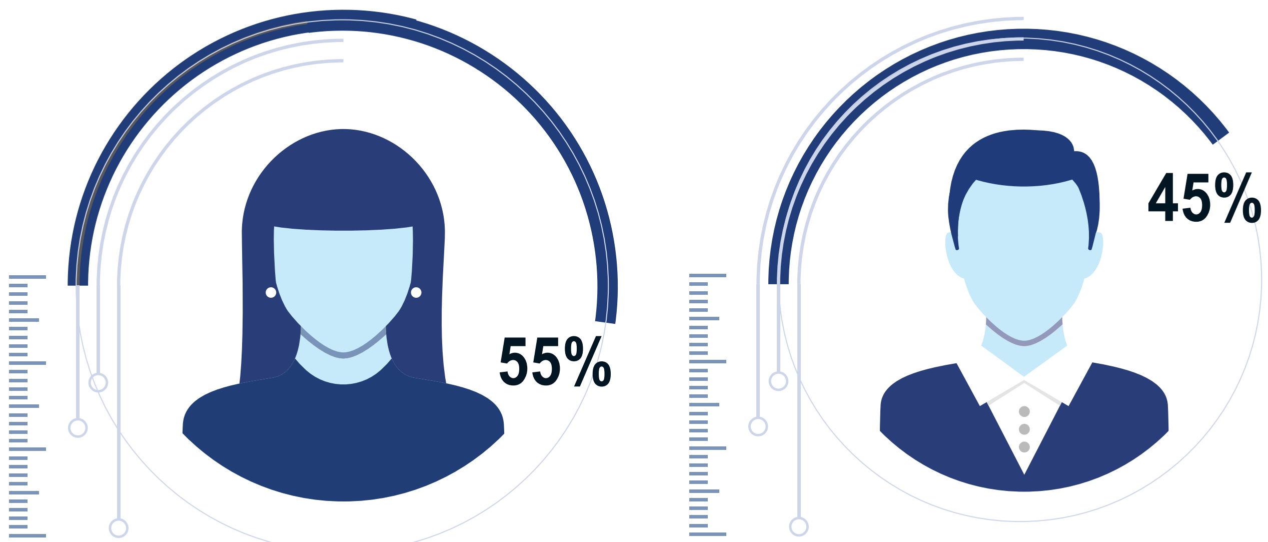
CAMPUSES AND CAMPUS MANAGERS



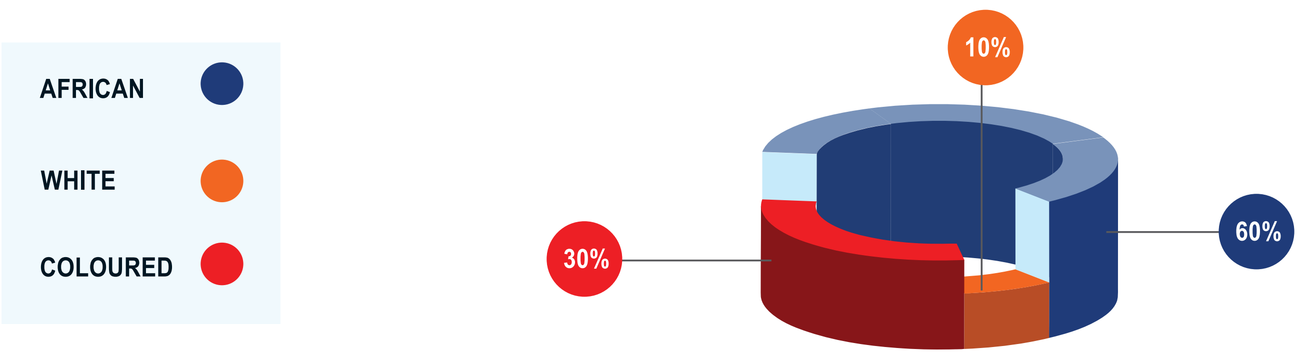
STAFFING STRUCTURES

STAFFING STRUCTURES	DHET PERSAL	COUNCIL STAFF	VACANT	TOTAL
Executive Management (Principal + Deputy Principals)	4	0	1	**5**
Senior Management (Central + Campus Managers)	14	3	8	**25**
Middle Management (HODs + Other)	6	0	5	**11**
Senior Lecturers	21	0	15	**36**
Lecturers	159	25	0	**184**
Salary Level 2 - 8 Support Staff	114	21	30	**165**
TOTALS:	**318**	**49**	**59**	**426**

STAFF POPULATION BASED ON GENDER & RACE



FEMALES **MALES**



RACE

Economic and Skills Drivers and College Responsiveness in Terms of its Programmes and Qualifications Mix (PQM)

The main drivers of our economy subsequently envisaged as our main employers, *inter alia*:

- Automotive
- Wholesale and retail
- Government institutions
- Parastatals
- Tourism and hospitality
- Agriculture

The College responds to these drivers by offering vocational and occupational programmes aligned to the needs of our communities.

The College takes pride in the established successful working relationships and secured networking opportunities with smaller businesses as well as larger commerce and industry. These relationships have resulted in the successful placement of our students in the various study programmes, both on-course (WBE) and at exit level. Collaboration and relations with Higher Education Institutions have resulted in providing students with articulation to higher learning.

Coordination and linkages with other stakeholders

The College has established partnerships and linkages with the following institutions and stakeholders:

- National Skills Fund
- Universities
- Motor Industry
- Local government
- Various SETA's
- Provincial Skills Development Forums
- Green Economy Forum
- International relations, i.e.
    - Lower Saxony (GIZ)
    - British Council
    - Belfast Metropolitan College (Ireland)
    - French Embassy
    - Chinese Culture Centre
    - Lycée Rosa Parks (France)
    - Lycée Eugène Livet (France)
    - Hangzhou Vocational and Technical College (China)

Career Development Centre (CDC)

A career development centre has been established to assist learners in the following ways:

- Career fairs
- Preparation for the world of work (CV writing, Interviewing skills, etc.)
- Job seeking skills workshops and internet access
- Linkages with industries

Local Government

To strengthen the skills and human resource base of the country, measures have been put in place by the College to ensure:

- Provision of vocational education as well as occupational directed training.
- Management capacity is strengthened to enable responsive and meaningful involvement with industry and potential employers.
- Recruitment and retention of highly skilled and experienced staff.
- Support in staff development and exposure for staff to integrate classroom theory with practical and workplace-based learning exposure.
- Formation of partnership with governmental agencies and civil society.

9. COLLEGE PERFORMANCE AND ORGANISATIONAL ENVIRONMENT

The College's strategic plan takes into account the following priority areas to ensure more effective teaching and learning and improvement of student achievement and success. These strategic priority focus areas are:

- Growth and expansion of access and articulation opportunities for the youth;
- Improvement of quality and success in terms of the academic achievement and certification of students;
- Partnerships and linkages with industry, Sector Education and Training Authorities (SETAs) and/or other professional bodies and/or institutions of Higher Education to adequately prepare student graduates to enter the labour market and/or further and higher learning opportunities;
- Systemic capacity building and efficiency;
- Institutional governance, management and leadership;
- Monitoring and evaluation of college performance; and
- Any other pertinent strategic focus for the college, i.e. safety measures for a safe learning environment for students, lecturers and support staff.

Key Priorities of the College are:

In order to strengthen the College's mandate with SETA's and global partnerships for development, the following collaboration was embraced:

i. SETA collaboration

In 2010 the National Skills Development Strategy (NSDS III) was launched by the Department of Higher Education and Training. Together with the Technical Vocational Education and Training Colleges, the SETA's have been mandated to promote and facilitate the delivery of education, training and development in order to achieve the NSDS III goals, enhance the skills profile of all sectors in the South African economy, and contribute to the creation of employment opportunities.

Over the years, Eastcape Midlands TVET College collaborated with a number of SETA's for the purpose of developing and implementing programmes.

ii. ETDPSETA

Out of the existing partnership with the ETDPSETA, funding was approved for a RPL (Recognition of Prior Learning) Centre for Early Childhood Development (ECD), together with the funding and implementation of

- Early Childhood Development Learnerships
- Lecturing and support staff development
- Appointment of Career Development Officers
- Funding of learners with special needs.
- Funding of learners for the Work Integrated Learning programme.

iii. INSETA

An INSETA WIL (Work Integrated Learning) contract was approved and initiated, for the purpose of funding 47 learner placements in industry, to the value of R3 109 050.00 in 2019.

iv. MERSETA

EMC initiated negotiations with MERSETA for establishing a 4th Industrial Revolution Training Centre, to the value of R120 million for implementation from 2018. In 2019, the conceptualisation of the learning factory commenced.

v. CHIETA

CHIETA approved the funding of six learners for Work Integrated Learning (WIL) experience in 2019.

vi. CATHSSETA

CATHSSETA approved funding of 25 learners for Work Integrated Learning (WIL) experience for both NCV and Report 191 programmes in 2019.

vii. SASSETA

Sasseta approved funding of 38 learners for Work Integrated Learning (WIL) experience for the Safety in Society Level 4 programme in 2019.

viii. NSF

EMC received approval from the National Skills Fund (NSF) for the amount of R64,2 million for the purpose of implementing occupationally-related programmes in 2018. It is still ongoing and the new completion date is July 2022.

An amount of R7,1 million was also received from the National Skills Fund to establish a Centre of Specialization for welding. The new completion date for the COS is December 2020.

ix. Industry

Over and above the SETA partnerships, Eastcape Midlands TVET College also has established relations with employers and industries locally, for the purpose of hosting learners to complete their Work Integrated Learning (WIL), and hosting lecturers for the purpose of gaining workplace exposure. The relationships with industries include partnerships with government departments, the private sector and NGOs.

International partnerships

It is a strategic goal for the College to develop partnerships and to maintain good stakeholder relations in support of an effective Post-school Education and Training system with institutions abroad. Through these partnerships, students are equipped with skills and knowledge to make them more employable, both locally and internationally. The partnerships have also enriched and capacitated members of management and lecturing staff who were exposed to international partnerships. Valuable knowledge was exchanged and best practices were integrated in the College's operational plans. In 2019 an improved global footprint was established for EMC and international partnerships were strengthened and enhanced through on-going communication.

i. Partnership with Belfast Metropolitan College (BMC)

In March 2019, two delegates from EMC visited Belfast Metropolitan College (BMC) in the United Kingdom as part of the international partnership, supported by the British Council. The aim was to create a "Project Based Learning" (PBL) toolkit to enable students to work on real life employers' projects addressing real workplace issues and challenges. The idea was to enhance and embed greater employability and skills for life through soft transversal skills through a unique programme. Students work through real-life situations in a controlled environment, gaining skills and confidence, while employers benefit from students who are skilled and familiar with business needs.

NVC Marketing Level 2 students, from High Street Campus, were given a business situation and looked at innovative ways to overcome challenges. Three Non-Profit Organisations, namely MOOLA Project (a recycling project based in Uitenhage), SHARE (Uitenhage township based social welfare) and Association for the Physically Disabled (based in Port Elizabeth), were selected to participate in the programme.

ii. Collaborative Partnerships with colleges in France

Eastcape Midlands TVET College entered into a partnership with Lycée Rosa Parks in 2017 when the French National Education Ministry approached EMC to facilitate the training of EMC's students and lecturers in the Building Information Modelling (BIM) project.

In November 2018 a formal Memorandum of Understanding (MOU) was signed by the Principal of EMC and Ms Odile Limonier, Principal of Rosa Parks Lycée College in conclusion of meetings between French officials and the management of EMC.

This led to a formal invitation from Rosa Parks to EMC management, and a trip was undertaken to France between 30 April and 10 May 2019.

A high level welcoming was arranged by Gaëlle Schmitt, from the Centre of International Pedagogical Studies in Paris and a meeting with high level delegates of Schneider Electric which was followed by visits to six lycées (colleges).

The purpose of the trip was to advance EMC's capacity for international partnership implementation, observe, develop and share best practices in integrating international partnerships in the future. Delegates engaged with members of management of all academic institutions visited, to discuss possible partnerships in order to provide increased opportunities for students to be exposed to international academic environments whereby global employability skills are enabled.

Subsequent to the visit to France by college management, the following achievements were realised:

- A two-legged partnership model materialized i.e. one with French Colleges and the other with Schneider Electric.
- Besides the partnership with Rosa Parks, two more partnerships have been established, with Lycée Pierre Mendès in La Roche Sur Yon and Lycée Livet in Nantes (MOU's already signed).
- Through the MOU's the parties expressed their intention to facilitate the development of technical, vocational and educational cooperation, to foster advancement in teaching and to enhance educational and cultural understanding between the parties.
- An invitation was extended to six engineering and six business students to be part of integrated programmes with Rosa Parks, Lycée Livet and Pierre Mendes in preparation for a collaborative academic visit to these institutions in October 2019.
- As per the invitation, in October 2019, a delegation of 12 students accompanied by two lecturers and two members of management visited the French Colleges for a one week academic collaborative project.

iii. Partnership with Schneider Electric

A visit to Schneider Electric Head Office in France by EMC management in May 2019, and the meeting with Schneider Electric management thereof yielded the following:

- Schneider Electric (France) displayed an interest to visit EMC in 2020.
- An MOU was signed between EMC and Schneider Electric South Africa.
- Schneider Electric South Africa donated two consignments of electrical equipment that includes the latest automation equipment, which is aligned to the 4th Industrial Revolution.
- Eastcape Midlands TVET College is now a member of French South African Schneider Electric Education Centre (F'SASEC).
- Through F'SASEC, the College envisage to establish Electrical Automation laboratories at Brickfields Road Campus to enhance practical skills to students especially R191 Engineering.

iv. German Handwerkerskammer German Partnership with GIZ

EMC established a partnership with Handwerkerskammer (HWK) Erfurt in 2017 with the purpose to capacitate Motor Mechanic Facilitators from the eight TVET Colleges and one school in the Eastern Cape. HWK Erfurt provided the equipment required for the training as per the partnership agreement.

The partnership developed when a second purpose was added which was to strengthen the relationship between colleges and the private industry. The goal was to:

- Create regular work experience placements for college learners in the company workshop;
- Offer work-place opportunities for TVET lecturers;
- Create exchanges between TVET lecturers and company trainers;

The Retail Motor Industry Organisation forms part of the TVET Partnership Committee. Members of the Executive Management of HWK Erfurt visited EMC in 2019 to monitor progress made with the project and to strengthen the relationship between the institutions.

v. Chinese Culture Centre (CCC) international internships training programme

- In 2019 Eastcape Midlands TVET College participated in the Chinese Culture Centre (CCC) international internships co-funded by MICTSETA and MERSETA. The programme consisted of theoretical training at a College in China, and of practical workplace experience in a workplace.
- Eastcape Midlands TVET College selected five MICTSETA and seven MERSETA learners to participate in this international training programme which are 12 and 18 months in duration.
- Learners have receive Certificates from both the College and the workplaces in China where they have received training.

vi. Other Partnership

- The Dual System Apprenticeship Programme (DSPP) was implemented in 2017, which made provision for the training of apprentices and the capacitation of facilitators, by providing them with the necessary pedagogical and technical training. The programme is an inter-ministerial agreement between GIZ and DHET, together with Eastcape Midlands TVET College, Port Elizabeth TVET College, Ekhuruleni-West – and Ekhuruleni East TVET College.

- EMC was the first training provider in the country who has been able to certify learners against the new QCTO trade qualification as electricians.

Other key priorities of the College includes:

i. Quality Management & Occupational Health and Safety (OHS) compliance

The College is working towards meeting the compliancy requirements of the ISO 9001 Certification of the institution by the end of 2020.The newly appointed service provider will assist the college to achieve IS0 9001 compliance certification and it will serve as a foundation to ensure that compliance is reached.

This implementation process ensured the alignment of processes within the institution as well as the development of the necessary mandatory documentation to ensure compliance in EMC. The role of management has thoroughly been explained and all stakeholders are part of the ISO 9001 implementation process.

ISO champions have been appointed at all sites and departments to assist in the process towards ISO 9001 certification. Policies and processes have been reviewed, processes have been verified and updated to be compliant with regards to ISO 9001:2015 edition. During the verification/audit process, gaps have been identified and process owners with the support of the QMS office are putting processes in place to close those identified gaps in order to be complaint to the ISO standards.

The College is on par with the implementation schedule and is working energetically to meet the project commitment date for ISO 9001 certification.

The College is working on a programme to get all its old and historic buildings compliant to the local municipal requirements. Unfortunately this requires the input and expertise from different departments and external specialist service providers which requires more time and funds.

Not all the College campuses have a valid Certificate of Occupancy. This is a priority for the College.

In order for the College to ensure compliance to industry requirements, new procedures are also continually developed. Workshops are regularly upgraded to the latest technology.

Updates on training and renewal of certification are in process to ensure that the college maintains the highest level of compliance with respect to the Occupational Health and Safety Act.

Plans are in place to involve management, staff and students to ensure that safety culture is introduced.

Regular OHS induction and training, either internally or externally, are conducted to ensure that students are fully equipped with knowledge and safety skills. Training is also conducted to meet the needs of industry on an ongoing basis.

ii. Student Support Services (SSS)

EMC has a fully functional Student Support Services Division focusing on the following areas:

- Overseeing of induction and Orientation Programmes
- Facilitating the bursary application process
- Developing academic intervention programmes
- Offer career guidance
- Offer industry placement support
- Assisting learners with socio-economic challenges
- Developing student life programmes

A Career Development Centre (CDC) has been established to support on course learners with developing students' 'soft skills' before they are placed in industry for work exposure. Furthermore, the CDC acts as a liaison between the SETA's and industry, in coordinating funded internship and entry-level employment opportunities and projects, which serves to support learners who have completed their programme of study at EMC. Other support services include:

- CV writing workshops and support
- Work Readiness workshops & Interview preparation
- Support for Internship and entry-level job applications

iii. Occupational related training

Occupational registered programs are accredited and externally moderated by SETAS and QCTO. Learners must be moderated by the relevant SETA or trade tested successfully on these programs, in order to be certified and obtain a certificate of competence. All learners on these programs must receive workplace-based training.

Currently the Occupational School provides training for the following apprenticeship occupational programmes:

- **Apprenticeships**

  Motor mechanic; Maintenance Fitting; Welding; Dual System Pilot Project Electricians

- **Learnerships**

  Welding; Early Childhood Development; End-User Computing; Occupationally Directed Education Training and Development Practices

  Public Sector Finance & Junior Office Administration (ICB programmes)

  Tourism

- **Skills training**

  Welding Skills

Learners from the Occupational School are participating in the Welding WorldSkills programme. EMC was represented in two categories; Electrical Installation and Welding. All EMC Campuses are encouraged to participate in this prestige competition as it is earmarked to elevate programmes into the expectations of the 4th Industrial Revolution.

iv. Outreach Programmes

To ensure the quality of our services and to adhere to national policies, EMC piloted a career guidance programme to support the youth, parents and the unemployed from local communities through various outreach programmes. This initiative is parallel with DHET's vision to provide career guidance to learners in Basic and Higher Education and to the unemployed.

Career guidance is provided through PACE assessments to determine prospective students' literacy and numeracy abilities. Their unique interest fields are also determined upon which personalised one-on-one career guidance sessions are conducted.

v. Career Development Centre (CDC)

A CDC has been established to assist learners in the following ways:
- Career fairs
- Preparation for the world of work (CV writing, Interviewing skills etc.)
- Job seeking skills workshops and internet access
- Linkages with industries

vi. Special Needs Education (SNE) support

The College is striving to accommodate learners with special needs by providing user friendly infrastructure and equipment i.e. ramps, IT equipment for the visually impaired, wheelchair friendly ablution facilities, etc.

The following were implemented/ascribed to students with special needs:

Physically disabled:
- Ramps were built for wheelchair bound students.
- Time tables were adjusted for their classes to be on the ground level.
- Ablution facilities were installed for males and females.
- Students in wheelchairs had an assistant pushing them from class to class and to the terminus and providing assistance at ablution facilities.
- Computer labs were installed on ground level in order to provide access.

Partially sighted:
- A programme called COBRA was installed on one computer per computer lab for screen and letters to be enhanced with a colour coded keyboard.
- Appointments were made with our stakeholders in health, the eye clinic at the Provincial Hospital to test students' eyes for free (the college paid Specsavers for the lens and frame).
- Topics from text books were enlarged for partially sighted students.

Hearing Impaired:
- Sign Language interpreters were appointed for a class of students who could not hear or had hearing impairments.

Chronic Impaired:
- Students on chronic medication are assisted at the College to ensure that the correct prescribed dosages are taken. In the event of diseases getting beyond control, students are assisted with transport to the hospital by ambulance.

Internal Performance Environment Analysis

SWOT analysis

(a) Academic Affairs

	STRENGTHS	WEAKNESSES
INTERNAL	• Good customer engagement through social media • Enrolment targets are reached • Comparably high certification rate • Career guidance support provided at registration • Occupational School gives access to professional qualifications • Increased linkages and partnerships	• Insufficient monitoring of Teaching and Learning • Enrolment process not being implemented in a streamlined and standardised manner at all campuses • Late student admission leads to late starting of classes • Career guidance insufficient, ie limitations in the assessment tools, which do not allow for effective selection and placement • Assessment for engineering students insufficient e.g colour blindners test • Insufficient feedback on applications • SRC not effectively inducted and mentored • SNE not attended to adequately • Insufficient student transport and accommodation
	OPPORTUNITIES	**THREATS**
EXTERNAL	• Sharing of good practices with sister institutions and universities • Develop and implement plan for online enrolment • Improve services through international relations • Plan for new MIS • Forming linkages with Local Government for recruitment of NEETs • Improve PQM to cater for the needs of communities • Support & involve local communities	• NSFAS processes and insufficient funding • Uncertainty about future of NCV • Political instability • Socio-economic challenges

(b) Corporate Support Services

	STRENGTHS	WEAKNESSES
INTERNAL	• Management stability has been achieved • Stable Senior Management Structure • Fully fledged engineering workshops • Well established Occupational Training campus with diverse programmes	• No succession plan for ageing staff leaving the institution • Poor security infrastructure (fencing, access control and monitoring) • No recreational facilities • Insufficient facilities for SNE • Insufficient CAPEX funding • Insufficient ICT Infrastructure for expansion • Inadequate building maintenance/Non-compliance with OHS standards • Insufficient simulation rooms • Under resourced classrooms • Lack of effective Skills Planning • Lack of Performance Management tools and processes • Poor lecturer placement
	OPPORTUNITIES	THREATS
EXTERNAL	• Collaborate with HEI (Nelson Mandela University for access into TVET lecturer qualification) • Source third stream income/funding • Fourth Industrial Revolution Robotics and Advanced ICT infrastructure • Centre of Specialisation - Welding • Increase numbers in Apprenticeship/Learnership to optimise use of infrastructure • Restoration of heritage buildings • Capacitate Skills Development (Committee to drive skills planning)	• Lack of clarity with regard to ownership of the Heath Park Campus • Vandalism due to poor security infrastructure • Historical/Heritage Buildings deteriorating

(c) Finance and Supply Chain Management

	STRENGTHS	WEAKNESSES
INTERNAL	• Well developed and Prescribed DHET policies in place • Dedicated staff • Compliance with quarterly reporting to DHET • Strong financial knowledge and adherence to financial policies • QMS in place • Well-functioning Division	• No M&E policy • Slow rate of policy review • Inefficient systems at registration (data capturers, Coltech) • Poor communication of business processes • Risk management processes not in place • Vacancies are not filled on time
	OPPORTUNITIES	THREATS
EXTERNAL	• Pursue ISO Accreditation • Implementation of annual M&E Plan and System • Review and refine internal policies and procedures	• Lack of funding • Socio-Political environment

10. PERFORMANCE REPORTING

This section provides an extensive report on the College's performance in terms of the strategic objectives and performance indicators captured in the strategic plans of the college for 2019. It further compares the 2019 planned targets and achievements, thereby highlighting significant achievements. Intervention strategies, which have been developed to deal with underperformances are factored into this section.

10.1 ANNUAL PERFORMANCE ACHIEVEMENTS

The table below reveals the College's achievements in terms of annual performance targets.

STRATEGIC OBJECTIVES	PERFORMANCE INDICATORS	TVET COLLEGE 2019 PLANNED TARGET	TVET COLLEGE 2019 ACHIEVEMENT	EXPLANATORY REMARKS
SO 1 To provide quality technical and vocational education and training services and increase academic achievement and success of students	Appropriate teaching and learning support plan developed and implemented (n)	1	1	Lecturer capacitation by providing the following: • Upskilling opportunities • ICT skills capacitation • ICT resources provision as tools of trade • Provision of relevant teaching and learning resources • Continuous intervention support strategy
	Appropriate student support plan developed and implemented (n)	1	1	Target Achieved
	Improved certification rates in: NC(V) L4 N3 & N6 Semester (%) N6 Trimester (%)	 67% 65% 72% 65%	 57% 53% 60% 38%	The planned targets could not be achieved in all exit levels even though there was generally an improvement in performance in comparison to 2018. Student unrests and poor performance in some already identified subjects contributed to the non-attainment of set targets.

STRATEGIC OBJECTIVES	PERFORMANCE INDICATORS	TVET COLLEGE 2019 PLANNED TARGET	TVET COLLEGE 2019 ACHIEVEMENT	EXPLANATORY REMARKS
SO 1 To provide quality technical and vocational education and training services and increase academic achievement and success of students	Throughput rate for NC(V) L4 (%)	45%	50%	Target was achieved. Almost 100% of the cohort gets certified in 6 years instead of the minimum 3 years i.e. considering repeaters while taking out dropouts. Calculation: (3/6)*100 = 50%
	Funded NC(V) L4 students obtaining qualification within stipulated time (%)	67%	67%	Target Achieved
	TVET students enrolled in PLP (n)	100	105	Enrolment is limited to approved funded FTE's by DHET.
	Students completing artisan-related programmes (n)	21	20	These are the students who completed the Electrical DSPP Programme. Only one student failed to complete.
	Established centre/s of specialisation (COS) (n)	1	1	Welding Centre of Specialisation.
SO2 To have adequate infrastructure and systems in place to increase access and provide effective services to students	2019 Headcount enrolment (n) - state funded	8 587	8 948	As per OPS Plan
	2019 Headcount enrolment (n) - college funded	0	0	As per OPS Plan
	2019 Headcount enrolment (n) - funded from other sources	271	449	NSF Funding
	Percentage occupation rate of college accommodation (%)	0%	0%	No College accommodation
	Qualifying students obtaining financial assistance (n)	6 400	5 930	NSFAS funding not sufficient
SO3 To develop partnerships and maintain good stakeholder relations to increase the number of students who are adequately prepared to enter the labour market or further and higher learning opportunities	Beneficial and functional college partnerships (n)	97	79	The discrepancy is due to funding not received from Seta's that were applied for.
	TVET lecturers placed in workplaces for specified periods (n)	44	67	Target achieved
	TVET students placed in workplaces/industry for specified periods for work exposure, experiential learning and/or certification purposes (n)	1 200	659	Target could not be achieved due to student unrests that affected planned tours, work based exposure and excursions. Also staff constraints at campus level affected student placement.

STRATEGIC OBJECTIVES	PERFORMANCE INDICATORS	TVET COLLEGE 2019 PLANNED TARGET	TVET COLLEGE 2019 ACHIEVEMENT	EXPLANATORY REMARKS
SO4 To ensure continuous business excellence in terms of good corporate governance and effectual management of all college resources as well as information and data reporting	Compliance to governance standards (%)	100%	100%	
	Compliance to policies and regulations applicable to the TVET College sector (%)	100%	100%	
	Obtaining unqualified audits or assessments (n)	100%	100%	
	Compliance with national policy of college examination centres conducting examinations and assessments (%)	100%	95%	Non-availability of generators as well as Occupational Health and Safety certificates at some campuses
SO5 To monitor and evaluate all college processes in terms of the framework for TVET college performance and report quarterly in this regard	Accurate performance quarterly reports submitted for M&E purposes (n)	100%	100%	All 4 quarters M&E submitted

10.2 COLLEGE ACHIEVEMENT IN TERMS OF TVET SYSTEM TARGETS

The table below reveals the College's achievements in terms of annual performance targets.

SYSTEM TARGET	2019/2020 PLANNED NATIONAL TARGET (TVET BRANCH)	TVET COLLEGE 2019 PLANNED TARGET	TVET COLLEGE 2019 ACHIEVEMENT	EXPLANATORY REMARKS
2018 Headcount enrolment (n) - state funded [must be audited]	493 991	8 587	8 948	As per OPS plan
2018 Headcount enrolment (n) – college funded [must be audited]	170 757	0	0	As per OPS plan
2018 Headcount enrolment (n) – funded	45 787	271	449	Target Achieved
Certification rate NC(V) L4 (%)	50%	67%	57%	Target not achieved, student unrests as well as poor performance in the following programmes: Marketing, EIC, IT&CS and Automotive Repair & Maintenance (ARM) affected performance. Continuous intervention plans are in place.

SYSTEM TARGET	2019/2020 PLANNED NATIONAL TARGET (TVET BRANCH)	TVET COLLEGE 2019 PLANNED TARGET	TVET COLLEGE 2019 ACHIEVEMENT	EXPLANATORY REMARKS
Certification rate N3 (%)	65%	65%	53%	Target not achieved, student and staff unrests affected overall performance.
Certification rate N6 (%) Trimester	65%	65%	38%	Target could not be achieved. Poor performance in strength of materials and power machines negatively affected the certification rate. Intervention strategies are being implemented.
Certification rate N6 (%) Semester	65%	72%	60%	Target not achieved though performance improved by 1% in comparison to 2018. Continuous interventions are underway with regards to poor performing subjects like Information Processing (IP) and Marketing Research.
Throughput rate for NC(V) L4 (%)	38%	45%	50%	Target was achieved and performance was also above national target. More students in poor performing programmes like ERD and IT&CS, tend to take more years to get certified as they fail and repeat various subjects. However, by the sixth year, all students would have completed their level 4 programmes i.e. taking out dropouts. Calculation: (3/6)*100 = 50%
College examination centres compliant with national policy (%)	100%	100%	95%	The 5% discrepancy is due to the following, according to the new National Examination Compliance Tool: • Lack of generators at our campuses. • Lack of 24 hour armed response at most campuses, although all campuses have 24 hours security. • Lack of Occupational Health and safety and Fire Compliance certificates at some campuses.
Qualifying TVET students obtaining NSFAS financial assistance (n)	484 111	6 400	5 930	Target not achieved due to insufficient NSFAS funding.

10.3 STRATEGY TO DEAL WITH UNDERPERFORMANCE

The narrative in this section deals with underperformance in terms of the College's strategic objectives and annual performance targets. The section below further explains the monitoring and intervention strategies adopted to rectify underperformance.

Earlier in the year, the College crafted a number of intervention strategies to improve performance as well as to align operational activities with the outlined strategic objectives.

Introduction of a blended teaching and learning approach that incorporates Remote Learning became the main strategy to sustain teaching and learning as well as to improve results. Below is a list of strategies that have been developed to combat underperformance:

- Provincial focus groups have been established for all critical subjects where best practices are shared to address curriculum related challenges.
- The College is in partnership with Nelson Mandela University to train and improve lecturer pedagogical competence, which will enhance curriculum delivery in class.
- All lecturing staff have been issued with laptops and are provided with 10 gigabytes of data monthly to enhance blended and e-learning to improve lesson preparation and delivery.
- A training programme to capacitate all lecturing staff with ICT skills has been designed and implementation is underway.
- Lecturers are encouraged to develop e-learning content and lessons for remote teaching.
- Academic student support software programmes like "AST Tutor" have been made available to assist both students and lecturing staff.
- Strict monitoring of students' absenteeism and employing of different learning techniques in order to address the students' different learning styles.
- The College will reinforce contingency plans to ensure that learning continues in classes where lecturers are absent for e.g. substitute lecturers.
- The Academic Division has designed an induction and mentoring programme for new lecturers which involves training of lecturers in the new revised Curriculum and engaging them in team-teaching.
- The College continuously accesses markers' and moderators' reports from centralised marking centres to ascertain and mitigate common challenges.
- WIL programmes for students and lecturers will be reinforced on a continuous basis.

A GLIMPSE INTO SOME OF 2019'S EVENTS

2019 Academic Award

Academic collaborative trip to France

EMC produces the first two apprentices to pass the DSPP trade test nationally, in one sitting.

EMC's IT student at the Worldskills competition, Russia

PART D: FINANCIAL INFORMATION

Eastcape Midlands TVET College
Annual Financial Statements for the year ended 31 December 2019

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	TVET College
Nature of business and principal activities	To provide continuing education and training to registered students for all learning and training programmes leading to qualifications or part qualifications at levels 1 to 4 of the National Qualifications Framework.
Council Members	Prof. P. Lolwana (Council Chairperson) Dr L. Hanabe (FINCO Chairperson) Ms. C. Vezile (HR Committee Chairperson) Dr. O. van Heerden (Chairperson Audit & Risk Committee - appointed 30 January 2019) Mr. T. Toni (Appointed 30 January 2019) Dr. Lee (Appointed 30 November 2019) Mr. C. van Heerden (Principal) Ms. L. Magengenene (Deputy Principal EATS) Mr. S. Madlala (SRC) Ms. B. Blou (SRC) Mr JH Arpin (Term Ended) Mr HJ Solomon (Term Ended)
Registered office	Head Office Corner Cuyler & Durban Street Uitenhage
Business address	Cnr. Cuyler & Durban Street Uitenhage 6230
Postal address	P O Box 35 Uitenhage 6230
Bankers	Standard Bank
Auditors	Auditor General South Africa Registered Auditors

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

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The reports and statements set out below comprise the annual financial statements presented to the Minister of Higher Education and Training. :

CET Act	Continuing Education and Training Act No. 1 of 2006
CFO	Chief Financial Officer
COS	Centres of Specialisation
DHET	Department of Higher Education and Training
D.P. Finance	Deputy Principal Finance
DSPP	Dual Systems Pilot Project
EATS	Education Academic and Training Section
FINCOM	Finance Committee
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
ICT	Information and Communications Technology
NSF	National Skills Fund
PLANCOM	Planning and Resource Committee
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SAICA	South African Institute of Chartered Accountants
TVET	Technical Vocational Education and Training
NSFAS	National Students Financial Aid Scheme

Eastcape Midlands TVET College
Annual Financial Statements for the year ended 31 December 2019

Councils' Responsibilities and Approval

The council is required by the Continuing Education and Training Act (Act 1 of 2006), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the council to ensure that the annual 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 period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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 and in a manner required by the Minister of Higher Education, Science and Technology.

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 it is 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 or deficit 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 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 or deficit.

The council has reviewed the council's cash flow forecast for the year to 31 December 2020 and, in the light of this review and the current financial position, it is satisfied that the college has or has access to adequate resources to continue in operational existence for the foreseeable future.

The college is wholly dependent on the Department of Higher Education and Training (DHET) for continued funding of operations. The annual financial statements are prepared on the basis that the college is a going concern and that the Department of Higher Education and Training (DHET) has neither the intention nor the need to liquidate or curtail materially the scale of the college.

Although the council are primarily responsible for the financial affairs of the college.

The Auditor General is responsible for independently reviewing and reporting on the college's annual financial statements. The annual financial statements have been examined by the college's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 60, which have been prepared on the going concern basis, were approved by the council on 31 March 2020 and were signed on its behalf by:

Pelene Lolwane

Prof. P. Lolwana (Council Chairperson)

Eastcape Midlands TVET College
Annual Financial Statements for the year ended 31 December 2019

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 should meet at least 4 times per annum as per its approved terms of reference. During the current year 3 number of meetings were held.

Name of member	Number of meetings attended
Dr O. van Heerden (Chairperson)	3
Mr Mandisi Msongelwa (Term Ended 31 December 2019)	3
Ms T Mnqeta (Term Ended 31 December 2019)	3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from 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 quality of in year management and monthly/quarterly reports submitted in terms of the council requirements.

Evaluation of annual financial statements

The audit committee assisted by the Finance Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the council;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the college and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Ovan Heerden

Chairperson of the Audit Committee

Date: **07 September 2020**

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

Council's Report

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

1. Review of activities

Main business and operations

Net surplus of the college was R 43 323 657 (2018: surplus R 31 665 981).

The college provides continuing education and training to registered students for all teaching and learning programmes approved by the Minister leading to qualificiations or part qualifications at Level 1 to 4 of the National Diploma of the National Qualifications Framework, and operates principally in South Africa.

2. Going concern

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.

The ability of the college to continue as a going concern is dependent on a number of factors. The most significant of these is that the council continues to procure funding for the ongoing operations for the college

3. Subsequent events

The council is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Authority

The council members of the college during the year end to the date of this report are as follows:

Name
Prof. P. Lolwana (Council Chairperson)
Dr L. Hanabe (FINCO Chairperson)
Ms. C. Vezile (HR Committee Chairperson)
Dr. O. van Heerden (Chairperson Audit & Risk Committee - appointed 30 January 2019)
Mr. T. Toni (Appointed 30 January 2019)
Dr. Lee (Appointed 30 November 2019)
Mr. C. van Heerden (Principal)
Ms. L. Magengenene (Deputy Principal EATS)
Mr. S. Madlala (SRC)
Ms. B. Blou (SRC)
Mr JH Arpin (Term Ended)
Mr HJ Solomon (Term Ended)

5. Secretary

The secretary of the college council is Ms Pindy Mabece.

6. Corporate governance

General

The council is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the council supports the highest standards of corporate governance and the ongoing development of best practice.

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

Council's Report

Council

The council:

- retains full control over the college, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the college;
- is of a unitary structure comprising:
  - council members, all of whom are independent persons as defined in the Code; and
  - Principal and Deputy Principal EATS (Academic).

Chairperson and Principal

The Chairperson is a non-executive and independent council external member.

The roles of Chairperson and Principal are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Executive meetings

The council has met on 3 separate occasions during the financial year. The council could not be convened for the first quarter due to the fact that the term of the previous council had ended. It took more than 3 months for the new council to be appointed.

The Council members have access to all members of management of the college.

Audit and risk committee

The chairperson of the audit committee is Dr. O. van Heerden (an external council member). The committee met 3 times during the financial year to review matters necessary to fulfil its role.

The council of the college, is satisfied that the Audit and Risk Committee of the college, constituted by the independent external people was properly constituted to fulfil its role and advise the council of its responsibilities as provided in Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance IV for South Africa 2016.

Internal audit

The college has outsourced its internal audit function to Rakoma and Associates.

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

Statement of Financial Position as at 31 December 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	6	1 684 088	1 165 933
Receivables from exchange transactions	7	7 292 120	6 019 989
Receivables from non-exchange transactions	8	54 433 129	37 556 827
Cash and cash equivalents	9	79 704 812	62 621 692
		143 114 149	**107 364 441**
Non-Current Assets			
Property, plant and equipment	4	106 209 960	102 185 330
Total Assets		**249 324 109**	**209 549 771**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	27 348 003	26 906 650
CET College's Agency Accounts (non-exchange)	13	758 759	1 266 761
Unspent conditional grants and receipts	10	17 309 295	18 777 214
Provisions	11	1 217 449	3 314 989
		46 633 506	**50 265 614**
Total Liabilities		**46 633 506**	**50 265 614**
Net Assets		**202 690 603**	**159 284 157**
Accumulated surplus		202 690 603	159 284 157

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Tuition Fees		50 868 507	41 040 150
Agency services		-	30 300
Bad debts Recovered		133 343	194 393
Insurance Claims		-	27 576
Other income - Occupational School Non-Government		33 750	549 152
Sundry income		41 948	316 201
Interest received - investment	17	872 006	969
Total revenue from exchange transactions		**51 949 554**	**42 158 741**
Revenue from non-exchange transactions			
Transfer revenue			
Unconditional government grants & subsidies	19	78 173 826	71 043 318
Services in Kind	20	122 946 000	114 590 000
Public contributions and donations		44 407	146 640
Conditional government grants & subsidies		32 896 238	16 803 458
Total revenue from non-exchange transactions		**234 060 471**	**202 583 416**
Total revenue	14	**286 010 025**	**244 742 157**
Expenditure			
Employee related costs	21	(159 198 702)	(145 263 374)
Repairs and maintenance		(1 531 914)	(1 960 805)
Professional Services	22	(1 828 813)	(1 223 228)
Telephone, Postage, internet, network and communication		(7 159 469)	(6 811 601)
Depreciation and amortisation	23	(10 536 556)	(10 216 172)
Reversal of impairments	24	(903 891)	(627 898)
Impairment loss/reversal of Impairment		-	-
Finance costs		(9 630)	(184 730)
Lease rentals on operating lease	15	(4 541 621)	(3 985 076)
Debt Impairment	25	(9 585 072)	(2 149 332)
Marketing		(524 138)	(845 607)
Books and Learning Material		(3 820 466)	(4 112 822)
Contracted services		(12 701 370)	(6 483 583)
Grants and Subsidies Paid	18	(903 506)	(2 660 144)
Municipal services		(5 020 113)	(5 938 115)
Loss on disposal of assets		(283 998)	-
Travel Accommodation and Entertainment		(3 620 167)	(2 764 711)
General Expenses	26	(20 516 942)	(17 848 978)
Total expenditure		**(242 686 368)**	**(213 076 176)**
Surplus for the year		**43 323 657**	**31 665 981**

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 January 2018	**127 627 223**	**127 627 223**
Changes in net assets		
Net Income (losses) recognised directly in net assets	(9 047)	(9 047)
Net income (losses) recognised directly in net assets	(9 047)	(9 047)
Surplus for the year as previously reported*	6 511 312	6 511 312
Total recognised income and expenses for the year	6 502 265	6 502 265
Total changes	6 502 265	6 502 265
Opening balance as previously reported	134 129 488	134 129 488
Adjustments		
Correction of errors	25 154 669	25 154 669
Restated Balance at 01 January 2019**	**159 284 157**	**159 284 157**
Changes in net assets		
Net income (losses) recognised directly in net assets	82 789	82 789
Surplus for the year	43 323 657	43 323 657
Total changes	43 406 446	43 406 446
Balance at 31 December 2019	**202 690 603**	**202 690 603**

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Tuition fees		40 908 975	40 679 395
Government grants and subsidies		96 662 843	92 816 441
Interest income		872 006	969
Other receipts		75 698	821 187
		138 519 522	134 317 992
Payments			
Employee costs		(40 106 053)	(27 397 335)
Suppliers		(65 470 603)	(51 937 615)
		(105 576 656)	(79 334 950)
Net cash flows from operating activities	29	**32 942 866**	**54 983 042**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(15 859 746)	(8 665 523)
Net increase/(decrease) in cash and cash equivalents		**17 083 120**	**46 317 519**
Cash and cash equivalents at the beginning of the year		62 621 692	16 304 173
Cash and cash equivalents at the end of the year	9	**79 704 812**	**62 621 692**

Eastcape Midlands TVET College
Annual Financial Statements for the year ended 31 December 2019

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), issued by the Accounting Standards Board in accordance with Section 122(3) of the Continuing Education and Training Act (Act 1 of 2006).

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. They are presented in South African Rand.

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.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

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 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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 surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

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-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.

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Debt Impairment

The College assesses its financial assets for impairment at the end of each financial year. 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.

The impairment is considered first for individually significant financial assets and then calculated on a portfolio basis for insignificant financial assets, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to items in the portfolio and scaled to the estimated loss emergence period.

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

Provisions

Provisions are measured at the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and then factored outcomes are then added together to arrive at the weighted average value of the provisions.

Useful lives of College assets

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

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

Effective interest rate

The college uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstance, to discount future cash flows.

Allowance for doubtful debts

On trade receivables and student 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.

At reporting date, student debtors are assessed and based on assessment are considered for impairment. The impaired student debtors mainly relate to students experiencing financial difficulty and who have defaulted on their payments.

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:

90% of the student debt is considered doubtful.

Eastcape Midlands TVET College
Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Programme funding

Programme funding is allocated to the College by DHET in terms of the CET Act and the National Norms and Standards for Funding of TVET Colleges and is determined by the estimated Full Time Equivalent (FTEs) of the College. The allocation is done based on the projected FTEs for the year and if the College fails to register the projected FTEs, a portion of the programme funding can be clawed back in the following year.

The programme funding is allocated by DHET during their financial year, which is from April to March, but for the College the funds pertain to the College academic and financial year which is from January to December. Once the College has registered the projected number of FTEs, the condition of the programme funding grant has been met and the grant is recognised in full. The programme funding is paid out partly in cash tranches, paid to the College and partly through the Persal system of the Provincial Education Department, directly to the employees of the College. If management personnel are paid from the programme funding, they should be included in the description. The method and timing of payment of the grant does, however not influence the recognition of revenue.

Employee related costs and DHET management fee

In terms of the CET Act, the College is the employer of the non-management personnel. The management personnel, defined in the CET Act as the principal and deputy principals, have migrated to DHET and are DHET employees. Management and other personnel are either remunerated directly by the College or by the Provincial Department of Education, via Persal on behalf of DHET. As management personnel are not College employees, their remuneration cannot be classified as an employee expense of the College and is therefore classified as DHET management fee.

1.4 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 entity; and
- the cost of the item can be measured reliably.

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

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or 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.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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 entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

Eastcape Midlands TVET College
Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.4 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

Property, plant and equipment 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.

Land is not depreciated by the College as it has infinite useful life.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	50 Years
Plant and machinery	Straight line	5 - 15 Years
Furniture and fixtures	Straight line	5 - 15 Years
Motor vehicles	Straight line	7 - 30 Years
Office equipment	Straight line	5 - 15 Years
Computer equipment	Straight line	3 - 7 Years
Textbooks	Straight line	2 Years

The residual value, 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.

Assets which the College holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Financial instruments

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

A concessionary loan is a loan granted to or received by an college on terms that are not market related.

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.5 Financial instruments (continued)

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 a college's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an college shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the college shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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 entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

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

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

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 a entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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.

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.5 Financial instruments (continued)

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 entity 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 a entity'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 a entity.

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 entity 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 entity 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.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity 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:

Cash and cash Equivalents	Financial asset measured at amortised cost
Trade and Other Receivables from Exchange Transactions	Financial asset measured at amortised cost
Trade and Other Receivables from Non Exchange Transactions	Financial asset measured at amortised cost

The entity 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:

Trade and Other Payables from Exchange Transactions	Financial liability measured at amortised cost

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.

Eastcape Midlands TVET College
Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.5 Financial instruments (continued)

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 first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the college analyses a concessionary loan into its component parts and accounts for each component separately. The college accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The college measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

The college assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Eastcape Midlands TVET College
Annual Financial Statements for the year ended 31 December 2019

Accounting Policies

1.5 Financial instruments (continued)

Derecognition

Financial assets

The college derecognises financial assets using trade date accounting.

The college derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the college transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the college, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the college:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the college transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the college has retained substantially all the risks and rewards of ownership of the transferred asset, the college continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the college recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The college removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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Accounting Policies

1.5 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the college currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the college does not offset the transferred asset and the associated liability.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.6 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 entity 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.

1.7 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 net realisable value.

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.

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Accounting Policies

1.7 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the college incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the college.

When inventories are sold, 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.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are assets managed 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.

Criteria developed by the College to distinguish non-cash-generating assets from cash-generating assets, are as follows:

Assets used to generate student fee revenue.

Assets used to generate other college income.

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Accounting Policies

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

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the college recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

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

Reversal of an impairment loss

The college assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the college estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the college's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.10 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.

Eastcape Midlands TVET College
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Accounting Policies

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

Reversal of an impairment loss

The college assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the college estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the college's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.10 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.

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Accounting Policies

1.10 Provisions and contingencies (continued)

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

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

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

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

Contingent assets and contingent liabilities are not recognised in the Annual Financial Statements. Contingencies are disclosed in note 31.

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

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

The college recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the college for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the college considers that an outflow of economic resources is probable, the college recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.11 Commitments

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

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 entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

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Accounting Policies

1.12 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 owners.

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, net of trade discounts and volume rebates.

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties 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.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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 owners.

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.

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Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Measurement

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

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The college assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

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Accounting Policies

1.16 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

When the college is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether the college is a principal or an agent requires the college to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The college assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Recognition

The college, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The college, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The college recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 26. Prior period errors.

1.18 Related parties

The College operates in an economic sector currently dominated by entities directly or indirectly owned by South African Government. As a consequence of the constitutional independence of these three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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.

1.19 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The college will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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Accounting Policies

1.19 Events after reporting date (continued)

The college will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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Notes to the Financial Statements

Figures in Rand	2019	2018

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity has adopted the amendment for the first time in the 2019 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity has adopted the amendment for the first time in the 2019 annual financial statements.

The impact of the amendment is not material.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity has adopted the amendment for the first time in the 2019 annual financial statements.

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements

3. New standards and interpretations (continued)

The impact of the amendment is not material.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The entity has adopted the amendment for the first time in the 2019 annual financial statements.

The impact of the amendment is not material.

3.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 January 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2019	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2019	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact

Eastcape Midlands TVET College

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Notes to the Financial Statements

3. New standards and interpretations (continued)

• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

Eastcape Midlands TVET College

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4. 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	6 254 541	-	6 254 541	6 254 541	-	6 254 541
Buildings	66 126 348	(19 073 241)	47 053 107	65 843 082	(16 550 932)	49 292 150
Plant and machinery	24 795 410	(9 520 483)	15 274 927	24 914 905	(6 966 049)	17 948 856
Furniture and fixtures	20 917 842	(6 620 806)	14 297 036	18 957 842	(4 652 104)	14 305 738
Motor vehicles	2 733 875	(1 421 792)	1 312 083	2 733 875	(1 145 607)	1 588 268
Office equipment	5 731 672	(1 820 033)	3 911 639	4 984 986	(1 388 428)	3 596 558
Computer equipment	25 520 913	(9 003 852)	16 517 061	14 650 893	(6 639 787)	8 011 106
Other property, plant and equipment	643 646	(202 756)	440 890	643 646	(151 908)	491 738
Textbooks	2 509 816	(1 361 140)	1 148 676	2 405 882	(1 709 507)	696 375
Total	**155 234 063**	**(49 024 103)**	**106 209 960**	**141 389 652**	**(39 204 322)**	**102 185 330**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	6 254 541	-	-	-	-	6 254 541
Buildings	49 292 150	283 266	-	(2 522 309)	-	47 053 107
Plant and machinery	17 948 856	83 836	(149 789)	(2 135 333)	(472 643)	15 274 927
Furniture and fixtures	14 305 738	2 031 104	(47 535)	(1 627 478)	(364 793)	14 297 036
Motor vehicles	1 588 268	-	-	(276 185)	-	1 312 083
Office equipment	3 596 558	1 000 303	(183 082)	(435 852)	(66 288)	3 911 639
Computer equipment	8 011 106	10 915 703	(14 333)	(2 395 415)	-	16 517 061
Other property, plant and equipment	491 738	-	-	(50 682)	(166)	440 890
Textbooks	696 375	1 545 534	-	(1 093 233)	-	1 148 676
	102 185 330	**15 859 746**	**(394 739)**	**(10 536 487)**	**(903 890)**	**106 209 960**

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	6 254 541	-	-	-	6 254 541
Buildings	51 743 606	70 108	(2 521 564)	-	49 292 150
Plant and machinery	18 110 333	2 196 127	(2 095 456)	(262 148)	17 948 856
Furniture and fixtures	12 768 872	3 267 468	(1 497 196)	(233 406)	14 305 738
Motor vehicles	820 614	961 675	(181 094)	(12 927)	1 588 268
Office equipment	3 861 204	249 089	(440 074)	(73 661)	3 596 558
Computer equipment	9 423 993	956 774	(2 323 903)	(45 758)	8 011 106
Other property, plant and equipment	542 420	-	(50 682)	-	491 738
Textbooks	838 296	964 282	(1 106 203)	-	696 375
	104 363 879	**8 665 523**	**(10 216 172)**	**(627 900)**	**102 185 330**

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Notes to the Financial Statements

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4. Property, plant and equipment (continued)

Pledged as security

There were no college assets pledged as security.

Details of land and buildings are available for inspection at the office of the Eastcape Midlands TVET College. The College is not permitted to dispose of, or otherwise alienate their land and buildings without the approval of the Minister of Higher Education and Training.

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Land	Straight-line	Indefinite useful life
Buildings	Straight-line	50 Years
Plant and machinery	Straight-line	5 - 15 Years
Furniture and fixtures	Straight-line	5 - 15 Years
Motor vehicles	Straight-line	7 - 30 Years
Office equipment	Straight-line	5 - 15 Years
Computer equipment	Straight-line	3 - 7 Years
Textbooks	Straight-line	2 Years

5. Interest in joint ventures

Name of company	Listed / Unlisted	Carrying amount 2019	Carrying amount 2018
Dwane Farm	Unlisted	2 100 000	2 100 000
		2 100 000	2 100 000
Impairment of investments in JV's		(2 100 000)	(2 100 000)
		-	-

The carrying amounts of Joint ventures are shown net of impairment losses. The college invested an amount of R 2,1 million in a Joint Venture Dwane Farm to buy a 32% shares in a company known as Dwane Poultry Farm (Pty) Ltd on 15 April 2011. The Joint Venture never really started working even though a substantial amount of money and effort was put in. The matter was also dealt with in the forensic investigation of the college, however the findings of the investigations could not be made public. The farm is currently dormant and there are no poultry farming activities taking place on the farm. The investment has been carried at cost since there are no farming activities which have taken place. Eastcape Midlands TVET College also raised a debtor for the Partnership transaction relating to the Joint Venture in 2012 and further raised an irregular expenditure debtor of R 195,600. It is also doubtful that these two amounts would be recovered from the Joint Venture. Based on this, an amount of investment has been impaired together with the costs incurred on behalf of the Joint Venture, as it is doubtful whether the college will recoup its investment. Furthermore, the college is currently not offering any training and educational courses in poultry farming. Notwithstanding the signs of impairment, the college management is currently investigating the irregular transactions and/or impropriety of the acquisition of the 32% stake of an Investment in Dwane Farm Joint Venture.

6. Inventories

Books	1 684 088	1 165 933

Inventory pledged as security

There was no inventory pledged as security for overdraft facilities, or any external loans at year end. The college did not have any external loans or overdraft.

Eastcape Midlands TVET College

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Figures in Rand	2019	2018

7. Receivables from exchange transactions

Other Student debtors	46 570	46 570
Deposits	52 500	52 500
Sundry receivables	321 200	320 000
NSF Expenses	46 176	41 806
Insurance debtor	92 398	-
DSPP	31 819	-
Staff Debtors	56 669	3 091
Student Debtors	6 644 788	5 556 022
	7 292 120	**6 019 989**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

Student Debtors		
Gross Balances	66 117 895	55 460 413
Less: Allowances for Impairment	(59 473 107)	(49 904 391)
	6 644 788	**5 556 022**

Student Debtors		
Current (0-30 days)	35 400	-
31 - 60 days	140	800
61 - 90 days	1 125	11 264
91 - 120+ days	66 081 230	55 448 349
Less: Allowances for Impairment	(59 473 107)	(49 904 391)
	6 644 788	**5 556 022**

Student Debtors past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 December 2019, 36 665 (2018: 12 064) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	35 400	-
2 months past due	140	800
3 months past due	1 125	11 264

Student Debtors impaired

As of 31 December 2019, trade and other receivables of 66 081 230 (2018: 55 448 349) were impaired and provided for.

The amount of the provision was (59 473 107) as of 31 December 2019 (2018: 49 904 391).

The ageing of these loans is as follows:

Over 6 months	59 473 107	49 904 391

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7. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of student debtors

Opening balance	49 904 391	52 052 645
Provision for impairment	9 568 716	(2 148 254)
	59 473 107	**49 904 391**

There were no receivables from exchange transactions pledged as security for overdraft facilities, or any external loans at year end. The college did not have any external loans or overdraft.

8. Receivables from non-exchange transactions

Provision for impairment	(1 420 166)	(1 420 166)
DHET Debtor	46 593 824	29 672 762
Capital Infrastructure Grant Debtor	7 269 265	7 410 000
Dwane Farm Joint Venture Receivables	1 420 166	1 420 166
Other receivables from non-exchange revenue	570 040	474 065
	54 433 129	**37 556 827**

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:

DHET Grant	46 593 824	29 672 762
Bursaries	273 100	273 100
SETA Grants	296 940	200 965
Capital Infrastructure Grant Debtor	7 269 265	7 410 000
	54 433 129	**37 556 827**

Total receivables from non-exchange transactions	54 433 129	37 556 827

Receivables from non-exchange transactions pledged as security

There were no receivables from non-exchange transactions pledged as security for overdraft facilities, or any external loans at year end. The college did not have any external loans or overdraft.

Eastcape Midlands College entered into a Joint Venture. Refer to Note 5

Eastcape Midlands College also raised a debtor for the Partnership transactions relating to the Joint Venture in 2012 and further raised an irregular expenditure debtor of R 195,600. It is also doubtful that these two amounts would be recovered from the Joint Venture. Based on this, an amount of investment has been impaired together with the costs incurred on behalf of the Joint Venture, as it is doubtful whether the college will recoup its investment. Furthermore, the college is currently not offering any training and educational courses in Poultry Farming

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 31 December 2019, - (2018: -) there were no Receivables from non-exchange transactions which were past due but not impaired. In December 2018, R1,420,166 of Receivables from non-exchange transactions were past due and were duly impaired. There is some ongoing investigation into these matters and management considers that it is prudent to impair these amounts as their recoverability is in doubt.

Eastcape Midlands TVET College

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8. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 31 December 2019, other receivables from non-exchange transactions of 1 420 166 (2018: 1 420 166) were impaired and provided for.

The amount of the provision was 1 420 166 as of 31 December 2019 (2018: 1 420 166).

The ageing of these loans is as follows:

Over 6 years	1 420 166	1 420 166

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9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	79 704 812	62 621 692

The college had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
Standard Bank - Current Account - 08-078-899-8	32 443 222	26 844 140	5 275 695	32 443 222	26 844 140	5 234 046
Standard Bank - Current Account - 28-339-649-0	3 188 323	5 908 630	(1 607)	3 188 323	5 908 630	(1 607)
ABSA Bank - Money Market Account - 90-5068-2835	-	-	21 174	-	-	21 303
Standard Bank - Current Account - 33-239-159-0	4 678 982	5 757 096	10 999 743	4 678 982	5 757 096	10 999 743
Standard Bank - Current Account Type - 08-012-261-2	4 800 230	6 367 157	-	4 800 058	6 367 157	-
Standard Bank - Current Account - 08-012-284-1	34 594 227	17 744 669	-	34 594 227	17 744 669	-
Total	**79 704 984**	**62 621 692**	**16 295 005**	**79 704 812**	**62 621 692**	**16 253 485**

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
DSPP Project	4 679 108	5 757 222
INSETA Grant	542 815	-
DHET Fee Adjustment Grant	746 311	746 311
OCC - NSF Centre of Specialisation Grant	4 780 990	6 366 657
NSF TVET 2 Grant	3 186 716	5 907 024
Centre of Specialisation Programme Funding	3 373 355	-
	17 309 295	**18 777 214**

Movement during the year

Balance at the beginning of the year	18 777 214	12 880 345
Additions during the year	31 428 319	22 700 327
Income recognition during the year	(32 896 238)	(16 803 458)
	17 309 295	**18 777 214**

Eastcape Midlands TVET College
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10. Unspent conditional grants and receipts (continued)

The college entered into an agreement with Department of Higher Education & Training which entailed skills development. This was entered into with NSF and this entailed Artisan development, Learnership Development Programmes, Skills Development Programmes and Work Integrated Learning. The portion of the government grants has been recognised as Revenue in the annual financial statements based on targets and/or conditions met in the project. The college submits claims after completion of each stage of the project and thus being able to claim revenue.

Some of the conditions of the NSF TVET 2 Grant were not met in 2018 and hence a significant portion of the NSF TVET 2 Grant R 3,186,716 (2018: R 5,907,024) remained unspent. The NSF Project has seen a number of delays in implementation. The Project was initially expected to finish in 2020, and now an extension has been granted for the Project to be closed out in 2022.

It is a requirement of NSF that a separate bank account be kept so that the NSF funds can be used purely for NSF Projects. These amounts are invested in a ring-fenced investment until utilised.

The College has been approved by the Department of Higher Education and Training (DHET) to take part in the Dual System Apprenticeship Pilot Project (DSPP - Electrical/Plumbing).

The College had initially been awarded a conditional grant of R 4,315,000 and a further R 6,919,658 was received by the College during 2017, as the department had indicated that it will give the College additional funding for the project. During the 2017 financial year the College received a total amount of R 11,234,935. To date the College has cumulatively spent R 6,555,549 (2018: R 5,242,521). This means that the college has a net amount of R 4,679,108 (2018: R 5,757,222) as Unspent Conditional Grants.

It is a requirement of DSPP that a separate bank account be kept so that the DSPP funds can be used purely for DSPP Projects. These amounts are invested in a ring-fenced investment until utilised.
.
The College has received funding from INSETA of approximately R 1,829,393 (2018: R 891,000), CHIETA of approximately R 528,000 (2018: R 641,250) and CATHSETA of approximately R 792,800 (2018: R 72,000).

See note 19 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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Notes to the Financial Statements

Figures in Rand	2019	2018

11. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Provision for municipal charges	3 314 989	1 129 640	(3 227 180)	1 217 449

Reconciliation of provisions - 2018

	Opening Balance	Utilised during the year	Total
Provision for municipal charges	3 436 870	(121 881)	3 314 989

The municipal charges provision represents management's best estimate of the entity's liability regarding the Railside body corporate long outstanding municipal account on electricity. The College is a majority owner of the properties in the sectional title scheme.

Due to the lack of proper record keeping in the form of meter readings, Management took a decision to provide for 90% of this liability as attributable to the College, based on the scale of property occupancy. The Railside Body Corporate has only 2 owners of properties, which is Eastcape Midlands TVET College and the other owner is Compuscan. It is unclear what the final readings will be, however the provision gives the most reliable estimate, looking at the level of occupancy of the properties or the number of properties.

An arrangement was entered into with the municipality that a monthly payment arrangement of R 138,916.30 towards the municipal account in arrears be paid until the year 2020. The outstanding municipal account provision is expected to be settled during the 2020 Financial period and the 2 owners will then get an account split according to the meter readings.

12. Payables from exchange transactions

	2019	2018
Trade payables	1 907 177	2 312 794
Student Income received in advanced	4 990 370	4 409 408
Other creditors	(1)	465 827
Student Bursaries	17 230 767	4 435 546
Accrued leave pay	55 654	46 955
Unallocated Deposits received	3 041 211	2 623 206
Retention Monies	122 825	122 825
DHET Programme Funding Received in Advance	-	12 490 089
	27 348 003	**26 906 650**

13. CET College's Agency Account payable (non-exchange)

	2019	2018
Funding received on behalf of Community Colleges	758 759	1 266 761

The College in 2015 was requested by the Director General of the Department of Higher Educationa and Training (DHET) to assist the Community Colleges that did not have the administrative capacity to do procurement of essential goods and services for the community colleges. The Department of Higher Education and Training (DHET) deposited funds into the College's account for the benefit of the Community Colleges, and the Eastcape Midlands College was required by DHET to procure the goods and services on behalf of the community Colleges using that particular funding.

The College in return gets 5% administrative fee to cover the operational costs of doing procuremnt. The administrative fee is withheld from the funds deposited into the College's account.

To date an amount of R 758,759 (2018: R 1,266,761) is owing to the Community Colleges and will be paid over to the Community Colleges. This amount of R 758,759 will be paid over to the Community Colleges during the 2020 financial period.

Eastcape Midlands TVET College

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14. Revenue

Tuition Fees	50 868 507	41 040 150
Agency services	-	30 300
Bad Debts Recovered	133 343	194 393
Insurance Claims	-	27 576
Other income - (rollup)	33 750	549 152
Sundry Income	41 948	316 201
Interest received - investment	872 006	969
Unconditional government grants & subsidies	78 173 826	71 043 318
Services in Kind	122 946 000	114 590 000
Public contributions and donations	44 407	146 640
Conditional government grants & subsidies	32 896 238	16 803 458
	286 010 025	**244 742 157**

The amount included in revenue arising from exchanges of goods or services are as follows:

Tuition Fees	50 868 507	41 040 150
Agency services	-	30 300
Bad Debts Recovered	133 343	194 393
Insurance Claims	-	27 576
Other income	33 750	549 152
Sundry Income	41 948	316 201
Interest received - investment	872 006	969
	51 949 554	**42 158 741**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Unconditional government grants & subsidies	78 173 826	71 043 318
Services in Kind	122 946 000	114 590 000
Public contributions and donations	44 407	146 640
Conditional government grants & subsidies	32 896 238	16 803 458
	234 060 471	**202 583 416**

15. Lease rentals on operating lease

Premises		
Contractual amounts	128 558	99 000
Photocopier Equipment		
Contractual amounts	3 679 463	3 886 076
Computer Equipment		
Contractual amounts	733 600	-
	4 541 621	**3 985 076**

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Figures in Rand	2019	2018

16. Other revenue

Debt impairment recovered	133 343	194 393
Insurance Claims	-	27 576
Other income	33 750	549 152
Sundry Income	41 948	316 201
	209 041	**1 087 322**

The amount included in other revenue arising from exchanges of goods or services are as follows:		
Bad Debts Recovered	133 343	194 393
Insuarance Claims	18 342	27 576
Sundry Income	41 948	316 201
Occupational School Private	33 750	549 152
	227 383	**1 087 322**

The amount included in other revenue arising from non-exchange transactions is as follows:		
Donations		
British Council	44 407	146 640

17. Investment revenue

Interest revenue		
Bank	872 006	969

The amount included in Investment revenue arising from exchange transactions amounted to 872 006 (2018: 969).

Total interest income, calculated using the effective interest rate of 3,5%, on financial instruments not at fair value through surplus or deficit amounted to R 872,006 (PY: R 969).

18. Grants and subsidies paid

Other subsidies		
Occupational Training	853 487	1 857 239
Occupational Training	50 019	802 905
	903 506	**2 660 144**

Eastcape Midlands TVET College

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19. Government grants and subsidies

Operating grants

DHET Programme Funding (Goods & Services, Including CAPEX).	60 996 567	45 888 318
Government grant - Graaf Reinet Electricity Connection	465 827	-
Capital Infrastructure Efficiency Grant	16 711 432	25 155 000
	78 173 826	**71 043 318**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	32 898 847	16 803 789
Unconditional grants received	201 119 826	185 633 318
	234 018 673	**202 437 107**

DSPP Grant

Balance unspent at beginning of year	5 757 222	10 999 743
Conditions met - transferred to revenue	(1 078 114)	(5 242 521)
	4 679 108	**5 757 222**

Conditions still to be met - remain liabilities (see note 10).

The College has been approved by the Department of Higher Education and Training (DHET) to take part in the Dual Systems Apprenticeship Pilot Project (DSPP - Electrical/Plumbing). The College had initially been awarded a conditional frant of R 4,315,000 and a further R 6,919,658 was subsequently received by the College during the 2017 financial period. To date a total amount of R 11,234,657 has been received by the college, of which only R 1,078,114 (2018: R5,242,521) has been spent.

INSETA Grant

Balance unspent at beginning of year	-	293 236
Current-year receipts	1 829 393	891 000
Conditions met - transferred to revenue	(1 153 113)	(1 317 701)
Other	(133 465)	133 465
	542 815	**-**

Conditions still to be met - remain liabilities (see note 10).

The grant is for the stipends paid by the college to learners in accordance with the Work Integrated Learning (WIL), funded by INSETA. The conditions of the grants stipulate that the College must use the Grant to pay the stipends to the students.

To date a total amount of R 1,829,393 (2018: R 891,000) has been received by the college, and consequently an amount of approximately R 1,153,113 (2018: R 1,317,701) has been spent.

DHET Conditional Skills Levy Grant

Current-year receipts	-	636 000
Conditions met - transferred to revenue	-	(636 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 10).

The grant is paid to the College by the Department of Higher Education and Training (DHET) for Skills Development. The conditional grant is to be paid back to the Department if it remains unspent. The Department of Higher Education and Training has issued a aspecific circular outlining the conditions of this grant.

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19. Government grants and subsidies (continued)

Construction SETA Grant

Conditions met - transferred to revenue	-	(188 766)
Transferred to Receivables from Non Exchange	-	188 766
	-	-

Conditions still to be met - remain liabilities (see note 10).

The college entered into an agreement with Construction SETA to partner in skills training of learners in relation to experiential training. The grant is for the stipends paid by the college to learners in accordance with the Work Integrated Learning funded by Construction SETA. The conditions of the grant stipiulates that the college must use the grant to pay the stipends to the students. Construction SETA not yet paid the college any funds although the college has incurred the expenditure. The college has continued to incur expenditure in paying stipends to the placed learners from its own funds, in anticipation of receiving funds to cover all the expenditure incurred as per the signed agreement.

To date a total amount of approximately R 188,766 (2018: R -) has been spent

This means that the college had overspent its grant and it is currently owed by Construction SETA an amount of approximately R 188,766 (2018: -)

Occupational School Grants

Current-year receipts	749 250	1 166 250
Conditions met - transferred to revenue	(749 250)	(1 166 250)
	-	-

Conditions still to be met - remain liabilities (see note 10).

These are various college grants received from government entities, whereby the college is mandated to perform services in the form of training or arrange trainings with host employers on behalf of the SETAs to help the SETAs and other public entities to achieve their objectives of empowering the communities in the skills training. These conditional grants are to be paid back to the Department or SETAs if they remain unspent. These grants have been lumped together as they are considered immaterial.

Included in the amount disclosed are grants from CHIETA with a total amount received of R 528,000 (2018: R 827,250), as well as W & R SETA R 221,250 (2018: R-), and Narysec R 0 (2018: R 525,000).

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19. Government grants and subsidies (continued)

DHET Fee Adjustment Grant

Balance unspent at beginning of year	746 311	1 587 366
Conditions met - transferred to revenue	-	(841 854)
Other	-	799
	746 311	**746 311**

Conditions still to be met - remain liabilities (see note 10).

The college received funding from DHET for the low income and missing middle students, to subsidise the student fee increase of 8% for the 2017 and subsequently 2018 calender years. The College council had approved a fee increase at the end of 2016 for the 2017 financial period and a similar situation had arisen towards the end of 2017 in preparation for the 2018 academic year. The college has managed to utilise R 3,340689 for all the missing middle and low income students. For the students to qualify, the household income had to be below R 600,000 per annum.

Due to the fact that an amount of approximately R 1,587,366 had remained unspent in 2017, the Department of Higher Education and Training (DHET), instructed the college to utilise the remainder of the balance for fee increase in 2018.

The college will refund DHET for the unspent portion of the grant amounting to R 746,311, in line with the conditions of the grant.

HWSETA Grant

Conditions met - transferred to revenue	4 500	(4 500)
Other	(4 500)	4 500
	-	-

Conditions still to be met - remain liabilities (see note 10).

The grant is for the stipends paid by the college to learners in accordance with the Work Integrated Learning funded by HWSETA. The conditions of the grants stipulate that the college must use the grant to pay the stipends to the students. The college has not received any grant funding, although it has already incurred expenditure in the form of a stipend.

CATHSETA Grant

Current-year receipts	792 800	72 000
Conditions met - transferred to revenue	(837 974)	(135 000)
Other	45 174	63 000
	-	-

Conditions still to be met - remain liabilities (see note 10).

The grant is for the stipends paid by the college to learners in accordance with the Work Integrated Learning funded by CATHSETA. The conditions of the grant stipiulates that the college must use the grant to pay the stipends to the students. CATHSETA usually pays the college the grant before it incurs the expenditure, however the college has spent more than the funds available at year end, in anticipation of receiving more funds to cover all the expenditure incurred as per the signed agreement.

To date a total amount of R 792,800 (2018: 72,000) has been received by the college, and consequently an amount of approximately R 837,974 (2018: R 135,000) has been spent.

This means that the college had overspent its grant and it is currently owed by CATHSETA an amount of approximately R 108,174 (2018: 63,000).

OCC - NSF Centre of Specialisation Grant

Balance unspent at beginning of year	6 366 657	-

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Figures in Rand	2019	2018
19. Government grants and subsidies (continued)		
Current-year receipts	-	6 367 063
Conditions met - transferred to revenue	(1 585 667)	(406)
	4 780 990	**6 366 657**

Conditions still to be met - remain liabilities (see note 10).

The College has been approved by the Department of Higher Education and Training (DHET) and certified as Centre of Specialisation in terms of welding (COS - Welding).

The college received its certificate for the centre of specialisation in 2018 and the project is currently running with a number of Learners enrolled for the programme.

The project has seen some delays in implementation, however it has started becoming operational during the 2019 financial period, although it is not running at full capacity yet.

The college has been awarded a conditional frant of R 6,367,063 and a further conditional grant for the Operational Programme related costs of R 12,490,089 which was received by the College during the 2018 financial period for the 2019 financial year. The conditional programme funding grant will only be recognised as Revenue when the conditions in terms of enrolments are met. There is no meaningful expenditure on the conditional grant to date as the college only expects to meet more of the conditions during 2020 financial period. An amount of approximately R 1,2 million is already committed from the unspent conditional grant of R 4,7 million.

NSF TVET 2 Grant

	2019	2018
Balance unspent at beginning of year	5 907 024	-
Current-year receipts	3 337 349	13 323 602
Conditions met - transferred to revenue	(6 191 121)	(7 416 578)
Other	133 464	-
	3 186 716	**5 907 024**

Conditions still to be met - remain liabilities (see note 10).

The college entered into an agreement with Department of Higher Education and Training (DHET), which entailed skills development. This was entered into with NSF and this entailed artisan development, leadership development programme, skills development programmes and work integrated learning. The portion of the government grant has been recognised as revenue in the annual financial statements based on targets and/or conditions met in the project. The college submits claims after completion of each stage of the project and thus being able to claim revenue.

COS Programme Funding Grant

	2019	2018
Current-year receipts	12 490 089	-
Conditions met - transferred to revenue	(9 116 734)	-
	3 373 355	**-**

Conditions still to be met - remain liabilities (see note 10).

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19. Government grants and subsidies (continued)

The Collegehas been approved by the Department of Higher Education and Training (DHET) and certified as Centre of Specialisation in terms of welding (COS - Welding).

The college received its certificate for the centre of specialisation in 2018 and the project is currently running with a number of Learners enrolled for the programme.

The project has seen some delays in implementation, however it has started becoming operational during the 2019 financial period, although it is not running at full capacity yet.

The college has been awarded a conditional frant of R 12,490,089 as programme funding conditional grant to cover operational the operations of the programme. This funding was allocated for the first intake for the 2019 academic period. and a further conditional grant for the Operational Programme related costs of R 12,490,089 which was received by the College during the 2018 financial period for the 2019 financial year.

The grant allocation had the following conditions attached to the funding.
- The allocation of the grant is specifically for programmes offered in terms of QTCO occupational qualifications by the college, which in this instance is welding,
- Apprenticeships must sign apprenticeships/learnership agreements with their employers, and must be register with an applicable SETA,

The conditional programme funding grant cateres for a maximum of 30 students, will only be recognised as Revenue when the conditions in terms of enrolments are met. Due to the delays in the implementation of the programme, only R 9,116,734 could be recognised as Revenue as the Department had to claw back R 3,373,355 for the conditions of the grants not having been met. This has resulted to an unspent conditional grant funding of approximately R 3,4 million

Merseta (4TH INDUSTRIAL REVOLUTION) Grant

Current-year receipts	12 000 000	-
Conditions met - transferred to revenue	(12 000 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 10).

The college entered into a co-operation agreement with MERSETA in 2018 in to promote of skills development, in the field of manufacturing engineering and related services. The co-operation agreement was entered into, in persuit of the 4TH INDUSTRIAL REVOLUTION and innovation for a mega project of approximately R 120 million over a period of 3 years. Department of Higher Education and Training (DHET), which entailed skills development. This agreement was entered into, looking to set up workshops and learning factories in the following occupational programmes:
Elecrtical, Mechatronics, Robotics, Final Assembly, Mechanical Fitting, Motor Mechanic, Panel beating and Spray painting and Welding.
The College has experiences some delays in the implementation of this project and it is expected that the Management will add more impetus into this project in 2020 to ensure that it becomes a success.

The College received R12 million upon the signing of the MoA and submission of the implementation plan (related to tools and equipment list and timelines).

Revenue of R 12 million was subsequently generated as the conditions of the grant were clearly met, not withstanding the fact that the funds were only spent late into 2019 financial year. The portion of the government grant has been recognised as revenue in the annual financial statements based on targets and/or conditions met in the project. The college will submit claims after completion of each stage of the project and thus being able to claim revenue

20. Services in Kind

DHET Persal Salaries Allocation	122 946 000	114 590 000

Nature and type of services in-kind are as follows:

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20. Services in Kind (continued)

Included in the unconditional government grants and subsidies is Services in Kind Revenue of R 122,946,000 (2018: R 114,590,000). This is in relation to the College employees who had migrated to DHET and the new employees appointed by DHET and working at the college. These employees are paid by the Department of Higher Education and Training on Persal and render their services full time at the college.

The college had a Chief Financial Officer/Deputy Principal Finance (Mr Lennox Tukwayo), who was employed by SAICA, and deployed at the Eastcape Midlands TVET College. He was appointed by SAICA and deployed to the college from 01 November 2015 until 30 June 2019.

21. Employee related costs

Basic	32 494 703	21 731 680
Medical aid - company contributions	636 130	514 169
UIF	498 993	379 999
WCA	855 839	276 387
SDL	344 227	259 469
Leave pay provision charge	8 700	20 624
Housing benefit and allowances	48 300	-
Short term benefit	2 450	-
Defined contribution plans	76 162	24 346
Overtime payments	115 318	109 025
DHET Management fee cost	119 083 950	117 845 414
Wages	85 260	121 718
Invigilation fees	238 560	105 580
SETAs Stipends	4 710 110	3 874 963
	159 198 702	**145 263 374**

DHET management fee cost

Additional textIn terms of the CET Act, employees of the college are accountable to the governance structures of the College. Management are defined by the CET Act as the Principal and Deputy Principals and they are employed by DHET and have dual accountability towards the council and DHET respectively.

Included in the Employee related costs is also the DHET Management Fee of R 119,083,950 and (2018: R117,845,414). This portion relates to the payments made by the DHET on behalf of the college to the employees working at the college who are on Persal payroll.

22. Professional Services

Legal Fees and Internal Audit	1 828 813	1 223 228

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23. Depreciation and amortisation

24. Impairment of assets

Impairments		
Property, plant and equipment	903 891	627 898

The main classes of assets affected by impairment losses are:

Plant and Machinery	472 643	262 148
Furniture annd Fittings	364 793	233 406
Office Equipment	66 288	73 661
Motor vehicles	0	12 927
Computer Equipment	0	45 748
Other Property, Plant and Equipment	0	166

The main events and circumstances that led to the recognition of these impairment losses are as follows:

Most of the assets were broken and some their condition deteriorated.

25. Debt impairment

Debt impairment	9 585 072	2 149 332

The debt impairment is as a result of the student debtors being considered doubtful. The student debt has increased by more than 20% from last year in terms of the Gross Amount. Due to the nature of the students at the college and the fact that 90% of the total number in the ageing analysis are owing consistently, it was decided by management that all debtors above 90 days must be considered for impairment at 90% of the outstanding debt above 90 days. More than 90% of the students studying at the College are financially needy and should be recipients of NSFAS. However due to the pass rate which is currently approximately 76% it means that only up to a maximum of 76% of the students are able to get bursaries from NSFAS. The College's students are allocated NSFAS for the tuition in as follows:

NCV students approximately 80%, report 191 business approximately 75% and report 191 engineering approximately 45%. This mirrors the pass rate for these respective programmes. This therefore means that between the pass rate up to 90% of these students may not be eligible to get a bursary and their debt will essentially go bad.

The College due to the fees must fall activities has struggled to collect outstanding student debt and therefore management considers an estimate of 90% provision as prudent and also reasonable.

Eastcape Midlands TVET College

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26. General expenses

Auditors remuneration	4 306 769	4 625 694
Bank charges	380 213	344 731
Cleaning	610 293	731 341
Consulting and professional fees	1 757 052	509 710
Consumables	976 610	372 176
Entertainment	647 837	512 741
Insurance	1 168 078	1 353 978
Licence fees - computers & software	1 338 255	1 321 016
Motor vehicle expenses	458 060	350 055
Printing and stationery	2 211 092	685 222
Project maintenance costs	-	265 300
Staff welfare	81 600	249 130
Subscriptions and membership fees	139 247	130 130
Training	543 882	317 189
Travel - overseas	379 206	28 976
Uniforms	597 883	516 716
Student Support Expenses	3 218 298	2 729 079
Licence Fees Vehicles	14 802	12 747
College Council Costs	254 535	343 025
Programme Costs	1 191 525	2 261 491
Recruitment Costs	54 533	9 750
Strike Related Expenses	6 762	-
Other expenses	180 410	178 781
	20 516 942	**17 848 978**

27. Repairs and Maintenance

	2019	**2018**
Land and Buildings	768 898	1 015 559
Computer Equipment	608 151	724 274
Furniture and Fittings	14 344	51 552
Vehicles	140 521	169 420
	1 531 914	**1 960 805**

28. Auditors' remuneration

Fees	4 306 769	4 625 694

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Figures in Rand	2019	2018

29. Cash generated from operations

Surplus	43 323 657	31 665 981
Adjustments for:		
Depreciation and amortisation	10 536 556	10 216 172
Impairment deficit	903 891	627 898
Debt impairment	9 585 072	2 149 332
Movements in provisions	(2 097 540)	(121 881)
Conditional grant - revenue	-	(16 803 789)
Conditional grant -	-	(841 854)
Conditional grant - expense	(6 261)	202 427
Other non-cash items	283 998	(9 044)
Changes in working capital:		
Inventories	(518 155)	253 697
Receivables from exchange transactions	-	(102 042)
Student debtors	(10 657 482)	(1 741 272)
Other receivables from non-exchange transactions	(16 876 302)	1 541 482
Payables from exchange transactions	441 353	4 605 040
CET Agency	(508 002)	811
Unspent conditional grants and receipts	(1 467 919)	23 340 084
	32 942 866	**54 983 042**

30. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	1 167 947	1 374 389
Total capital commitments		
Already contracted for but not provided for	1 167 947	1 374 389

This committed expenditure relates to photocopiers and new operating lease for the leased computers will be financed by retained surpluses, existing cash resources, funds internally generated.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	3 612 725	2 173 861
- in second to fifth year inclusive	2 278 203	2 173 861
	5 890 928	**4 347 722**

Operating lease payments represent rentals payable by the college for certain of its office photocopy machines and leased computers for High Street Campus (120 units) as well as Charles Goodyear Campus (150 units). Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

Photocopy machines and leased computer rentals are hired for a period of between 6 to 36 months under non-cancellable agreements.

The College entered into an operating lease with a supplier to lease computers for a period of 3 years effectively starting in August 2019 after the completion of the installation of the computers at the above mentioned campuses.

Thereafter the College has the option to terminate the contract by giving the termination notice period of between 30 to 90 days.

Should the College not give written notice to the supplier, photocopier machines will remain a leased asset under the cancellable lease agreements from month to month.

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31. Contingencies

Litigation is in the process against the College relating to a dispute with former employees of the College. The former employee Mr Abdullah is challenging the termination of this employment contract and the settlement amount he is claiming is estimated to be R 896,360. The College's lawyers and management consider the likelihood of the action against the College being successful as unlikely, and the case should be resolved within the next year.

The College's management in 2012 entered into a transaction to acquire a software known as CRAM from a service provider called Itumeleng. An amount of approximately R 6,2 million had already been paid. However it later transpired the software did not work and that the College should not have entered into such a transaction. This matter was brought to court by Itumeleng however according to the College's lawyers and management, it is considered that the likelihood of the action against the College being successful is unlikely. An estimated contingent liability is approximately R3,5 million.

Litigation is in the process against the College relating to a summons issued by an entity by the name of Go Training Academy CC. Go Training Academy CC is alleging that the College has acted unlawfully by repudiating a contract and therefore Go Training Academy CC is seeking damages of R3,674,965. The College's lawyers and management consider the likelihood of the action against the entity being successful as unlikely, and the case should be resolved within the next two years. There is also another matter of litigation between the College and Go Academy CC regarding an alleged loan of 140 computers and other accessories, and the value of the claim is estimated at R 400,000.

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32. Related parties

Relationships	
Members of key management	Refer to members' report note 33 Prof. P. Lolwana (Council Chairperson) Dr L. Hanabe (FINCO Chairperson) Ms. C. Vezile (HR Committee Chairperson) Dr. O. van Heerden (Chairperson Audit & Risk Committee) Mr. T. Toni Dr. Lee Mr. C. van Heerden (Principal/CEO) Ms. L. Magengenene (Deputy Principal EATS)
Government Departments & Entities	Department of Higher Education and Training National Skills Fund INSETA CHIETA CATHSETA MERSETA ETDP SETA W & R SETA NSFAS
Joint ventures	Refer to note 5

Related party transactions

	2019	2018
Grants received from related parties		
Department of Higher Education and Training	201 872 847	194 851 428
National Skills Fund	3 337 349	13 323 602
Department of Higher Education and Training - Levy	-	636 000
Department of Higher Education and Training - CET	-	606 000
Revenue from SETAs		
INSETA	1 829 393	891 000
CHIETA Project	528 000	641 250
ETDPSETA Narysec ECD	-	525 000
ETDPSETA RPL	-	52 000
CATHSETA	792 800	72 000
W & R SETA	221 250	-
MERSETA	12 000 000	-

The SETAs are all under the Department of Higher Education and Training and their major area of responsibility is Skills Development and Training. The College being a Higher Education which specialises in Training and a public institution under the control of Department of Education is an entity under common control.

The councils and the Principals of the Colleges are appointed by the Director General of the Department of Higher Education and Training, and the same Director General has the power to appoint the Boards of the SETAs.

The College has partnership agreements and Memorandum of Understanding with the SETA to assist the SETAs to provide training to the communities in its surroundings.

Key management information

Class	Description	Number
Non-executive board members	Council and Subcommittees	12
Executive management	Senior Management	5
Mayor	Chairperson of Council	1
Councillors	College council	10

Remuneration of management

Eastcape Midlands TVET College

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32. Related parties (continued)

Management class: Executive management

2019

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Other benefits received	Total
Mr CJ van Heerden Principal	741 958	-	193 402	124 675	1 060 035
Mr S. Gana (Acting Deputy Principal Registration)	725 137	49 609	92 363	16 514	883 623
Mr V.K. Hewana (Deputy Principal Corporate Services)	652 284	55 037	84 797	66 926	859 044
Ms. L. Magengenene (Deputy Principal EATS)	649 564	21 930	96 611	54 479	822 584
Ms N. Matumbu (Deputy Principal Finance)	380 887	8 896	49 515	39 153	478 451
Mr L.S. Tukwayo	544 494	-	-	-	544 494
	3 694 324	**135 472**	**516 688**	**301 747**	**4 648 231**

2018

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Other benefits received	Total
Mr. CJ van Heerden Principa	701 511	-	185 543	115 192	1 002 246
Mr S. Gana (Acting Deputy Principal Registration)	661 324	46 336	81 696	15 780	805 136
Mr V.K. Hewana (Deputy Principal Corporate Services)	618 916	-	80 459	63 499	762 874
Ms. L. Magengenene (Deputy Principal EATS)	598 964	42 851	80 041	32 573	754 429

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32. Related parties (continued)

	2 580 715	**89 187**	**427 739**	**227 044**	**3 324 685**

The College had a Chief Financial Officer/Deputy Principal Finance (Mr Lennox Tukwayo), who was employed by SAICA, and deployed at the Eastcape Midlands TVET College. He was appointed by SAICA and deployed to the College from 01 November 2015 until 30 June 2019."

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33. Members' emoluments

Council & Sub committees

2019

	Council' fees	Committees fees	Total
Prof. P. Lolwana (Council Chairperson)	56 548	-	56 548
Dr L. Hanabe (FINCO Chairperson)	53 064	-	53 064
Ms. C. Vezile (HR Committee Chairperson)	34 846	-	34 846
Dr. O. van Heerden (Chairperson Audit & Risk Committee - appointed 30 January 2019)	32 584	-	32 584
Mr. T. Toni (Appointed 30 January 2019)	34 497	-	34 497
Dr. Lee (Appointed 30 November 2019)	3 888	-	3 888
Mr JH Arpin (Term Ended)	2 741	-	2 741
Mr HJ Solomon (Term Ended)	1 827	-	1 827
Ms T. Mnqeta (Audit & Risk Committe member)	-	13 812	13 812
Mr M. Msongelwa (Audit & Risk Committe member)	-	8 308	8 308
Mr DM. Chauke (FINCO Committe member)	-	5 793	5 793
Mr G. Sarpong (FINCO Committe member)	-	6 627	6 627
	219 995	**34 540**	**254 535**

2018

	Council' fees	Committees fees	Total
Prof. P. Lolwana (Council Chairperson)	33 422	-	33 422
Dr L. Hanabe (FINCO Chairperson)	52 945	-	52 945
Ms. C. Vezile (HR Committee Chairperson)	51 689	-	51 689
Mr JH Arpin (Term Ended)	36 757	-	36 757
Mr HJ Solomon (Term Ended)	26 915	-	26 915
Ms T. Mnqeta (Audit & Risk Committe member)	-	9 235	9 235
Mr M. Msongelwa (Audit & Risk Committe member)	-	4 706	4 706
Mr DM. Chauke (FINCO Committe member)	-	8 673	8 673
Mr G. Sarpong (FINCO Committe member)	-	8 820	8 820
	201 728	**31 434**	**233 162**

34. Prior period errors

The Capital Infrastructure Grant was erroneously recognised as a conditional grant instead of an unconditional grant. The intention of DHET to impose an obligation to the college to return the funds not used, and this stipulation was just a restriction and not necessarily a condition in terms of GRAP 23.

The correction of the error(s) results in adjustments as follows:

	2019	2018
Statement of financial position		
Receivables from Non Exchange Transactions	7 269 265	7 410 000
Unspent Conditional Grants	(34 594 227)	(17 744 669)
Statement of financial performance		
Unconditional government grants and subsidies	16 711 432	25 155 000
Conditional government grants and subsidies	(2 609)	(331)

35. Comparative figures

Certain comparative figures have been reclassified.

Eastcape Midlands TVET College

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36. Risk management

Financial risk management

The college's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Risk management of the College is carried out by Department of Higher Education & Training under policies approved by the council. College identifies, evaluates and hedges financial risks in close co-operation with the college's operating units. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, college treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

The table below analyses the college's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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
Trade and other payables	27 348 003	-	-	-
Unspent Conditional Grants	17 309 295	-	-	-
CET Agency	758 758	-	-	-

At 31 December 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	26 906 650	-	-	-
Unspent Conditional Grants	18 777 214	-	-	-
CET Agency	1 266 761	-	-	-

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements

Figures in Rand	2019	2018

36. Risk management

Financial risk management

The college's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Risk management of the College is carried out by Department of Higher Education & Training under policies approved by the council. College identifies, evaluates and hedges financial risks in close co-operation with the college's operating units. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, college treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

The table below analyses the college's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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
Trade and other payables	27 348 003	-	-	-
Unspent Conditional Grants	17 309 295	-	-	-
CET Agency	758 758	-	-	-

At 31 December 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	26 906 650	-	-	-
Unspent Conditional Grants	18 777 214	-	-	-
CET Agency	1 266 761	-	-	-

Eastcape Midlands TVET College
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36. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors (such as means test for NSFAS bursaries). Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Tuition fees to students are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Standard Bank (NSF COS)	4 800 058	6 367 157
Standard Bank (CIEG)	34 594 227	17 744 669
Standard Bank (Main)	32 443 222	26 844 140
Standard Bank (DSPP)	4 678 982	5 757 096
Standard Bank (NSF)	3 188 323	5 908 631
Student Debtors	6 644 788	5 556 022

The college is not exposed to any guarantees for the overdraft facilities of economic entities and neither is it exposed for guarantees issued in favour of the creditors of the College..

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

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36. Risk management (continued)

Market risk

Interest rate risk

As the college has no significant interest-bearing assets, the college's income and operating cash flows are substantially independent of changes in market interest rates.

37. Going concern

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.

The ability of the college to continue as a going concern is dependent on a number of factors. The most significant of these is that the council continue to procure funding for the ongoing operations for the college.

Financial Sustainability

The College although it had good liquidity and stable financial position as at year end, is faced with the following risk factors: The fees for Report 191 courses (Nated courses) are too low however the operational required expenditure is high and this makes these programmes unsustainable.

There have been a number of student unrests that have resulted in deregistration of students.

Most of the students in the College come from a disadvantaged background, and rely heavily on NSFAS. The College has Student Bursary liabilities of approximately R 16,6 million as at year end 2019 (2018: R 2,7 million) relating to the NSFAS Allocations of 2014 to 2019 and W & R Seta bursary for 2019 of apporximately R 0,4 million (2018: R 1,5 million). These amounts relate to the outstanding bursaries to be paid to students for (Accommodation and Transport) allowances for 2019 and prior periods where these could not be paid out to the students and also that some of these funds are to be returned to NSFAS. These claims will only be payable to students and NSFAS in 2020. The College will be able to meet these obligations as they fall due as it has not yet utilised its full allocation for 2017,2018,2019. The NSFAS processes of claiming student bursaries for 2019 are still on going.

The College has also appointed a debt collecting company to assist in collecting the arrear debt. It must be stated that more than 75 % of income comes from DHET and it is guaranteed. Furthermore the major part of the College income comes from NSFAS.

38. Events after the reporting date

Management have assessed events that occurred after the reporting date and have identified the following non-adjusting events. The nature of these events, and their financial impact, are discussed below. Management continued to monitor this impact until sign off date, however no significant changes to these balances were noted.

Outbreak of Covid19

On 11 March 2020 the World Health Organization declared the novel strain of coronavirus (Covid-19) a global pandemic, resulting in severe financial market volatility. Local financial markets were further negatively affected by the national lockdown effective 27 March 2020.

Eastcape Midlands TVET College

Annual Financial Statements for the year ended 31 December 2019

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38. Events after the reporting date (continued)

The national Covid-19 lockdown has also led to the closure of student campuses, and suspension of contact lectures, in order to comply with the lockdown regulations.
Management cannot reasonably estimate the continued impact of these events, however, as at 31 August 2020, the impact is as follows:

Student fees receivable
Management has assessed the recoverability of the student fee receivable as at 31 December 2019 and are satisfied that the provision raised is adequate and appropriate.
Mitigating the impact of Covid-19 interventions and lockdowns remains a priority for management and are being monitored continuously. Significant efforts have been made to ensure that all students are able to come to classes and complete the 2020 academic year.
This may mean that the academic year is only completed in the first two months of 2021.
Despite the significant impact of these events on the College’s operations, management have taken into account the operational financial plan and cash flow forecast, in conjunction with the College’s significant asset base to justify the going concern basis of preparation for the financial statements.

The College remains concerned about the negative impact on Colleges Infrastructure and assets by the pandemic which could be damaged by the extensive movement in order to meet the covid 19 regulations..

The College Management is also concerned about the impact of the covid 19 on student academc success which may have a negative impact on students getting NSFAS and thus further impacting on the College's cash flow in 2021 financial year.

REPORT OF THE AUDITOR-GENERAL TO MINISTER OF HIGHER EDUCATION, SCIENCE AND INNOVATION AND THE COUNCIL ON THE EASTCAPE MIDLANDS TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING COLLEGE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Eastcape Midlands Technical and Vocational Education and Training **(TVET)** College, set out on pages **37** to **97** , which comprise the financial position as at 31 December 2019, the statement of financial performance, the statement of changes in net assets and the 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, the financial statements present fairly, in all material respects, the financial position of the Eastcape Midlands TVET College as at 31 December 2019, and its financial performance and cash flows for the year then ended, in accordance with Standards of Generally Recognised Accounting Practice (Standards of Grap) and the requirements of the Continuing Education and Training Act 16 of 2006 (Ceta).

BASIS FOR OPINION

3. 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.

4. 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.

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

EMPHASIS OF MATTERS

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

Material impairments

7. Provision for debt impairment of R59,4 million (2018: R49, 9 million) have been disclosed in note 7 to the financial statements.

Restatement of corresponding figures

8. As disclosed in note 34 to the financial statements, the corresponding figures for 31 December 2018 have been restated as a result of errors in the financial statements of the college for the year ended 31 December 2019.

RESPONSIBILITIES OF THE COUNCIL FOR THE FINANCIAL STATEMENTS

9. The council is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Grap and the requirements of the Ceta, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

10. 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

11. 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. Misstatementscan 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.

12. 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

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

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the college's compliance with specific matters in key legislation. I performed procedures to identify findings, but not to gather evidence to express assurance.

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

Annual financial statements

16. The financial statements submitted for auditing were not prepared in accordance with generally recognised accounting practice as required by section 25(1)(b) of the Ceta. Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted financial statement were corrected subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Consequence management

17. Allegations of theft and fraud which exceeded R100 000 were not reported to the South African Police Service (SAPS), as required by section 34(1) of the Prevention and Combatting of Corrupt Activities Act 12 of 2004 (Precca).

OTHER INFORMATION

18. The council is responsible for the other information. The other information comprises the information included in the annual report, which includes the chairperson's council report and the audit committee's report. The other information does not include the financial statements and the auditor's report.

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

20. 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.

21. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, 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

22. 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 findings on compliance with legislation included in this report.

23. The disciplines of daily and monthly financial management controls were not implemented throughout the year. When these controls were implemented, management did not perform adequate review and monitoring processes. This resulted in material adjustments to the financial statements that were submitted for audit and findings on compliance with laws and regulations.

OTHER REPORTS

24. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the college's financial statements and compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on compliance with legislation.

25. An independent consultant investigated an allegation of possible misappropriation of college assets at the request of the principal, which covered the year ending 31 December 2015. The report has not been finalised.

26. Internal audit has been requested to conduct an investigation on allegations of irregularities, fraud and misconduct in the awarding of the security guarding tender. The report has not been finalised.

Auditor General

East London
8 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 colleges internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
   - conclude on the appropriateness of the accounting officer'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 relating to events or conditions that may cast significant doubt on the ability of the Eastcape Midlands TVET College 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 my 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 collage to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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 accounting officer 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 accounting officer 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, actions taken to eliminate threats or safeguards applied.

Eastcape Midlands TVET College
creating new futures

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Eastcape Midlands College- Corporate Profile

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