

# Report of the auditor-general to the Minister of Higher Education and Training, and principal on Buffalo City Technical Vocational Education and Training College

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Buffalo City Technical Vocational Education and Training (TVET) College set out on pages xx to xx, which comprise the statement of financial position as at 31 December 2024, statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Buffalo City TVET College as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with the 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 qualified opinion

#### Allowance for impairment: Student debtors

3. I was unable to obtain sufficient appropriate audit evidence that the allowance for impairment was properly accounted for, due to a general percentage that was applied for all the student debtors in calculating the allowance, without assessing the credit risk for a group or subgroup of student debtors. I was unable to confirm these amounts by alternative means. Consequently, I was unable to determine if further adjustments were necessary to the allowance for impairment stated at R106.5million in note 4 to the financial statements.

#### General expenses

4. General expenses were not recognised as required by GRAP 1, *Presentation of financial statements*, as the college incorrectly recognised expenditure relating to the 2023 financial year in the 2024 financial year. The effect on the financial statements is that expenditure is overstated by R11,7 million (2023; R4,1 million) respectively. Additionally, there was an impact on the surplus for the period and the accumulated surplus.

## **Context for opinion**

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
6. I am independent of the college in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other 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 code.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Emphasis of matter**

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

## **Restatement of corresponding figures**

9. As disclosed in note 47 to the financial statements, the corresponding figures for 31 December 2023 were restated as a result of an error in the financial statements of the college, and for the year ended, 31 December 2024.

## **Responsibilities of the accounting authority for the financial statements**

10. The accounting authority 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 authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority 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.

## **Responsibilities of the auditor-general for the audit of the financial statements**

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



13. 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**

14. In terms of the CETA, the college is not required to prepare an annual performance report.

#### **Report on compliance with legislation**

15. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the college's compliance with legislation.
16. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
17. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the college, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
18. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

#### **Annual financial statements and annual report**

19. The financial statements submitted for auditing were not prepared in accordance with generally recognised accounting practice and supported by complete accounting records, as required by section 25(1)(b) of the CETA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected, which resulted in the financial statements receiving a qualified opinion.

#### **Other information in the annual report**

20. The accounting authority is responsible for the other information included in the annual report. The other information does not include the financial statements.
21. My opinion on the financial statements and my report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

22. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
23. 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

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
25. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on compliance with legislation included in this report.
26. The college's leadership did not adequately discharge its oversight responsibilities of the implementation and monitoring of internal controls to ensure sound financial management. Furthermore, the leadership did not ensure that the action plan is implemented and regularly tracked for implementation and correction, leading to recurring findings. In addition, management did not prepare regular, accurate and complete financial information that is supported by reliable information evidenced by the material misstatements noted.

### Other reports

27. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
28. The following investigations were in progress at year-end:
- The Department of Higher Education and Training (DHET) appointed a service provider to perform a forensic investigation into allegations of fraud and corruption in the allocation of National Student Financial Aid Scheme (NSFAS) loans and bursaries to students. The college was informed during November 2015 that it is part of a sample of ten public education institutions that will make up phase one of this investigation. The investigation which covers the period from 2012 to 2014 is currently in progress.
  - As per Proclamation R88 of 26 August 2022, in December 2022 Special Investigating Unit (SIU) started an investigation into alleged corruption and maladministration in the affairs of NSFAS. The investigation is still underway, and no report has been issued.

- In terms of section 46(1) of the CETA, as amended, the minister of higher education and training appointed a service provider to investigate allegations and counter allegations by various parties at Buffalo City TVET College in August 2023. Upon completion of the investigation, the investigation report will be sent to the minister of higher education and training and not to the college.

*Auditor General*

East London

30 May 2025



AUDITOR - GENERAL  
SOUTH AFRICA

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## **Annexure to the auditor's report**

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

### **Auditor-general's responsibility for the audit**

#### **Professional judgement and professional scepticism**

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 selected requirements in key legislation.

#### **Financial statements**

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the college's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the 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 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 college 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

I communicate with the accounting authority 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.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Continuing Education and Training Act 16 of 2006 (CETA)	Section 20(7)(b) Section 20(8)(a); (b) and (c) Section 25(3) Section 25(1)(b) Section 10(9) (c) Section 10(9)(e) (iii) Section 10(9B) Section 3(3) Section 46(1)(a)(i) Section 46(1)(a)(ii) Section 44(1)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (Precca)	Section 34(1)