

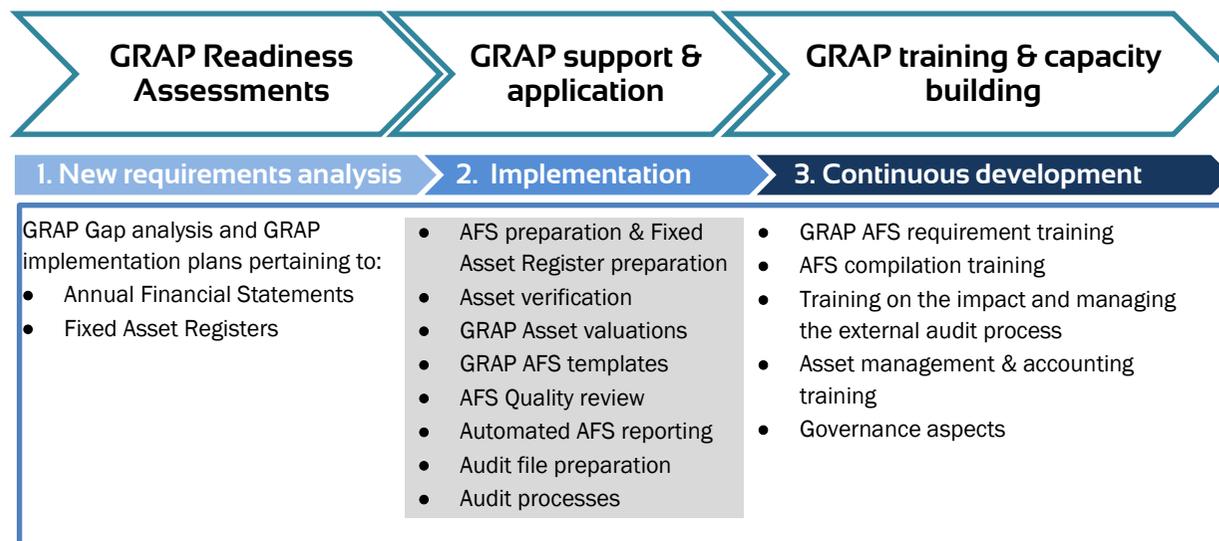
# TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING (TVET) COLLEGES: SUPPORT IN APPLYING STANDARDS OF GRAP



GRAP reporting by TVET Colleges is well underway, with the third financial year ended at 31 December 2016. However, proper application of the requirements of relevant Standards of GRAP is a journey and not a destination. Recent new Standards and amendments to Standards impact the 2016 financial year of TVET Colleges. TVET Colleges are advised to thoroughly assess and consider the new requirements.

TVET Colleges also experience other challenges in financial reporting, particularly in responding to economic developments that have hit the higher education sectors during 2016, which is ongoing. These factors should be carefully considered in reporting the results for 2016.

Ducharme can assist and support TVET Colleges with navigating to GRAP. This article sets out specific GRAP considerations applicable to the TVET Colleges in preparing their 2016 Annual Financial Statements in line with the GRAP reporting framework requirements.



## 1. NEW REQUIREMENTS ANALYSIS PHASE: GRAP Readiness assessments

Some of the challenges and changes facing TVET Colleges are:

1. **Student funding and debt.** The impact of #Feesmustfall on unpaid student debt increases the risk of impairment. **GRAP 104 Financial instruments** is not a new Standard, but its requirements pertaining to student debt and impairment is highlighted by these developments. This also impacts the funding needs of TVET Colleges, which should look at increasing third-stream income, which may bring about more complex accounting and reporting requirements as it pertains to the delivery of goods or services for profit.

2. **Accounting for assets.** Accounting for movable and immovable assets remain a significant matter receiving continuous audit scrutiny. Amendments were made to GRAP 17 Property, plant and equipment, with consequential amendments being made to related standards. Although these amendments only become effective on 1 January 2017 for TVET colleges, early adoption is permitted, and encouraged. These amendments include:

- Re-assessment of useful lives, as an input to determining depreciation, will forthwith only be required when certain indicators have been identified. These include, for example, the composition or use of the asset has changed, or the condition of the asset has changed beyond what is expected for its age, etc.

- Information on capital work-in-progress require specific disclosure. This will be very relevant for colleges in an expansion phase, where campuses are being upgraded or built, especially considering the increasing need for “free” access to higher education.
3. **Reporting of Segments (GRAP 18)**. TVET Colleges for the first time in 2016 are required to report on segments. Segments are those activities within a TVET College that generate economic benefits, who’s results are review by management based on separate financial information about its performance. Examples of segments are: Conferencing or accommodation facilities and letting of halls or facilities.

Ducharme can assist TVET Colleges with determining their status of GRAP compliance. This involves:

- An onsite GRAP readiness assessment**, which indicates where the TVET College currently deviates from the GRAP requirements. This includes an assessment of **financial reporting** (GRAP compliant Annual Financial Statements, Standard Chart of Accounts, previous audit report findings), **asset related matters** (GRAP compliant asset registers), **Budget** and budget information included in the AFS, GRAP impact on accounting **policies**.)
- Provision of a report on the findings together with a tailored GRAP Implementation Plan**. This provides the details on **HOW TO** make the necessary changes to comply with the requirements of GRAP. The implementation plan will assist in the successful conversion from the standards of GAAP to the Standards of GRAP.
- Facilitation and workshop of the GRAP Implementation plan** with senior management (for planning, management and oversight purposes) and the provision of **high-level training** on the requirements of GRAP to all relevant stakeholders (e.g. administrative team; finance team; governance committees).

## 2. APPLICATION PHASE:

### 2.1 GRAP AFS preparation

Ducharme can provide hand-on support in the **preparation of GRAP-Compliant AFS and Fixed Asset Registers**, as per the requirements of the **GRAP framework applicable for 2013/2014** year.

On the **accounting side**, this includes the preparation and compilation of the AFS from the relevant TB and GL information, in line with the GRAP recognition, measurement and disclosure requirements, retrospective and prospective application of GRAPs in terms of the required transitional provisions, provision supporting documentation for audit purposes, reconciliation between ledgers, sub-ledgers and systems, correction of prior period errors and changes in accounting policies. On **asset-related standards**, we can also assist in asset verification processes and valuations in line with the GRAP requirements.

### 2.2 GRAP AFS compliant templates

Apart from our core support and focus in the **preparation of GRAP-Compliant AFS and Fixed Asset Registers**, we can also provide our **updated GRAP Compliant AFS template**, with accounting policies, to assist entities with the compilation of the accounting information within an updated **GRAP framework applicable for 2013/2014** year.

This is supported by our **IPSAS / GRAP Implementation Manual** which sets out detailed prescribed GRAP accounting treatment (recognition, measurement, presentation & disclosure), with standard operating procedures (actions, responsible parties, and target dates). The IGIM is the culmination of the latest legislation & accounting pronouncements, circulars, directives, NT guides, GRAP challenges as per the AGSA Audit Reports and our practical public sector experience.

### 2.3 AFS Quality review

We can also assist in a quality review of the AFS of an TVET College to assess compliance with the GRAP standards on a finalised set of AFS. We will:

- Review the AFS** to determine whether all relevant disclosures have been made;
- Report to management** on what to adjust in the AFS to be GRAP compliant;
- Provide** you with a **GRAP disclosure checklist** as supporting documentation;
- Prepare a report** for use at the Audit Committee.

The compilation of the above-mentioned review is divided into the following 3 activities:

- Obtaining** the relevant documentation / information from the entity;
- Analysing** the documentation / information obtained;
- Presentation** of a one day workshop on the review findings and the presentation of a report to management on what to adjust in the AFS to comply with the GRAP standards.

We can also assist with the GRAP-compliance and quality review of your Asset Register.

### 2.4 Automated TVET AFS reporting tools

We have developed the DC AFS Reporting Tool, which allows for the automation and population of AFS data and information, **mapping account balances and transactions** from the trial balance and applicable Chart of Accounts / Vote Structure, with linking and population of the detail statements (performance, position, cash flow) and notes. This core system can be used for the preparation of the Annual Financial Statements as well as the Monthly and Quarterly Financial Statements.

Our AFS Reporting Tool has been **specifically tailored for TVET colleges** and includes the latest standards applicable as per the GRAP accounting reporting framework, accounting policies and DHET requirements.

Advantages of the DC AFS Reporting Tool include:

- **Detailed reporting functions** based on the populated information (cost centre vote number);
- **Once-off license** fee for the applicable version. No annual license fees for use of applicable version in subsequent years.
- **High-compatibility** as the tool is developed in Visual Basic on an Excel Base and can therefore be operated on all computers within the entity that have a copy of Microsoft office software;
- Additional modules are also available. These include **options** to prepare **GRAP Compliant Budgets; monthly reporting** tasks of the entity. For e.g. the implementation of the budget modules will ensure that the chart of accounts utilised for budgeting and AFS purposes will be exactly the same and this will ensure consistency in reporting;
- The implementation of the tool will enable proper **alignment of the organisational structure** of the entity to the organisational structure as prescribed by NT.

**Application training** on the working of the AFS Reporting tool is provided to staff members of the entity. It is imperative that the entity allocate at least one specific staff member to manage the AFS Reporting Tool, understanding its application and underlying processes. The DC AFS Reporting Tool is updated annually to reflect the latest changes and amendments to GRAP.

## 2.5 Audit File Preparation assistance

Our team of expert consultants, including Chartered Accountants and Professional Accountants, can assist with:

- Performing of all relevant **reconciliations** e.g. bank accounts, suspense accounts, debtors and creditors;
- Compilation of relevant **registers**;
- Clearing of **suspense accounts** by investigating transactions and searching for relevant supporting documentation;
- Validation of **debtors** and **creditors**;
- Performance of interim and year-end **inventory counts**;

- Physical **verification of movable and immovable assets**;
- Implementation of **GRAP**;
- Compilation of annual and consolidated **financial statements**;
- **On-site assistance** during the audit process, ranging from adjustments to financial statements to providing responses to audit findings.

## 2.6 Audit Process assistance

All TVET Colleges are now audited by the Office of the Auditor-General.

Although the principles and considerations of an external audit are defined, the application and processes are unique to the Auditor-General. In terms of this, TVET Colleges need to be aware of the impact of this on their preparation and support of the AFS, internal controls and other matters impacting the audit opinion issued by the Auditor-General.

Annual AFS preparation and audit process challenges experienced by our clients include:

- Keeping up to date with **complex and highly technical accounting** and auditing standards;
- Extremely **rigid reporting timelines**.
- Restricted **response time** available as service delivery should always be a continuous process.
- **Different opinions** between preparers and the Auditor General of South Africa (AGSA) on technical issues raised by the AGSA.

We believe that our assistance provided during the audit process together with the timing, quality and validity of explanations for audit findings will have a **positive impact** on the audit opinion expressed by the Auditor-General of South Africa. Our **hands-on approach** to providing solutions to these challenges includes:

- Exercising **control over issued audit findings** and responses provided;
- **Evaluation of audit findings** and management responses through expert technical knowledge;

- Assistance with **timely compilation** of **quality responses** to audit findings;
- **Review of client prepared responses** to ensure that audit findings are appropriately addressed;
- Audit **file preparation** assistance;
- **Compilation** of an **action plan** based on audit findings including detailed corrective measures;
- **Assistance** in **executing the action plan** ranging from housekeeping issues to highly technical issues;
- **Monitoring progress** of action plans executed by staff members.

## 3. CONTINUATION PHASE: GRAP Training & Capacity Development

Ducharme can assist with training and capacity development workshops setting out theoretical and practically applied considerations, which include:

- **TVET GRAP application challenges** (see section 1)
- **Standards of GRAP** (High-level / Detailed training / Individual standards of GRAP, e.g GRAP 18).
- **Asset management and asset accounting**;
- **AFS compilation, audit file and audit processes**;
- **Governance**: Supply Chain management, Performance management, Risk management.

## For more information

For more information or details on our TVET College support, please give us a call or send us an email.

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