

# ALFRED NZO DEVELOPMENT AGENCY

## *ANNUAL REPORT 2018/19 FINANCIAL PERIOD*



*Alfred Nzo Development Agency(SOE) Limited*

*Umzimvubu Goats Complex,*

*Hospital Road,*

*Mount Ayliff,*

*4735*



## COMPANY PROFILE

<b>REGISTERED NAME OF THE PUBLIC ENTITY</b>	ALFRED NZO DEVELOPMENT AGENCY SOC
<b>REGISTRATION NUMBER</b>	2008/009093/30
<b>VAT REGISTRATION NUMBER</b>	4380257735
<b>SDL NUMBER</b>	L780781144
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# 1. CHAPTER 1: INTRODUCTION

## 1.1. EXECUTIVE MAYOR'S FOREWORD

As the Executive Mayor of the Alfred Nzo District Municipality, I am also proudly responsible for the Alfred Nzo Development Agency (or ANDA). Alfred Nzo Development Agency (ANDA) is a "Municipal Entity" of the Alfred Nzo District Municipality (ANDM) established through a Council Resolution in terms of Section 76 (b) (i) of the Municipal Systems Act 32 of 2000 (MSA). Entity is mandated to act as a special purpose vehicle to drive economic development in the district.

The Alfred Nzo District Municipality has developed a District Development Plan (DDP) to take us into 2030. It is a plan that not only provides a vision of the future but importantly, defines clear outcomes against which to measure progress.

The overall purpose of the Alfred Nzo Vision 2030 District Development Plan (DDP) is to articulate the key long-term development priorities and how they are to be achieved in the District between 2019 and 2030 and beyond. It outlines various strategic goals and priority actions/ interventions to achieve the related desired district outcomes linked to the National Development Plan (NDP) and the Provincial Development Plan (PDP) Vision 2030.

The Alfred Nzo Vision 2030 DDP has six (6) district level, strategic goals (fully aligned to the PDP that is currently being updated) with 6 priority economic sectors/ value chains and various priority actions/ interventions per goal, scheduled for implementation from 2019 onwards.

Due to the nature of its work, the ANDA in the main supports two key strategic goals as defined by the DDP vision 2030, namely "Goal 5: Rural Development and an innovative and high-value agriculture sector"; and "Goal 2: Capable democratic institutions".

In 2018/19, the ANDA objectives responded to the DDP goals in several ways. Firstly, by facilitating procurement of agricultural inputs equivalent to 40 ha and facilitated procurement of 6 sign boards for local SMMEs. Secondly, playing an active role in promotion of livestock programme through supply and delivery of piggery feed to local small-scale farmers. Thirdly, by promoting SMME empowerment and transformation, by providing financial and non-financial support. Finally, the ANDA encourages presence of effective and functioning of democratic, capable and accountable government institutions in order to drive the change

that is needed towards 2030. This was done through the ANDM Council adoption of Multi-year Business Plan and SDBIP, migration from APP and Corporate Plan.

### **Future outlook of ANDA**

As the Executive Mayor of the Alfred Nzo District Municipality, I am aware of the requirements imposed on us by section 56 of the Municipal Finance Management Act, 32 of 2003, which dictates that the mayor of a municipality which has sole or shared control over a municipal entity must guide the Municipality in exercising its rights and powers over the Municipal entity in a way-

- a) that would reasonably ensure that the municipal entity complies with this Act and at all times remains accountable to the municipality
- b) that would not impede the entity from performing its operational responsibilities

In guiding the Municipality in the exercise of its rights and powers over the Municipal entity in accordance with subsection (1). which states that the mayor may monitor the operational functions of the entity, but may not interfere in the performance of those functions. Likewise, in the beginning of the 2018/19 financial year, ANDM approved a support plan for the Development Agency. The plan articulates a number of activities that must be undertaken by a number of affected role players as a mechanism to providing support to the Development Agency.

As part of the ANDA support plan implementation process, an interim Board of Directors which consists of all the Municipal managers from AND local Municipalities was first appointed on the 3<sup>rd</sup> of September 2018 for six-month tenure coupled by another 3 months extension.

As the Alfred Nzo District, it is our responsibility to use our policies, resources and institutions such as the ANDA to bring about the necessary integration and focus in key strategic areas so as to unlock the overall District economic potential.

I would like to commend the executive team and Board for their constant and valuable inputs and their stewardship of the ANDA.

**Cllr S. Mehlomakhulu**

**Exec Mayor: Alfred Nzo District Municipality**

## **1.2. BOARD CHAIRPERSON'S FOREWORD**

The year under review showed a quantum leap from the reconfiguration phase of the Alfred Nzo Development Agency (ANDA) to graduate to a fully-fledged compliant entity no longer cushioned with the excuse of its APP and Corporate Plan not being aligned to the strategic direction of the parent Municipality. Even though the issue of blurred mandate still persists, strides were made at the Strategic Planning Session to re-imagine ANDA and reposition the institution for greater opportunities.

In conforming to the mandate of the organization as defined in the shareholder agreement between the ANDM and ANDA, the Board is committed to working with management and the municipality to promote economic development initiatives that aim to better the district and to better the lives of its inhabitants. The Board is aware of the urgent burden of unemployment, poverty and income disparities that characterizes our society and the call for all to work towards closing income disparities and creating conditions that make it possible for people to take care of their lives. The 89% dependency ratio that characterizes the district is an antithesis to our newly found freedoms and the constitution of our land. It requires interventions that can make our people masters of their own destiny and a philosophy that will acknowledge that the inhabitants of the district are not a miscarriage of God's plan but rather a masterpiece of His creation.

The efforts of ANDA at facilitating economic development initiatives in the areas by attracting investments for the development of strategic infrastructure, promoting trade and enhancing the capabilities of business and co-operative enterprises in the districts will go a long way in creating employment for our citizens and improve their self-worth as well as the economic vibrancy of the district.

It cannot be over-emphasized that the success of ANDA and as a result that of the district is inextricably linked with that of the local municipalities, development partners and a wide range of strategic value adding partners and State-Owned Enterprises. The co-operation of ANDA with these institutions and the municipalities will be pivotal in achieving the ambitious targets that ANDA has set. Our role as the Board of ANDA in playing our oversight role cannot be overemphasized. It is in this context that we hope that the Council and the Executive Mayor will speedily assist us in appointing a full board by filling the vacant board positions with people who have the desire and skills to support management in the pursuit of the mandate and plans of the organization.

As a Board we are aware of the robust requirements that imposed on us by the Companies Act, no71 of 2008 as well as the dictates of the Municipal Finance Management Act no 32 of 2003 and are committed to at all times act in the interest of the organization above our own interests. Compliance with the law and

keeping the Governance principles enunciated in the King II and 1V codes of ethics will be our priority. To this end, the Board will continue to provide oversight and leadership to the organization through its various committees, namely the Finance Committee, Audit and Performance Committee, Risk Management Committee, the Recruitment and Human Resources Committee, the Investment Committee and other committees which may be established from time to time to provide oversight support to key areas of the organization's work. The establishment and functioning of these committees will be strengthened once the Council has appointed full time board members that are necessary to support the operations of the organisation.

In the financial year under review, some progress was achieved in trying to address some of the key strategic risks facing the entity. Amongst others, these strategic risks range from the inability to implement the mandate of the Agency, lack of stability in governance and leadership, questionable business continuity planning, limited visibility of the Agency etc.

In the ensuing period, the ANDA is committed to achieving the appropriate balance between its various stakeholder groupings in the best interests of the organization and to be transparent and accountable by ensuring effective communication with its stakeholders. We believe that this is essential for building and maintaining our stakeholders' trust and confidence.

On behalf of the ANDA, I commit management and the ANDA into a compact between the Executive Mayor and Council based on this plan for the ensuing period.

**Mrs N Mabude**

**Chairperson of the Board**



### **1.3. CHIEF EXECUTIVE OFFICER'S FOREWORD**

As we reflect on the 2018/19 financial year, I would like to take the opportunity to thank the Alfred Nzo Development Agency together with its parent municipality for affording me the opportunity to lead the administration of ANDA.

The year 2018/19 has not been without its own challenges both at governance level and at an administrative level, however the Entity gave new promise in April 2018 when it set out on a process to turn the situation around. Through the leadership of the new Board, ANDA engaged in a process that would result in a re-positioned, re-imagined and re-engineered organisation geared to respond to challenges on unemployment, poverty and low levels of skill that continue to cripple the economy of ANDM. There is hope for a new dawn.

There is an observed improvement in overall performance of the organisation as reflected in the Annual Performance Report 2018/19 when compared to the previous year. And we certainly draw new strength from our improved audit opinion from a qualification in 2017/18 to an Unqualified audit opinion for the 2018/19. We could not be more re-assured that despite of the negative encounters we have been confronted with we have all it takes to rise above and challenge the status quo. At the end of 2018/2019, financial year, we would have made giant strides towards filling-in of critical posts as one of the steps to set administrative wheels in motion towards acceleration of services to our communities. We know and we understand that for any institution to respond to the external environment the appropriate organisational architecture must be in place in order to carry out the strategy.

We are aware that much stills needs to be done and the communities of ANDM look upon us lead the process towards changing the economic outlook of ANDM. We a grateful of the overwhelming support we have received from the parent municipality as led by the Honourable Executive Mayor of ANDM Cllr Sixolile Mehlomakhulu.

It is an honour and privilege that comes with a huge responsibility, not only to turn the situation around, but also set the Entity on the right path, towards a clean administration. To the management and staff, I know that change of leadership brings anxiety and uncertainty, but this time around we must be optimistic about the future, no matter how difficult the situation might be.

As the Accounting Officer of the Alfred Nzo development Agency I am grateful to the board which comprises amongst others municipal managers from our various local municipalities, who selflessly contribute their time serving on the ANDM without any form of appreciation.

To each and every member of the ANDA team “ndibamba ngazo zozibini, ndiyabulela kuni magora nani magorakazi ako wethu”, you have displayed an incredible amount of dedication and hard work within a relative short period of time. Most of all you have demonstrated and overwhelming dedication to being wanting to be part of something new that would come and change the lives of ANDM people.

Closing the curtain on 2018/19 now gives way to a new institution that is committed to deliver on its promise. We call upon every investor from both within the private and the public sector space to not only watch this space but indeed to start recognising ANDA as the strategic development partner of choice, a new dawn indeed is upon us.

I thank you.

Ms. M Bambeni  
**Chief Executive Officer**

#### **1.4. VISION**

**“Leading a rapidly growing economy that generates wealth for its people”**

#### **1.5. MISSION**

**To facilitate inclusive and innovative socio-economic growth through promoting sustainable enterprises development and implementation of high impact initiatives**

#### **1.6. VALUE PROPOSITION**

**“An effective and innovative promoter of integrated economic development initiatives that enhance stakeholder value”**

#### **1.7. VALUES**

- Innovation
- Partnership
- Integrity
- Accountability and transparency
- Professionalism
- Agility
- Leadership

#### **1.8. MANDATE**

The mandate of the Agency is defined as follows:

- Act as the operational arm of the Municipality for the purposes of implementing economic, social and environmental policies and projects within ANDM jurisdiction;
- Develop the innovation and entrepreneurial potential and activity which supports and drives economic growth within ANDM jurisdiction;
- To leverage public and private resources and support for development around opportunities which offer economic and development potential;
- Acquire, develop and manage land and buildings necessary to provide public good, generate revenue towards self-sustainability and enable the Agency to achieve its stated aims and objectives;

- Acquire and exercise rights and duties, necessary for the furtherance of its objectives, and generally to perform such further functions as may be delegated or assigned to it by the Municipal Council from time to time

It must be highlighted that although during April 2019 board planning session, the parent municipality raised new possible considerations towards the mandate of the Entity the process towards possible revision of the mandate has still not been finalised.

### **1.9. ALIGNMENT OF THE MANDATE OF THE ENTITY WITH THE DDP AND IDP**

The District municipality has in placed a defined and adopted mandate for its Entity, ANDA. The strategic direction of ANDA in terms of key interventions is also informed by strategic documents such as the DDP, IDP and other strategic documents that influence economic development in our District. The DDP is a pioneering document that guides the District's continuous inclusive socio-economic growth towards a long-term goal; vision 2030. In order to achieve Goal 1 of the DDP which is to enable infrastructure network development within the District, the Agency is mandated to acquire, develop and manage land and buildings necessary to provide public good, generate revenue towards self-sustainability and enable the Agency to achieve its stated aims and objectives, this goal is aligned with goal 2 of the IDP which is aimed at delivering basic service and empower communities of Alfred Nzo.

Goal 3 of the DDP aspires to see an innovative District and inclusive economic growth. To that effect, the Council mandated the Agency to develop the innovation and entrepreneurial potential and activity which supports and drives economic growth within ANDM jurisdiction. This mandate was also influenced by the IDP's number one focus area; inclusive growth and development. Related to this, the DDP desires a high impact rural development for our District, especially in the field of agriculture.

Further to that, environmental sustainability is at the core of both the DDP and IDP development framework. This then complements the basis of the core business of the agency; our mandate is orientated around accelerated inclusive socio-economic development as well as environmental sustainability.

At the center of ANDA's mandate is the good governance, sound financial viability and enhanced human capital which are also fundamental goals of both the DDP and IDP.

## 2. CHAPTER 2: LEGAL & GOVERNANCE FRAMEWORK

### 2.1. LEGAL SCOPE

The Annual Report for Alfred Nzo Development Agency for the 2018/19 financial year has been prepared in terms of the section of the 121 of the MFMA which stipulates that,

*(1) Every municipality and every municipal entity must of each financial year prepare an annual report in accordance with this chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.*

*(2) The purpose of the annual report is-*

- a. To provide a record of the activities of the municipality or a municipal entity during the financial year to which the report relates;*
- b. To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
- c. To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.*

In line with the requirements of section 121 (2), the Annual Report presents a report on the activities of ANDA for the 2018/19, the report further reports on how ANDA has undertaken budget implementation during the same financial year with the key objective of enhancing accountability to the local community of Alfred Nzo District Municipality and any other interested and affected stakeholder.

*(3) The annual report of a municipal entity must include-*

- a. The annual financial statements of the entity as submitted to the Auditor-General for audit in terms of section 126 (2)*
- b. The Auditor-General's audit report in terms of section 126 (3) on those financial statements*

As required by section (126), the Annual Report of ANDA the report also includes the Annual Financial Statements of ANDA.

## **2.2. LEGISLATIVE BACKGROUND**

Alfred Nzo Development Agency is a “Municipal Entity” of the Alfred Nzo District Municipality (ANDM) which was established through a Council resolution in terms of terms of Section 76 (b) (i) of the Municipal Systems Act 32 of 2000 (MSA), which provides for mechanism by which a municipality may provide a municipal service in its area.

The Municipal Entity was further registered as a Private Company with the Registrar of Companies (CIPC) in terms of the Companies Act 71 of 2008, and in line with Section 86 (B) (1) (a) of the Municipal Systems Act (MSA) number 32 of 2000, and was mandated to act as a special purpose vehicle to drive economic development in the entire District, so as to achieve the vision of the Alfred Nzo District Council as articulated in its long term and medium term strategic planning documents.

The Municipality Entity delivers on its mandate through a Service Delivery Agreement (SDA) that is entered into between the Entity and its parent municipality. The purpose of the SDA is to formalise and regulate the working relationship between the parent municipality and its Entity’s, pursuant to the service delivery provisions of the MSA, the Companies Act and the Municipal Finance Management Act 56 of 2003 (MFMA).

## **2.3. GOVERNANCE FRAMEWORK**

The Municipal Entity is currently governed by an interim Board of Directors, which was appointed through a municipal council resolution and came into effect in November 2018. The board consists of 6 Non-Executive Directors, together with 2 municipal representatives which are designated in terms of *Section 93D (1) of the MSA* to represent the Parent Municipality as non-participatory observers at Board meetings, and to represent the shareholder’s rights and responsibilities. The Parent Municipality has a process in place that will ensure that a full-time board is appointed by 30 June 2020 that will be fully accountable to the Parent Municipality.

The MSA poses the following expectations upon the Board of Directors of the Municipal Entity:

- a) To provide effective, transparent. accountable and coherent corporate governance and conduct effective oversight over the affairs of the municipal entity;
- b) To ensure that the Municipal Entity complies with all the applicable legislation and agreements;
- c) To communicate openly and promptly with the parent municipality, and
- d) To deal with the parent municipality in good faith.

It is worth noting that during the first half of 2018/19 financial year ANDA operated without a board of directors. A number of attempts were initiated towards the recruitment of a full-time board by the parent municipality. After a public invitation was issued twice with the objective of recruiting a new fulltime board failed, the parent municipality then resolved to appoint an interim board constituted of 4 local municipality municipal managers and 2 members from the previous board. The purpose of appointing an interim board by the parent municipality, was to ensure that whilst the parent municipality was recruiting a new board member the Entity would still be able to operate at a governance level through the interim board. The interim board has had these 2 ordinary board meetings and 6 special meeting

It is most pleasing to report that although the interim board only assumed its duties at the beginning of the latter half of the 2018/19 financial year it was able achieve a number of important milestones which became solid foundation towards the improvement of the Entity in the 2019/20 financial year. The interim board successfully led a process towards the holding a strategic planning session in April 2019 with the aim to achieve the following objectives:

- To Re-imagine role of ANDA in the next 10 years & beyond
  - ✓ Consider various scenarios that position ANDA as an SPV driving inclusive economic development in the region aligned to implementing relevant key elements of the District Development Plan (DDP) Vision 2030
  - ✓ Consider a new and improved ANDA value addition to the future ANDM
- To Rewrite of the ANDA Mandate by the parent municipality
  - ✓ Incorporate the DDP assumptions and mandate
  - ✓ Rethink the mandate of ANDA into a long-term thinking
- To Develop a key high-level input to a new ANDA Multi-Year Business Plan 2019 – 2024
- To Consider progress made and appropriate way forward against the ANDA's Support Plan
- To Table the budget for the 2019/2020 financial year
- To Consider the status of the Development Agency in relation to progress made on addressing Internal Audit (AI) findings and findings as contained in the Auditor General (AG) Findings and developed Action Plan

Indeed, the outcome of this board planning session alone has led to the significant improvement within a limited period of time which included some of the following key achievements:

- Development of a new Multi-Year Business Plan (2019-2022) which represented development aspirations of the economy of Alfred Nzo which pursue goals of infrastructure and economic development that would translate into employment creation, skills development and income generation.
- During the session the parent municipality presented new considerations towards the mandate of the Entity, whilst appreciation was given to the significant progress made against the ANDA support plan that was adopted by the Council of ANDM with the objective to implement immediate improvement plans in support of ANDA
- The detailed status quo analysis which included an analysis into areas that would lead an improved audit opinion helped significantly and effectively ensured that objective was achieved.

Therefore during the 2018/19 financial year although the year for the first half of the year there was a corporate governance gap, the Board endeavoured to deliver on the core mandate bestowed over the Entity in line with all applicable regulation and legislation, and in adherence to the best practise models and principles of good governance, as articulated in the King IV Code of Good Governance. In 2018/19 the Board operated through the Risk Committee and Audit and Performance Committee and Performance Committee which have been established through a shared service with the parent municipality.

The Board of Directors operated independently, impartially with separate authority from the Chief Executive Officer (CEO). The Board lead the process of organizational oversight whilst the CEO and the later the Acting CEO took responsibility for the operations of the organization including the supervision and management of staff.

## **2.4. CORPORATE GOVERNANCE STRUCTURE**

The Municipal Entity is currently governed by an interim Board of Directors, which was appointed by ANDM Council and came into effect in September 2018. The board consists of 6 Non-Executive Directors, together with 2 municipal representatives which are designated in terms of Section 93D (1) of the MSA to represent the Parent Municipality as non-participatory observers at Board meetings, and to represent the shareholder's rights and responsibilities. The Parent Municipality has a process in place that will ensure that a full-time board is appointed by 30 June 2020 that will be fully accountable to the Parent Municipality.

The Board is primarily responsible for amongst other things reviewing and setting policies of the organization, approving and determining the organizational structure of the organization, setting and approving the strategic direction of the organization, appointing, supervising and appraising the CEO, approving annual business plans and budgets, stakeholder relationships and evaluating the organization's

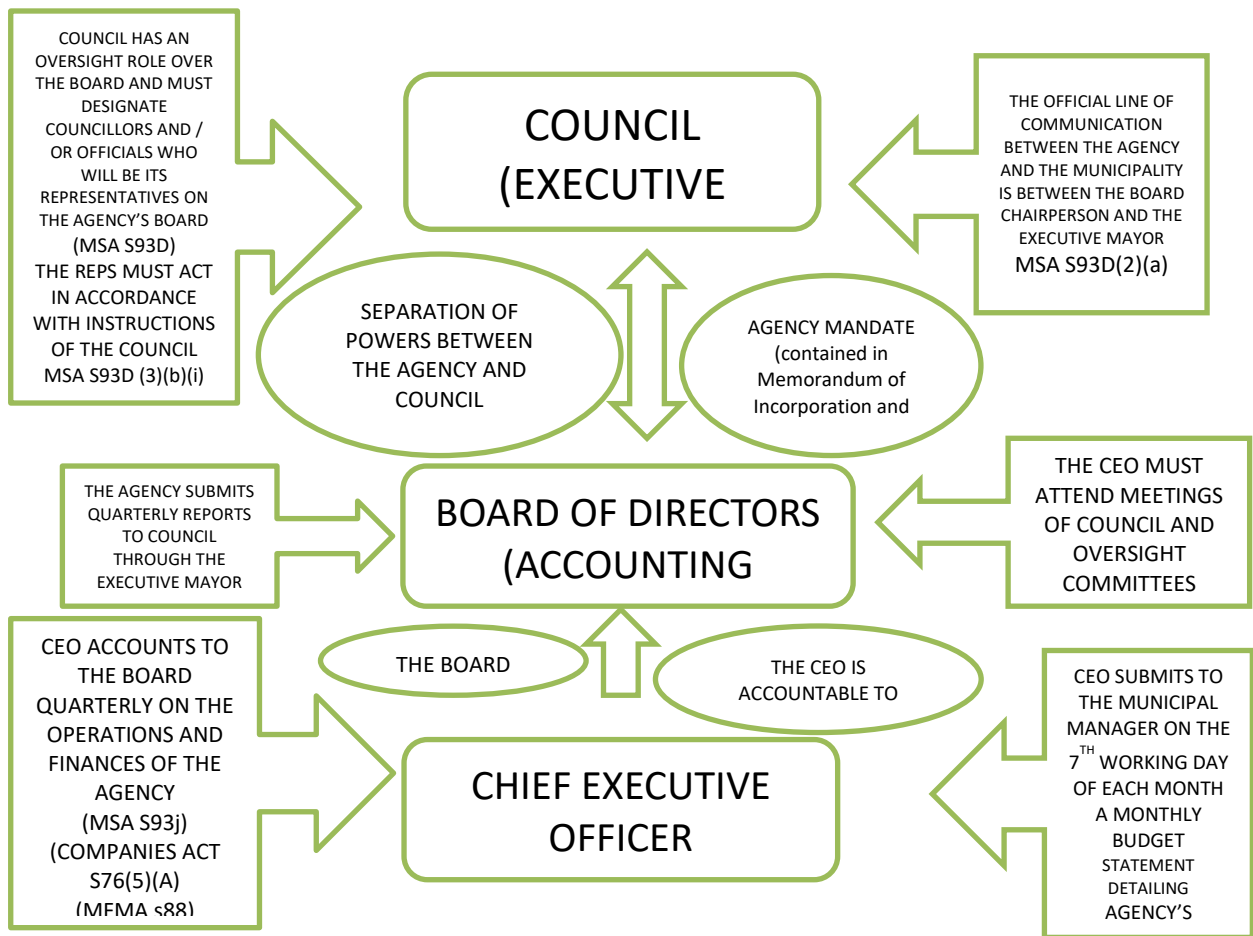


performance. Further to that, it is also responsible for reviewing and approving the Annual Financial Statements of the organization as well as ensuring that the dictates of the Municipal Finance Management Act are observed. The Board is also encumbered to providing regular reports (quarterly) to the Executive Mayor and to the Council about the operations of the organization.

The Board is therefore expected to deliver on the core mandate bestowed over the Entity in line with all applicable regulation and legislation, and in adherence to the best practise models and principles of good governance, as articulated in the King IV Code of Good Governance.

The Board of Directors is independent, impartial and has a separate role and authority from the Chief Executive Officer (CEO). The Board is responsible for organizational oversight whilst the CEO is responsible for the operations of the organization including the supervision and management of staff. The relationship between the parent municipality and the Agency is governed through a service level agreement.

The figure 2.4.1 below further depicts the relationship between the board, the parent municipality as the executive authority, the Board as the accounting authority and the accounting officer.



**Figure 2.4.1: Governance Framework**

#### 2.4.1. ANDA BOARD MEMBERS AND COMMITTEES

The Board is primarily responsible for amongst other things reviewing and setting policies of the organization, approving and determining the organizational structure of the organization, setting and approving the strategic direction of the organization, appointing, supervising and appraising the CEO, approving annual business plans and budgets, stakeholder relationships and evaluating the organization's performance. Further to that, it is also responsible for reviewing and approving the Annual Financial Statements of the organization as well as ensuring that the dictates of the Municipal Finance Management Act are observed. The Board is also encumbered to providing regular reports (quarterly) to the Executive Mayor and to the Council about the operations of the organization.

The below table shows the full members of the interim Board of Directors for the period under review.

Initial and Surname	Capacity	Qualifications
1. Ms N Mabude	Interim Non-Executive Director	
2. Mr M. Mthimkhulu	Interim Non-Executive Director	
3. Mr G.T Nota	Interim Non-Executive Director	
4. Mr L. Mahlaka	Interim Non-Executive Director	
5. Dr. D Nakin	Interim Non-Executive Director	
6. Ms L. Nonyongo	Interim Non-Executive Director	

Together, the ANDA directors have a range of different skills and experience that they bring to bear for the benefit of the entity. These include accounting, finance, legal, business management, human resources and labour relations, marketing and development management. The Board meets regularly, retains full and effective control over the company and monitors the implementation of the company's strategic programmes by the executive management through a structured approach of reporting and accountability. It sets the strategic direction of the ANDA and monitors overall performance.

## 2.4.2. ORDINARY AND SPECIAL BOARD MEETINGS

The tables above depict attendance meeting schedule for both the ordinary and special Board sessions.

### ORDINARY BOARD MEETING ATTENDANCE SCHEDULE

BOARD MEMBER	MEETING 20/12/2018	MEETING 27/06/2019	STRATEGIC PLANNING SESSION
Ms N Mabude	✓	✓	✓
Mr M. Mthimkhulu	✓	✓	✓
Mr G.T Nota			✓
Mr L. Mahlaka		✓	✓
Dr. D Nakin			✓
Ms L. Nonyongo		✓	✓
Mr S Mbabane	✓		
Mr T Diko (Executive CEO)	✓		
Mr L Bam	✓	✓	✓
Ms M Bambeni (Acting CEO)		✓	✓

### SPECIAL BOARD MEETING ATTENDANCE SCHEDULE

BOARD MEMBER	17/01/2019	21/01/2019	04/02/2019	21/02/2019	19/03/2019	03/04/2019	24/04/2019	27/06/19
Ms N Mabude	✓	✓	✓	✓	✓	✓	✓	✓
Mr M. Mthimkhulu	✓	✓	✓	✓	✓	✓		
Mr G.T Nota		✓					✓	✓
Mr L. Mahlaka		✓	✓	✓	✓	✓		
Dr. D Nakin	✓	✓				✓		
Ms L. Nonyongo	✓						✓	✓
Mr S Mbabane	✓							
Mr L Bam	✓	✓	✓					✓
Mr T Diko( CEO)				✓		✓		
Ms M Bambeni Acting CEO							✓	✓

### 2.4.3. AUDIT AND PERFORMANCE COMMITTEE

The Committee which is a shared function with ANDM is constituted in terms of section 166 of the Municipal Finance Management Act, 56 of 2003. It is an independent body that reports to the Board of Directors to assist the Board in discharging its duties relating to safeguarding of assets, the operation of adequate system of controls, risk management, governance processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

Chairperson: Mr T.W Mgidlana

Members: Ms. N. Mba, Mr. Z. Zulu, Mr S Nelani and Mr. S. Mbabane

The Audit and Performance Committee's responsibility is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving risk management, accounting, auditing, financial reporting, internal control and financially related legal compliance functions.

The Audit Committee is guided by its approved Charter which describes its roles and responsibilities. Within this context the Audit and Performance Committee may consider any other matter referred to it by management, provided that such matters are legitimate and they fall within parameters set in the Audit Charter.

The Audit and Performance Committee will consider, review, comment upon/ or make recommendations and advise as far as is necessary to the Board on the following areas:

- Internal Audit and other Audits,
- The External Audit Function,
- Risk Management,
- Performance Management,
- Information Technology (IT) Governance,
- Dealing with Adequacy, reliability, and accuracy of Financial reporting and information

Although this committee experienced some challenges here and there, this was the most effective committee. This is evidenced in the number of meetings set and the reports presented to the Board.

#### AUDIT AND PERFORMANCE COMMITTEE ATTENDANCE SCHEDULE

AUDIT COMMITTEE MEMBER	MEETING 19/11/2019	MEETING 14/01/2019
Mr T.W. Mgidlana	✓	✓
Ms N Mba	✓	✓
Mr Z Zulu	✓	✓
Mr S Nelani	✓	✓
Mr S. Mbabane	✓	✓

## **2.5. STRATEGIC RISK ASSESSMENT**

This section shows the status of the strategic risks which were identified in the ANDA 2018/19 risk assessment. As we close the curtain of the 2018/19 FY, ANDA observes, although not significant but some progress in trying to reduce strategic risks exposure facing the entity. During 2018/19, the capacity of ANDA to implement its mandate has come under question as a result of poorly defined roles and responsibilities and financial constraints facing the entity. As a result, in the Strategic Planning Session of the entity held during April of 2019, the issue of financial constraints facing ANDA and the need to better clarify roles and responsibilities was one of the major engagements of the session. The objective was to find lasting solution to this challenge facing the entity.

Furthermore, the ability of ANDA to continue as a going concern was identified as major strategic risk in terms of the 2018/19 ANDA risk assessment. This is another critical risk which dominated engagement of the Board Planning Session and as one of the first mitigating measures, the Board implemented the recruitment of an accounting officer whilst the parent municipality continued to implement its support plan as way of ensuring ANDA overcomes its challenges. Risks associated with business continuity were also addressed through the development of the new Multiyear business plan 2019/20 and further aligning that plan to the District strategic agenda as articulated in the IDP and DDP.

Lack of stability in governance and leadership was cited as one of the critical risks, however the appointment of the interim Board by the parent municipality became one of the significant interventions that resulted in significant reduction of exposure associated with this risk.

An assessment was undertaken to ascertain the organisational appropriateness of the institutional structure of the entity. It was established that there was relatively high vacancy rate and lack of regular review of the organisational structure of the entity, to this end it was resolved that major critical positions must be filled urgently.

### 3. CHAPTER 3: ALFRED NZO DISTRICT SOCIO – ECONOMIC PROFILE LOCATION

The Alfred Nzo District is in the North-Eastern part of the Eastern Cape Province in South Africa, as shown in Figure 2 below. The District forms part of the Eastern Cape Province's boundary with the Kwa-Zulu Natal province, and has strong functional linkages with KZN towns, such as Kokstad and Port Shepstone. The District borders the Kingdom of Lesotho to the north and the district of OR Tambo in the Eastern Cape and Harry Gwala District in Kwa-Zulu Natal.

The N2 national corridor runs in a north-south direction and serves as the main access route to the District. It is also worth noting that there is a new access route called the N2 Wild Coast which is currently under construction and will run across the Mbizana Local Municipality in the District. Despite this strategic location of the area in relation to the N2, the Alfred Nzo District has remained a peripheral economy to these two provinces. The District is constituted of Umzimvubu, Matatiele, Mbizana and Ntabankulu Local Municipalities. The District consists of 31 wards in Mbizana Local Municipality, 27 wards in Umzimvubu Local Municipality, 18 wards in Ntabankulu & 26 wards in Matatiele Local Municipality.



Figure 1: Alfred Nzo in the Eastern Cape Province

Source: ANDM IDP 2017-2022

### 3.1. DEMOGRAPHICS

The following table gives an indication of the demographic's patterns of the Alfred Nzo District:

Table 4.1: Demographics patterns of Alfred Nzo District

<b>Demographics</b>	<b>2011</b>		<b>2016</b>	
<b>Alfred Nzo</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
<b>Population</b>	801,344	100.0	867,864	100.0
Black African	794,382	99.1	862,589	99.4
Coloured	3,307	0.4	3,647	0.4
Indian or Asian	1,132	0.1	598	0.1
White	1,898	0.2	1,030	0.1
<b>Population by home language</b>				
Afrikaans	6,716	0.8	1,757	0.2
English	18,090	2.3	3,427	0.4
IsiXhosa	673,519	84.6	752,214	88.8
IsiZulu	9,954	1.2	5,631	0.7
Sesotho Other	69,811	8.8	81,265	9.6
<b>Number of households</b>	187,183		195,975	
<b>Households size</b>	4.3		4.4	
<b>Gender</b>				
Male	366,488	45.7	397,206	45.8
<b>Population by age</b>				
0 - 14	327,704	40.9	345,624	39.8
15 - 34	264,442	33.0	340,753	39.3
35 - 64	159,685	19.9	113,039	13.0
65 +	49,514	6.2	68,448	7.9

**Source: ANDM IDP 2017-2022**

The population dynamics of a District are of paramount importance in addressing developmental needs of a society. The population growth, ageing population, migration and urbanisation all present important developmental challenges and opportunities that have direct and indirect implications for social, economic and environmental development.



**Development Implications:**

*These dynamics in the population structure affect macro-economic factors such as consumption, production, employment, income distribution and poverty. The changes in the population structure influence universal access to social services such as health, education, sanitation, water, food and energy.*

Proper planning for population dynamics will therefore ensure that the wellbeing of both the current and the future generation is promoted with the motive of advancing sustainable development. In analysing the population dynamics, it is essential to look at factors such as urbanisation, migration, fertility, mortality, life expectancy as well as the age structure of the population as they give insight into the living standards of the population and an indication of what policy options should be undertaken according to the structure of the socio-economic context. These factors will give an indication about the estimated number of people who are dependent on government for transfers as well as the number of people who are economically active. These factors also play an essential role in the efficient allocation of resources at all spheres of government.

The analysis and results of this section were used by the development Agency as critical status quo analysis that formed the basis upon which the Multi-Year Business Plan was developed and against which the annual report it developed to reflect on any progress in any towards the reduction of poverty and vulnerability among marginalized people in the District.

The following lessons are derived from the demographics of Alfred Nzo District:

- ✓ According to Statistics South Africa, Alfred Nzo's total population has grown from 801 344 people in 2011 to 867 864 people in 2016 (See Table 1 above). This population of 867 864 represents 12% of the Eastern Cape total population.
- ✓ Between 2011 and 2016, the Alfred Nzo District population grew by 8.3%.
- ✓ In 2016, the district has more female (470 658) than male (397 206), however male population has grown faster at 8.4% than their female counterpart at 8.2%.
- ✓ Between 2011 and 2016, the population growth was high in Mbizana at 13.5% and low in Ntabankulu at 3.9%. In Umzimvubu and Ntabankulu, the female population grew by 3.6%.

### 3.2. ECONOMIC PROFILE

This section presents a brief snapshot of Alfred Nzo District's economy. It looks at the structure and performance of the economy, its features, dynamics, potentials of key sectors, and economic trends. It includes a sectorial analysis and makes reference to selected key sectors which are major contributors to the economic activity of the district and drivers of the Alfred Nzo District economic growth.

The economy of Alfred Nzo District is dominated by the public sector, accounting directly for 46% of the municipal economy, compared to 15% for the country as a whole. The business sector is mainly trade and other services, while the productive economy (agriculture, manufacturing and construction etc.) is very small. The District economy is consumptive rather than productive.

The total value-added of the Alfred Nzo District economy is about R50 billion a year. Formal employment is about 50,000 jobs and there are also about 27,000 informal jobs. Matatiele LM has the largest economy and Ntabankulu has the smallest.

About 90% of households in ANDM are poor, unemployment is rife (particularly among the youth), and business employment is extremely small in relation to the working age population (and probably not showing much growth). Most households rely on social grants and remittances to avoid extreme hunger.

Alfred Nzo IDP acknowledges the following challenges facing the district:

- ✓ High rate of unemployment;
- ✓ High poverty rate;
- ✓ Low income levels;
- ✓ Skills shortage;
- ✓ Slow average economic growth;
- ✓ Transformation on the ownership of land is slow;
- ✓ Slow delivery on Land Reform Programme;
- ✓ Land use planning: sparsely distributed population and topography resulting in costly provision of services;
- ✓ Limited economic potential in rural areas/poor investment in the area due to land under the Traditional Authority (Communal Land Tenure);
- ✓ Environmental health and management related issues;
- ✓ High prevalence of HIV/AIDS;
- ✓ Absence of tertiary education facilities;

- ✓ Poor access to Health Care facilities;
- ✓ High number of children headed households

In light of the above socio-economic status analysis ANDA has the responsibility of ensuring that the above socio-economic indicators improve.

Table 7 below presents a summary of the selected key economic indicators for Alfred Nzo District.

- ✓ In 2015, the total production (Output) of goods and services in Alfred Nzo was R18 671 million.
- ✓ The input cost (Intermediate consumption expenditure) used to produce those goods and a service was R8 859 million.
- ✓ The difference between Output and input (Also called Gross Value Added) was R9 812 million.
- ✓ 57% of GVA was used as Compensation of Employees (CoE) and 41% as Gross Operating Surplus (GOS)
- ✓ The input cost accounts for 47% of total production output and the GVA for 53%

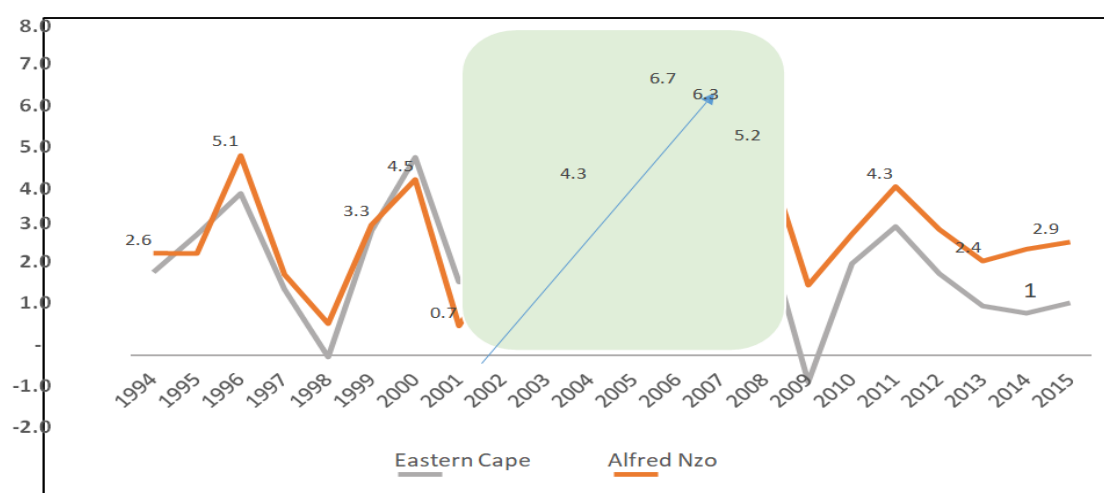
Table 7: Selected key economic indicators: Alfred Nzo, 2015 (R millions at constant 2010 prices)

Municipality	Real Gross Valued Added at basic	Real Compensation of employees	Real Operational Surplus	Real output at basic prices
Alfred Nzo	9,812	5,595	4,017	18,671
Umzimvubu	2,728	1,640	1,041	5,096
Matatiele	3,524	1,909	1,536	6,787
Mbizana	2,663	1,508	1,098	5,139
Ntabankulu	897	538	342	1,650
<b>Eastern Cape</b>	<b>210,006</b>	<b>118,328</b>	<b>87,165</b>	<b>469,860</b>

Source: ANDM IDP 2017-2022

GDP in Alfred Nzo District has grown dramatically between 2003 and 2007; it reached a pick of 6.7% growth in 2007. High performance was offset by recession in 2008/2009. Since then, growth in the district has stagnated above 2 percent. Overall, the district has performed above the province (See Figure 5).

Figure 5: Alfred Nzo economic performance and trends: GDP growth rate between 1994 and 2015



Source: ANDM IDP 2017-2022

### Economic challenges in Alfred Nzo.

The Alfred Nzo District has various economic challenges. The economy is highly dependent on Government and community services sectors. This is an indication of limited private sector presence throughout the district. Another persisting challenge is about how to achieve a more equitable distribution of economic development opportunities when a greater number of the population reside in less economically developed areas and experience an ever-deepening poverty cycle. Hence, the need to diversify the economy so that other productive sectors can be enhanced, especially sectors that have direct impact to poverty, such as agriculture.

The economy of Alfred Nzo District is dominated by the service sector, while productive sectors (Agriculture, Mining, Manufacturing, construction etc.) have remained very insignificant in terms of their contribution to the district GDP. This implies lack of local economic development initiatives in the district in the GVA sectors. However, the country and the district have a LED strategy in place which seeks to change the status quo of the District through LED integrated efforts of various spheres of government.

## 4. CHAPTER 4: INSTITUTIONAL PERFORMANCE SUMMARY

This section provides summary of the institutional performance achievements, challenges and measures taken to improve performance during the 2018/19 financial year in line with the planned SDBIP targets and in relation to the various Department s of the Entity.

**Table 5 Overall Performance**

Department	Total No. of Targets	Targets Achieved	Targets Not Achieved	% Achieved	% Not Achieved
Office of the Chief Executive Officer	5	3	2	60	40
Corporate Services	7	6	1	86	14
Budget & Treasury Office	7	6	1	86	14
Programmes	7	5	2	71	29
<b>Total</b>	<b>26</b>	<b>20</b>	<b>6</b>	<b>77%</b>	<b>23%</b>

- During the 2018/19 financial year ANDA achieved 77% of the targets that had been set and approved in line with the SDBIP by the board, 23% of the targets that had been planned could not be achieved.
- It is worth noting that Department s that performed well during the 2018/19 financial year are input Department s such as the Budget and Treasury Office and the Corporate Services Department.
- The programmes Department as an output Department also achieved at least two thirds of the targets it had set to achieve.

### 4.1. OVERVIEW OF THE CHALLENGES

The operations of ANDA are constrained and/or threatened by a number of factors that operate in its authorising environment. The following are some of the challenges that impacted negatively on the performance of the Entity:

- ANDA budget is currently financed generally through a grant transfer from the parent municipality and grants from the SETAs. For the past at least 3 financial years ANDA has not been able to receive an increase in its budget allocation from the parent municipality. This poses a challenge as the cost of operations has over the years continued to increase. Notwithstanding the directive given to ANDA to become self-sustainable and financially viable, given that company that is able to generate its own

revenue ANDA is not a profit-driven from business activities this means there will always be a need for the District to invest in its Entity and investment will be utilised as leverage for further investment attraction. Financial instability of ANDA poses, a serious threat to the sustainability of the entity and its Business operations.

- ANDA has further demonstrated some weaknesses which might compromise its organisational performance. These challenges ranges from the fact that the institution has been under the guidance of the interim Board for some time without a full time Board from a compliance and a governance perspective this poses a strategic risk to the Entity.
- The full implementation of Municipal Standard Chart of Accounts (mSCOA) remains one of the biggest challenges facing the Entity and more focus should be directed towards its implementation particularly at a management level. At the end of the financial year it can be reported that ANDA was not mSCOA compliant which is a critical non-compliance as mSCOA compliance is a requirement as set by National Treasury.
- During the 2018/19 the Internal Audit raised audit findings in relation to the alignment of the strategic of ANDA and also in relation to the alignment of ANDA planning documents to that of the parent municipality strategic direction as articulated in the DDP and IDP of ANDM.
- According to Regulation (29)(2) a Bid Adjudication Committee must comprise of at least four senior managers however in terms of the ANDA organogram the Development Agency only has 3 senior managers, meaning the Agency is not able to fulfil this requirement due to organisational architectural issues.
- ANDA board currently operates through two committees of the board, the Risk Committee and the Audit and Performance Committee. There are other committee that should be in place including the HR Committee, the Trade and Investment Committee and the Social and Ethics Committee.
- Although the Programmes Department performed relatively well at the end of the 2018/19 it must be highlighted that a need was identified to improve the nature of initiatives that are implemented in order to ensure that for every initiative that is implemented, that initiative contributes towards the improvement of the economic indicators of ANDM as stated above.

#### **4.2. MEASURES TAKEN TO IMPROVE PERFORMANCE**

- Although there were challenges experienced by the municipal entity during and at the end of the financial year, it is must be noted that various efforts have gone into trying to address those challenges. ANDA remains committed to improve on its good governance, accountability and its disclaimer status from previous year.

- This is evident through migration from Corporate Plan to a Multi-Year Business Plan and from the Annual Performance Plan to the Service Delivery and Budget Implementation Plan. This was in response to audit findings raised by internal audit. During the special budget adjustment that took place in April ANDA utilised that opportunity to address critical issues that were raised by internal audit.
- At the end of the financial year ANDA had a relatively high vacancy rate with critical senior management positions still not filled.
- During the 2017/2018 audit, Auditor General raised issues pertaining to the Implementation of the Performance Management System. In addressing this matter, the agency has revised its PMS framework which is aimed at improving the organizations' performance. PMS Framework has been approved by the Board with all other policies.

## 5. CHAPTER 5: PERFORMANCE MANAGEMENT PROCESSES

ANDA Board approved PMS Framework for the Agency, Performance Management is a process which measures the implementation of the organization's strategy. It is a management tool used to plan, monitor, measure and assess performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the Entity. It is the primary mechanism used to monitor, review and improve the implementation of the Multi Year Business Plan, and measures the progress made in achieving the objectives as set out in the Multi-Year Business Plan.

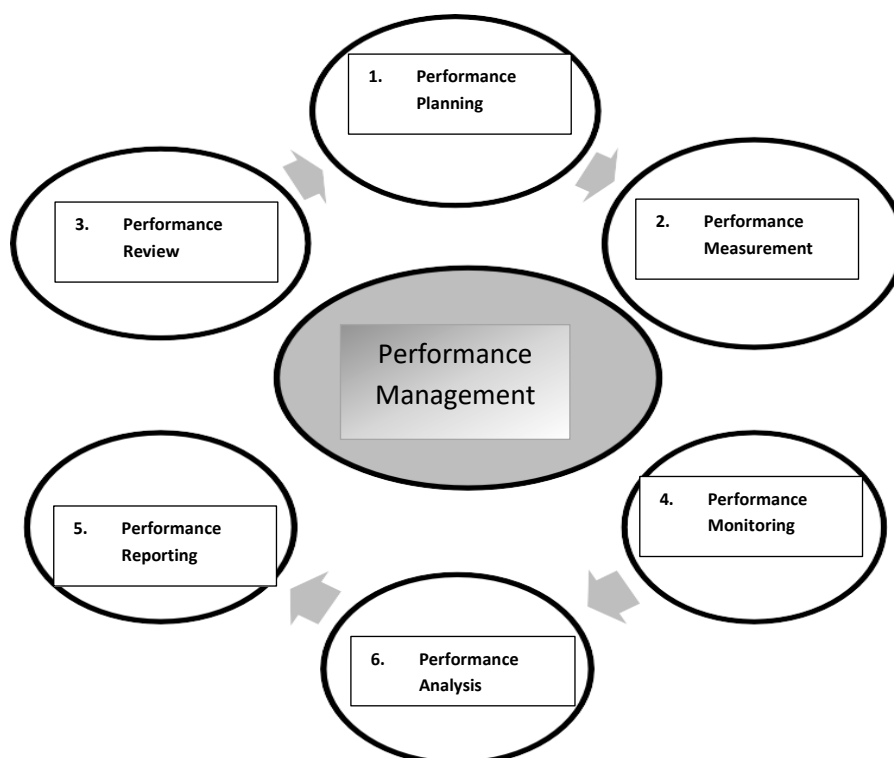
The PMS process plan includes the following objectives that the system should in addition fulfill:

- The system provides a mechanism for ensuring increased accountability between the local community, Executive Mayor, the Board of Directors and the entity's management team.
- It facilitates learning in order to enable the entity to improve delivery.
- The system ensures that decision-makers are timeously informed of performance related risks, so that intervention can be facilitated timeously, if necessary.
- The system provides appropriate management information that will allow efficient, effective and informed decision-making, particularly on the allocation of resource

The annual process of managing performance at organizational level at ANDA involves the steps as set out in the diagram below:

Diagram 6.1: Organizational Performance Management System

Source: ANDA PMS Framework 2018/19





In the period under review, the Agency was faced with some limitations with regards to reporting, mainly emanating from issues relating to inconsistency in reporting and misalignment with the parent Municipality's reporting. Quarterly reviews, monitoring of performance could not adequately addressed during to a number of factors including the entity not having a board for the first half of the year in 2018/19. Furthermore, individual PMS could not be implemented either. To that effect, the parent developed an Action Plan citing intervention by the parent in support of the Agency. Part of the interventions included implementation of the Audit Action Plan recommendations in order to improve performance management and reporting. The annual process of managing the performance of the Agency therefore include performance planning, measurement, analysis, reporting, performance reviews and performance auditing.

It is obligatory for the Board of Directors in terms of the Systems Act to report to Council on the performance of the Agency as follows:

- Quarterly Performance Reviews as specified in Section 52(d) of the MFMA
- Mid Term Performance Review as specified in Section 88 of the MFMA
- Annual Performance Reviews as stipulated by section 46 of the MSA
- Annual Reporting as per Section 121 of the MFMA

Even though there were limitations as specified above, the Agency has undertaken to submit the Reports accordingly to the Agency Board of Directors and ANDM Council respectively.

## 6. CHAPTER 6: PERFORMANCE AND SUPPORTING INFORMATION

Although we have structured ourselves to deliver the services required, we could not deliver in all instances due to a number of challenges which will be further outlined in this section. Nevertheless, we continuously strive to deliver on the objectives and targets approved by the ANDA Board.

In 2018/19 financial year ANDM approved an institutional Budget for ANDA. The institutional budget which was prepared in terms of Section 87 of the MFMA is supported by a Multi-Year Business Plan 2019/22. In order to operationalise the Budget and the Multi-Year Business of the institution for the 2018/19 financial ANDA developed and approved an SDBIP 2018/19. The Annual Report for 2018/19 has been prepared in consideration of the ANDA planning documents as approved by the board and the parent municipality. It is worth noting that during April 2018 ANDA implemented a special budget adjustment which was aimed at ensuring that the budget of ANDA remains cash backed, therefore in line with those processes an adjusted SDBIP and Multi-Year Business Plan for 2018/19 was developed and approved by the Board. These adjusted documents became the final documents against which all financial and non-financial reporting would be based for 2018/19 financial year.

As outlined above ANDA provides service delivery to the people of ANDM in line with the mandate that was given to ANDA by the parent municipality. Furthermore, in conducting its business ANDA has aligned its strategic direction to that of the IDP of the parent Municipality. The Entity therefore is structured to respond to the following national KPAs:

- ***Service Delivery and Infrastructure Development and Local Economic Development*** these key performance areas are defined by projects that are cross-cutting and multi-disciplinary in nature within the context of the mandate of the Entity. Projects that fall within these KPAs seek to provide enabling infrastructure for economic development to take place, whilst targeting sustainable job creation, skills development and income generation. These KPAs essentially represent the key and core business of ANDA as a service delivery arm of ANDM.
- ***Municipal Financial Viability***, through its budget and Treasury Officed the municipality entity has established a Department that is aimed ensuring that the entity remains financially viable and compliant in line with the governance requirements of the MFMA.
- ***Municipal Transformation and Institutional Development***, this KPA is fulfilled through a Corporate Services Department that has been established within the Entity to fulfil all related requirements.

- **Good Governance**, this KPAs is driven through the Office of the CEO mainly through the Internal Audit and the Risk Function. It is worth noting that the scope of the Office of the CEO is not limited to Governance however the Office in charged with ensuring that other KPAs of the entity are adequately implemented.

Table 6.1 below depicts the overall performance of the municipal entity during the 2018/19 financial year.

**Table 6.1 ANDA Overall Performance and 2017/18 Comparatives**

OVERALL PERFORMANCE AND COMPARATIVES											
					2018/19		2017/18		2016/17		
<b>National KPA</b>	Departm ent	Total No. of targets	Achieve d	Not Achiev ed	% Achiev ed	% Not Achieve d	% Achieved	% Not Achieved	Total Targets	Achieved	Not achieved
Good Governance and Public Participation	Office of the Chief Executive Officer	5	3	2	60%	40%	N/A	N/A	N/A	N/A	N/A
Municipal Transformation and Institutional Development	Corporate Services	7	6	1	86%	14%	82%	18%	9	66%	34%
Service Delivery and Infrastructure Development and Local Economic Development	Program mes	7	5	2	71%	29%	29%	71%	18	88%	12%
Municipal Financial Viability	BTO	7	6	1	86%	14%	80%	20%	15	80%	20%
<b>Total</b>		<b>26</b>	<b>20</b>	<b>6</b>	<b>77%</b>	<b>23%</b>	<b>68%</b>	<b>32%</b>	<b>42</b>	<b>81%</b>	<b>19%</b>

- During the 2018/19 financial year, ANDA has a total of 26 targets that had been set be achieved during the financial year, 20 of those targets were achieved and 6 of the targets were not achieved. Therefore, this means that ANDA achieved 77% of the set targets for the financial year and 23% of the planned targets for the financial year were not achieved. This is an improvement from the overall achievement of 68% which was achieved in the previous financial year.
- The Office of the CEO achieved 60% of the set targets and 40% were not achieved.

- The programmes Department achieved 71% of the targets that had been planned and approved, 29% of the targets were not achieved. This is a significant improvement from an overall performance of 29% for the previous year.
- The Budget and Treasury Office achieved 86% of its targets and 14% of those targets were not achieved. The Budget and Treasury Office also improved from the 80% during the 2017/18 financial year.

**Table 6.2: Traffic Light Status of ANDA**

<i>Traffic Light Status</i>	<i>2016/2017 Performance</i>	<i>2017/2018 Performance</i>	<i>2018/19 Performance</i>
<i>Blue – Performance targets exceeded</i>	<i>None</i>	<i>None</i>	<i>None</i>
<i>Green – Performance target met</i>	<i>81%</i>	<i>68%</i>	<i>77%</i>
<i>Red – Performance target not met</i>	<i>19%</i>	<i>32%</i>	<i>23%</i>

Over the 3 past financial years including the 2018/19 financial year, there has been no evidence to support exceptional performance or performance that exceeded the set targets. However a already reported there is a notable improvement for and overall achievement of 77%% in terms of performance targets that have been met from 68% during the 2017/18 financial year. Performance targets that have not been met have been reported as 23% for the 2018/19, therefore there has been demonstrated improvement of 9% in overall institutional performance of the municipal entity.

## **7. CHAPTER 7: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

At planning stage seven targets were planned. six targets were achieved and one was not achieved due to non-appointment in 5 vacancies that were advertised. The target that was not achieved will be achieved in the next financial year. This Department also has shown drastic improvement and this is due to the fact that most of its targets did not require funding.

The Corporate Services Department achieved 86% of its targets for the financial year and 14% was not achieved. There has been an improvement in the performance of the Corporate Services Department from 82% overall achievement in the 2017/18 financial year.

### **7.1. PERFORMANCE HIGHLIGHTS FOR 2018/19**

- The Corporate Services Department displayed good overall performance during the 2018/19 financial year notwithstanding that the Department was operating without an Executive Manager Corporate Services.
- Through the efforts of a Human Resource Practitioner the Department successfully led the process of recruiting and filling of a critical senior management position which was much needed in order to lead to the institution into a new dawn
- During the Strategic Planning Process that was held in April 2018 the Corporate Services Department successfully facilitated the process towards the review of institutional policies, which is an important compliance issue.

#### **7.1.1. CHALLENGES**

- Critical challenges for this Department during the 2018/19 included the vacancy of the Executive: Manager Corporate Services. This meant that certain critical functions of the Department could not be met.

#### **7.1.2. MEASURES TAKEN TO IMPROVE PERFORMANCE**

- The position of Executive Manager Programmes was advertised and the recruitment process has almost been concluded in an effort to close this critical gap.

## 7.2. HUMAN RESOURCES POLICIES:

One of the key responsibilities of the Municipal Entity's Board of Directors is to ensure that the Entity has approved and implemented policies in place, these policies are there to govern and regulate the Entity's operations. During the financial year under review the Entity's interim Board of directors reviewed and adopted the HR Policies in-line with relevant pieces of legislations.

In 2018/2019 financial year Human Resources Division had 25 policies that have been approved by the Entity's interim Board.

*Table 7.2.1. below are the policies that governs human resources unit of the Entity:*

No	Name of Policy	Completed %	Reviewed %	Date of approval by the Board	Comments and Way forward
1	Recruitment and Selection policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
2	Dress Code policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
3	Sexual Harassment policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
4	Induction policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
5	Career Succession policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
6	Bereavement policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board

7	Employment Assistance policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
8	Relocation policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
9	HIV and AIDS policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
10	Leave policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
11	Leave Encashment policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
12	Occupational Health and Services	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
13	Remuneration policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
14	Code of conduct	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
15	Cellular phones and data usage	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
16	Experiential Policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
17	Termination of Service	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board

19	Bursary Scheme policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
20	Subsistence and Travel Policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
21	Training and Development Policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
22	Retention policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
23	Acting Allowance policy	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
24	PMS Framework	100%	100%	April 2019	Policy was implemented, reviewed and adopted by the Board
25	Employment Equity Policy	100%	100%	June 2019	Policy was implemented, reviewed and adopted by the Board

### 7.3. INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

All ICT licences that were due for renewal during the 2018/19 financial period were renewed together with their service level agreements. It should be noted that the Entity systems including software's and applications has to be legit and licenced in compliance with ICASA regulations relating to ICT systems licencing. The Entity ICT infrastructure runs on latest technologies with latest system version and is being maintained and supported.



#### **7.4. EMPLOYMENT EQUITY**

The Employment Equity Act, 55 of 1998, ("the EEA") applies in its entirety as the act championing employment equity and all matters related thereto specifically through the prohibition and elimination of unfair discrimination and the measures designed to achieve employment equity. It lists the following grounds into which unfair discrimination (i.e. discrimination not aimed to advance employment equity) may not take place: race, gender, sex, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age disability, religion, HIV status, conscience, belief, political opinion, culture, birth and language.

The Entity Board has approved the Employment Equity Policy on the 27 June 2019, the purpose of this Policy is to address the issues of inequality within the Institution in line with Employment Equity Act number 55 of 1998. In line with implementation of employment Equity Policy on implementing equity programmes the entity has reviewed and adopted its policies. In terms of addressing the affirmative issues on appointment the Entity has appointed 3 female Senior Managers out of 4 Positions that are on the approved Organisational structure of the Entity. The majority of workers within the institution are young women.

## **8. CHAPTER 8: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT AND LOCAL ECONOMIC DEVELOPMENT**

The Department is charged with driving Goal 1 and Goal 2 which is Sustainable Inclusive Economic Growth and Economic infrastructure development respectively. That being the case, the Department therefore is responsible for facilitating the implementation of the core business of the municipal entity. Although these goals' key objective is to drive economic and infrastructure development, it must however be emphasised that all strategies will be implemented taking into account sustainability requirements including environmental sensitivity.

In the beginning of the financial year the Department had seven (7) planned targets.

In the year under review we managed to supply inputs equivalent to 40 ha and procured 6 sign boards for our SMMEs, 3 projects were also supplied with piggery feed. The Emfundisweni business development component of the programme is showing particular potential due to emerging developments that will be taking place in the Emfundisweni Skills Development Centre. This Department has shown improvement in terms of the structured approach and control mechanisms used in planning and implementation.

The programmes Department achieved 71% of the targets that had been planned and approved, 29% of the targets were not achieved. This is a significant improvement from an overall performance of 29% for the previous year. The significant improvement in the performance of the programmes Department remains a significant priority.

### **8.1. CHALLENGES**

- One of the critical challenges facing this Department included the vacancy of Executive Manager: Programmes
- During the 2018/19 financial year it was observed that although the overall performance of the this KPA improved the nature of projects that were planned for and therefore were being implemented were not consistent with objectives that were set by the new board in terms of employment creation, skills development and income generation.
- The financial viability of ANDA was raised as a challenge at an institutional level

## **8.2. MEASURES TAKEN TO IMPROVE PERFORMANCE**

- The parent municipality was approached to provide support in the through the secondment of a manager that would act in the position of Executive Manager Programmes.
- In order to address the challenge in the nature of the projects that were being implemented by the Entity the board embarked on a strategic planning session which was aimed re-defining the strategic agenda of ANDA and re-positioning ANDA as a new institution. The Strategic planning Session was held in April 2018.
- During 2019/20 the Programmes Department has embarked on a process to mobilise funding for service delivery and economic development initiatives for ANDA

## **9. CHAPTER 9: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT**

Municipal Financial Viability and Management is a goal that is driven primarily by the Finance Department. In the Budget and Treasury Department, there were seven targets planned, six targets were achieved and one was not achieved. This Department has done particularly well as it has only one target that was not achieved. There are however areas of improvement that need attention such as implementation of planned objectives especially the legislated prescripts and systems suggested by National Treasury such as the implementation of an mSCOA compliant financial system. Payment of creditors within thirty days, the development and implementation of a fraud prevention plan and the development of standard operating procedures are still areas that need attention.

### **9.1. FINANCAL HEALTH OVERVIEW**

The Agency received total grant of R 19 011 995 from the Alfred Nzo District Municipality and R 83 478 from rental income, R 8 043 from Other Income (mainly sale of tender documents) and received an interest of R 115 308 as interest from the Agency's accounts for the year 2018/2019.

# STATEMENT OF FINANCIAL PERFORMANCE

Description	Ref	2017/18	2018/19				
		Audited Outcome	Original Budget	Adjusted Budget	Actual	YTD variance	YTD variance %
<b>R thousands</b>							
<b><u>Revenue by Source</u></b>	1						
Property rates		-	-	-	-	-	0,0%
Property rates - penalties & collection charges		-	-	-	-	-	0,0%
Service charges - electricity revenue		-	-	-	-	-	0,0%
Service charges - water revenue		-	-	-	-	-	0,0%
Service charges - sanitation revenue		-	-	-	-	-	0,0%
Service charges - refuse revenue		-	-	-	-	-	0,0%
Service charges - other		-	-	-	-	-	0,0%
Rental of facilities and equipment		84	83	83	83	-	-24,6%
Interest earned - external investments		101	153	153	115	(38)	0,0%
Interest earned - outstanding debtors		-	-	-	-	-	0,0%
Dividends received		-	-	-	-	-	0,0%
Fines		-	-	-	-	-	0,0%
Licences and permits		-	-	-	-	-	0,0%
Agency services		-	-	-	-	-	0,0%
Transfers recognised - operational		24 113	19 817	19 817	19 012	(805)	-4,1%
Other revenue		401	-	-	8	8	100,0%
Gains on disposal of PPE		-	-	-	5	5	100,0%
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>24 699</b>	<b>20 053</b>	<b>20 053</b>	<b>19 224</b>	<b>(829)</b>	<b>-4,1%</b>
<b><u>Expenditure By Type</u></b>	-						
Employee related costs		7 818	11 752	9 903	8 935	(968)	-9,8%
Remuneration of Directors		259	-	-	144	144	100,0%
Debt impairment		-	-	-	-	-	0,0%
Collection costs		-	-	-	-	-	0,0%
Depreciation & asset impairment		365	-	-	309	309	100,0%
Finance charges		21	-	-	23	23	100,0%
Bulk purchases	2	119	-	-	124	124	100,0%
Other materials		-	-	-	-	-	0,0%
Contracted services		6 614	-	-	-	-	0,0%
Transfers and grants		-	-	-	-	-	0,0%
Other expenditure		5 209	49 653	11 685	4 515	(7 170)	-61,4%

Loss on disposal of PPE		-	-	-	-	-	0,0%
<b>Total Expenditure</b>	3	20 405	61 405	21 588	14 049	(7 539)	-34,9%
<b>Surplus/(Deficit)</b>		4 294	(41 352)	(1 535)	5 176	6 711	-437,2%
Transfers recognised - capital		6 614	-	-	2 741	2 741	100,0%
Contributions recognised - capital		-	-	-	-	-	0,0%
Contributions of PPE		-	-	-	-	-	0,0%
<b>Surplus/(Deficit) before taxation</b>		10 908	(41 352)	(1 535)	7 917	9 452	-615,8%
Taxation		5 756	-	-	648	648	100,0%
<b>Surplus/(Deficit) for the year</b>		5 152	(41 352)	(1 535)	7 269	8 804	-573,6%
<b>References</b> 1. Revenue includes sales of: (insert description) 2. Bulk purchases - electricity 2. Bulk purchases - water 3. Expenditure includes repairs & maintenance of: 4. List operating expenditure on allocations as a note (MFMA section 87(11)(f)) 5. Material variances to be explained in Table SF1 (materiality to be defined by the parent municipality)							

## Operational Expenditure

- Employee Salaries amounts to R 8 934 871
- Remuneration of the Board amounts to R 144 000
- Bank Charges R 22 927
- Repairs and Maintenance amounts to R 34 651
- Other Operational Expenditure amounts to R 4 635 266

## Project Expenditure

- Project Expenditure amounted to R 2 741 487

## 9.2. OVERALL PERFORMANCE AS MEASURED AGAINST THE ENTITY'S MULTI – YEAR BUSINESS PLAN

ANDA is funded by ANDM who is a sole shareholder and a parent Municipality to the entity. This report aims to facilitate reporting and accountability in relation to municipal funding transferred to the Development Agency for service delivery implementation.

**Alfred Nzo Development Agency -Capital Expenditure**

Vote Description	Ref	2017/18	2018/19	2018/19	2018/19	2018/19	2018/19
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YTD variance	YTD variance %
<b>R thousands</b>							
<b>Multi-Year expenditure</b>							
<i>Insert programme/projects description</i>		–	–	–	–	–	0,0%
Msukeni Development Corporative			500	500	20	(480)	-96,1%
Livestock & Poultry Production		–	1 000	250	79	(171)	-216,4%
Emfundisweni Skills Development and Resource Centre		818	36 256	2 425	687	(1 738)	-253,0%
Grain Production			–	150	41	(109)	-264,7%
Ludeke Dam		–	500	500	–	(500)	0,0%
Ntenetyana Dam		–	500	500	–	(500)	0,0%
Anchor projects (Fort Donald, Chicken Abbatoir, Mzimvubu Goat Project, Mfundisweni Trade Centre		422	1 000	1 000	165	(835)	-505,3%
Fruit & Veg			–	–	15	15	100,0%
Simanye Project			–	–	15	15	100,0%
Umzimvubu leather Craft		100	300	300	100	(200)	-201,2%
Service Seta		5 646	200	200	621	1 421	87,7%
SMME Development			–	1 650		(1 650)	0,0%
Co-operative Support programme			1 110	1 110		(1 110)	100,0%
Alfred Nzo Community radio		50				–	0,0%
<b>Capital multi-year expenditure sub-total</b>		6 986	39 756	5 325	741	(2 584)	-94,3%
<b>Single Year expenditure</b>							
<i>Insert single year budgets and indicative estimates</i>							
<i>Buildings</i>							
		1 611	–	–	–	–	0,0%
<i>Furniture &amp; Office Equipment</i>		39	50	50	24	(26)	-112,1%
General Equipment		–	–	–	15	15	100,0%
Computer Hardware		221	250	250	221	(29)	-13,3%
Motot vehicles		133	–	–	133	133	100,0%
Software		42	295	295	70	(225)	-321,7%
						–	
						–	0,0%
						–	
						–	
						–	
<b>Capital single-year expenditure sub-total</b>		2 045	595	595	462	(133)	-28,8%
<b>Total Capital expenditure</b>	4, 6	<b>9 031</b>	<b>40 351</b>	<b>5 920</b>	<b>204</b>	(2 717)	-84,8%
<b>Funded by:</b>							
National Government		–	–	–	–	–	0,0%
Provincial Government		–	–	–	–	–	0,0%

Parent Municipality		20 000	20 000	20 000	20 000	–	0,0%
District Municipality		–	–	–	–	–	0,0%
<b>Transfers recognised - capital</b>		20 000	20 000	20 000	20 000	–	0,0%
<b>Public contributions &amp; Donations</b>						–	0,0%
<b>Borrowing</b>	1	–	–	–	(25)	(25)	100,0%
<b>Internally generated funds</b>						–	0,0%
<b>Total Capital Funding</b>		20 000	20 000	20 000	19 975	(25)	-0,1%

#### DC44 Alfred Nzo Development Agency - Table A6 Consolidated Budgeted Financial Position

Description	Ref	2017/18	Current Year 2018/19		
		Audited Outcome	Original Budget	Adjusted Budget	Audited Outcome
<b>R thousand</b>					
<b>ASSETS</b>					
<b>Current assets</b>					
Cash		–	–	–	–
Call investment deposits	1	718	10 178	19 891	724
Consumer debtors	1	132	25	25	219
Other debtors		–	5 506	5 506	–
Current portion of long-term receivables		–	–	–	–
Inventory	2	–	–	–	–
<b>Total current assets</b>		<b>850</b>	<b>15 709</b>	<b>25 422</b>	<b>943</b>
<b>Non-current assets</b>					
Long-term receivables		–	–	–	–
Investments		–	–	–	–
Investment property		–	–	–	–
Investment in Associate		–	–	–	–
Property, plant and equipment	3	4 671	324	565	4 710
Biological		–	–	–	–
Intangible		–	–	–	–
Other non-current assets		–	–	–	–
<b>Total non-current assets</b>		<b>4 671</b>	<b>324</b>	<b>565</b>	<b>4 710</b>
<b>TOTAL ASSETS</b>		<b>5 522</b>	<b>16 033</b>	<b>25 987</b>	<b>5 653</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Bank overdraft	1	–	–	–	–
Borrowing	4	(25)	–	–	–
Consumer deposits		–	–	–	–
Trade and other payables	4	1 952	2 599	2 599	1 120
Provisions		–	–	–	–
<b>Total current liabilities</b>		<b>1 927</b>	<b>2 599</b>	<b>2 599</b>	<b>1 120</b>
<b>Non-current liabilities</b>					
Borrowing		–	–	–	–
Provisions		771	429	429	863
<b>Total non-current liabilities</b>		<b>771</b>	<b>429</b>	<b>429</b>	<b>863</b>
<b>TOTAL LIABILITIES</b>		<b>2 699</b>	<b>3 028</b>	<b>3 028</b>	<b>1 982</b>
<b>NET ASSETS</b>	5	<b>2 823</b>	<b>13 005</b>	<b>22 959</b>	<b>3 670</b>
<b>COMMUNITY WEALTH/EQUITY</b>					
Accumulated Surplus/(Deficit)		4 294	(28 254)	192 252	–
Reserves	4	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>4 294</b>	<b>(28 254)</b>	<b>192 252</b>	<b>–</b>

**DC44 Alfred Nzo Development Agency - Supporting Table SA8 Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2017/18	Current Year 2018/19			
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Audited Outcome
<b><u>Borrowing Management</u></b>						
<b>Credit Rating</b>						
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.8%	0.0%	0.0%	2.2%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	62.3%	0.0%	0.0%	0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>						
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>						
Current Ratio	Current assets/current liabilities	0.4	6.0	9.8	–	0.8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.4	6.0	9.8	–	0.8
Liquidity Ratio	Monetary Assets/Current Liabilities	0.4	3.9	7.7	–	0.6
<b><u>Revenue Management</u></b>						
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	0.0%	0.0%	0.0%	0.0%	0.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0.0%	0.0%	0.0%	0.0%	0.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	0.5%	27.6%	27.6%	0.0%	0.0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old					
<b><u>Creditors Management</u></b>						
Creditors System Efficiency	% of Creditors Paid Within Terms (within' MFMA' s 65(e))					
Creditors to Cash and Investments		0.9%	3.3%	2.7%	0.0%	0.2%



## CASH FLOW STATEMENT

Description	2017/18	Current Year 2018/19		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>R thousands</b>				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	485	96	96	121
Government - operating	24 113	20 000	20 000	19 012
Government - capital	–	41 956	2 425	–
Interest	101	153	153	115
Dividends	–	–	–	–
<b>Payments</b>				
Suppliers and employees	(24 934)	(30 446)	(17 409)	(18 872)
Finance charges	(21)	–	–	(23)
Dividends paid	–	–	–	–
Transfers and Grants	–	–	–	–
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>(256)</b>	<b>31 759</b>	<b>5 265</b>	<b>353</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	467	–	250	142
Decrease (Increase) in non-current debtors	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–
<b>Payments</b>				
Capital assets	(118)	(1 645)	(1 317)	(516)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>349</b>	<b>(1 317)</b>	<b>(266)</b>	<b>(374)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans	–	–	–	–
Borrowing long term/refinancing	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–
<b>Payments</b>				
Repayment of borrowing	–	–	–	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>93</b>	<b>30 443</b>	<b>5 000</b>	<b>(20)</b>
Cash/cash equivalents at the year begin:	626	626	626	719
Cash/cash equivalents at the year-end:	719	31 068	5 625	699

### **Liquidity Ratios**

- Quick Ratio = Cash + Cash Equivalents + Short Term Investments + Current Receivables / Current Liabilities

$$= \text{R } 723\,528 + \text{R } 0.00 + \text{R } 174\,157 / \text{R } 2\,033\,202$$

$$= \text{R } 897\,685 / \text{R } 2\,033\,202$$

$$= 0.44$$

The quick ratio is less than 1 meaning that the Agency can struggle to pay off all its current liabilities with its current assets and have any current assets after that.

- Quick Ratio = Total Current Assets – Inventory – Prepaid Expenses/ Current Liabilities

$$= \text{R } 943\,368 - \text{R } 0.00 - \text{R } 0.00 / \text{R } 2\,033\,202$$

$$= 0.46$$

The quick ratio is less than 1 meaning that the Agency can struggle to pay off all its current liabilities with its current assets and have any current assets after that.

- Current Ratio = Current Assets / Current Liabilities

$$= \text{R } 943\,368 / \text{R } 2\,033\,202$$

$$= 0.46$$

The current ratio is less than 1 meaning that the Agency can struggle to pay off its current liabilities with its current assets.

### **Solvency Ratios**

- Debt to Equity Ratio = Total Debts/Owner's Equity

$$= \text{R } 2\,033\,202 / \text{R } 942\,421$$

$$= 2.16$$

**NB:** Equity is the Municipal Entity's share of the total assets.

Since the ratio is above 1 it implies that in the event that the Agency would be wound up the the Municipality as the shareholder would have to sell off some of its asset to cover its debts.

- Equity Ratio = Total Equity / Total Assets

$$= \text{R } 942\,421 / \text{R } 2\,975\,523$$

$$= 0.32$$

Since the ratio is less than one it implies of the total asset value part of the asset value is covered by creditors.

- Debt Ratio = Total Liabilities / Total Assets

$$= \text{R } 2\,033\,202 / 2\,975\,523$$

$$= 0.68$$

A ratio less than 1 implies that the Agency would be unable pay all its current liabilities with its current assets it's total assets can cover all its debts.

### **9.2.1. CHALLENGES**

- The full implementation of Municipal Standard Chart of Accounts (mSCOA) remains one of the biggest challenges facing the Entity and in the current quarter more focus is expected to be directed towards its implementation particularly at a management level. The Entity is in a process of procuring an mSCOA compliant financial system. A draft Audit action plan has been developed.
- Development and strict implementation of standard operating procedures.
- Focus on the implementation of the Audit Action Plan
- Financial viability of ANDA still remains as a challenge, the BTO Department is charged with the responsibility to provide support and leadership towards the achievement of financial viability and revenue enhancement, for the organisation.

### **9.2.2. MEASURES TAKEN TO IMPROVE PERFORMANCE**

- The Service Provider for the roll out of mSCOA has been appointed and will commence the implementation process of the project.
- Development of standard operating procedures still remains as an area of improvement.
- The draft Audit Action Plan has been developed continuous monitoring and review will be undertaken.
- Financial viability is an organisational matter that continues to be dealt with throughout the organisation.

## **10. CHAPTER 10: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

The strategic objective of the Department is to strengthen governance, reduce risk, increase the performance and efficiency level of the institution. This Office of the CEO had 15 targets and out of all those planned targets, 13 Targets were achieved. The remaining two targets that were not achieved were due to the fact that the term of the Board had expired. There was no Board in place for 6 months. Interim Board was appointed in September and only sat for the first time in December 2018. The below attached table and graph shows the National Key Performance Area which is driven and achieved by the Office of the Chief Executive Officer, whilst also revealing the strategic objective of the key priority project.

### **10.1. CHALLENGES**

- One of the challenges of the organisation, is the absence of a full time Board of the Entity.
- The vacuum which has been created by the end of term of the Board has made it difficult to implement good governance.
- There are challenges in relation to adherence to the compliance calendar due to the fact that the board term came to an end.

### **10.2. MEASURES TAKEN TO IMPROVE PERFORMANCE**

- The CEO wrote to the municipal manager requesting intervention on the matter.
- The office of the Chief Executive Officer has recruited 2 staff members (Programmes Officer and Project Coordinator Planning and Reporting) who report directly to the Chief Executive Officer

## **11. CHAPTER 11: KEY AREAS TO NOTE**

### **11.1. IMPROVING PERFORMANCE**

This section highlights key areas for improving of performance.

- The overall performance with Entity's performance has improved significantly. The entity has initiated a process towards being mSCOA compliant even though this target has been met with challenges and difficulties in its implementation during 2018/19 financial year.
- The financial viability of the institution is still an area of concern. The entity depends mainly on the grant transfers from the parent Municipality in order to manage its operations. There are however efforts that have been initiated to attract new funding for the institution. In particular for the implementation of service delivery programmes.
- The entity has not performed well in relation to management of old properties and entity infrastructure, however there are efforts to revive the old properties for income generation.
- The Entity is yet to drive high level initiatives that have significant impact, although the programmes performed well but the nature of the projects still lack the ability to have the intended in terms of income generation and employment creation.
- The parent municipality is aware of the challenge pertaining to the appointment of the board.

### **11.2. ANTI-CORRUPTION AND FRAUD**

The Agency currently doesn't not have proper establishment of Risk function in place. The Entity has over the years relied on the parent municipality in order to provide particular services. The Risk Management function is made on an Ad hoc basis. As such, the Entity does not have an Anti-Corruption and Fraud prevention Plan for the year under review. Fraud Risk assessment was conducted on ad hoc basis through circulation of risk register in order to identify high risk areas that are prone to fraud risks along with mitigating strategies which gives effect to the plan.

## 12. CHAPTER 12: ASSESSMENT OF THE PERFORMANCE OF EXTERNAL SERVICE PROVIDER

	Excellent
	Satisfactory
	Poor

Service Provider	Contract Number	Description	Start Date	End Date	Award Date	Estimated Total Contract Value	Amount Paid to supplier to date	Approved Variation	Organisational Unit	Process Type - Tender/Quotation	Performance Review	Status	Comments
Mbabane and Sokutu Inc	ANDA - 11/2013/2014	Company Secretarial Services	2014/07/10	2019/06/30	2014/07/10	R 836 074,80	R 467 877,00	N/A	CEO Department	Tender	Satisfactory	3-year contract	Renewed on a month to month basis then Resigned (22 January 2019)

Indwe Risk Services	SLA 01	Business Insurance	2014/03/01	2020/03/01	2014/03/01	R 130 601,50	R 110 865,13	N/A	SCM Department	SLA	Excellent	1-year contract (renewable)	Renewed
Nyalambisa Financial Services CC	ANDA - 01/2015/2016	Provision of Financial Services	2015/07/28	2019/06/30	2015/07/28	R 1 186 000,00	R 1 186 000,00	N/A	Finance Department	Tender	Satisfactory	3 year contract	Renewal till 30 June 2019 Appointed for doing 2017/2018 Annual Financial Statements and 2018/2019 AFS. New appointment letter for R246 000.00 was issued
Imihla Consulting (Pty) Ltd	ANDA - 06/2017/2018	Completion of Financial Accounting system and conversion of ANDA database to be mSCOA compliant.	2018/04/16	Once off	2018/04/04	R 650 000,00	R 698 000,00	N/A	Finance Department	SLA	Excellent	finalisation of the system	Finalisation of Accounting System and conversion of Database



Tracker	SLA 02	Vehicle Tracker	2018/09/01	2019/09/30	2017/09/01	R 3 690,26	R 3 587,28	N/A	SCM Department	contract	Excellent	1 year contract (renewable)	Renewed
Vodacom	SLA 03	Business Contract Phones and Internet	2016/09/02	2019/09/30	2016/09/02	R 593 804,60	R 561 612,17	N/A	Corporate Service Department	SLA	Excellent	2 year contract (renewable)	Renewed
Prestige Security Services	SLA 04	Business Security Services	2016/03/01	29/02/2020	2016/03/01	R 8 580,00	R 14 977,61	N/A	Corporate Service Department	contract	Satisfactory	1 year contract (renewable)	Renewed
KNM Consulting JV Ndotha Projects	ANDA - 02/2016/2017	New Venture Creation Training Programme	2017/07/10	2019/01/09	2017/03/31	R 3 625 000,00	R 3 554 814,38	N/A	Programmes Department	Tender	Satisfactory	12 Months contract, In Progress	The Programme is still in progress Waiting for the service provider to issue out Certificates, renewed for 07 months end date 09 January 2019

Umzimvubu Leather Craft	Service Level Agreement	Provision of cleaning services	01/01/2019	31/12/2019	01/01/2017 Renewed 01/01/2019	R 99 600,00	R 99 600,00	N/A	Programmes Department	SLA	Excellent	12 Months contract (Renewable)	Extended by 12 Months January 2019 - December 2019.
Emfundisweni Skills Development and Resource Centre	Service Level Agreement	Business Development support services	2017/07/01	2019/06/30	2017/07/01	R 1 000 000,00	R 1 084 652,00	N/A	Programmes Department	SLA	Satisfactory	SLA Renewed	extended by 10 months
ATS Civils & Trading	ANDA05/2017/2018	Fencing at Mbizana Chicken Abottoir	2018/07/16	Once off	2018/07/16	R 145 000,00	R 0,00	N/A	Programmes Department	Tender	N/A	Once Off	Not Yet started
Ncaps Trading	ANDA04/2017/2018	Fencing at Ford Donald	2018/06/29	Once off	2018/06/29	R 190 000,00	R 190 000,00	N/A	Programmes Department	Tender		Once Off	Completed
Mortaboard	ANDA02/2018/2019	Training of Artisans; Plumbing	None	None	2018/11/01	R 724 525,00	R 0,00	N/A	Programmes Department	Tender	Not yet started	1-year contract	Waiting for the commence letter for Services Seta
Qabuka-Vuka	ANDA01/2018/2019	Training : Project Management	None	None	2018/11/01	R 1 260 000,00	R 0,00	N/A	Programmes Department	Tender	Not yet started	1-year contract	Waiting for the commence letter for Services Seta
Elliot & Walker	Deviation	Legal	29/04/2019	on going	29-04-2019	R100 000,00	R83 319,20	N/A	C.E. O	S.L. A	Excellent	Continuous	None

### 13. ANNEXURE A: BOARD RESOLUTION REGISTER

IMPLEMENTED RESOLUTION
IN-PROGRESS
NOT IMPLEMENTED

No.	ITEM/ HEADING	RESOLUTION(S)	RESOLUTION NUMBER	RESPONSIBLE PERSON	IMPLEMENTED/NOT IMPLEMENTED	COMMENTS FOR NON- IMPLEMENTATION
1 <sup>ST</sup> ORDINARY BOARD MEETING: ANDA/01/2018/2019 – 20 DECEMBER 2018						
1	Chief Executive Officer's Report	<p>The decision by the parent Municipality to extend the contract of the CEO be ratified.</p> <p>The contract of the CEO be extended from 01 January 2019 until the recruitment processes of the new CEO has been finalised.</p>	ANDA/01/ 7.1/2018/2019	CEO	IMPLEMENTED	NONE

		<p>The process of recruiting the CEO should commence immediately</p> <p>The position of the Chief Financial Officer be re-advertised</p> <p>The contract of the Company Secretariat Services be advertised and the contract be extended on a month-to-month basis.</p>				
2	WRITE-OFF OF IRREGULAR EXPENDITURE	To write -off the irregular expenditure as per the attached list.	ANDA/01///10.4/2018/2019	CFO	NOT IMPLEMENTED	The Entity was later advised that it has no authority to write-off but only ANDM Council can write-off.
3	Q1 PERFORMANCE REPORT	<p>Not to approve the report by the Audit and Risk Committee</p> <p>To refer the report back to the Audit and Risk Committee.</p>	ANDA/01/10.5/2018/19	CEO	IMPLEMENTED	NONE
4	BOARD CALENDAR	It approves the Board Calendar subject to the Company Secretary consulting all the	ANDA/01/10.6/2018/19	CEO	IMPLEMENTED	NONE

		Board members regarding their available dates.				
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**FIRST SPECIAL INTERIM BOARD MEETING: ANDA/S01/2018/19- 17 January 2019**

<b>1</b>	<b>CEO's REPORT</b>	<p>1. Not to approve the report and referred to another meeting.</p> <p>2. That the management should take the report back to the Internal Audit.</p> <p>3. The Board through its Chairperson should write to the Executive Mayor and raise all concerns raised.</p> <p>4. The Auditor General South Africa must also be clarified that on the matter.</p> <p>5. The next date for the meeting be set to deal with all reports.</p>	<b>ANDA/S01/5/2018/2019</b>	<b>CEO</b>	<b>IMPLEMENTED</b>	<b>NONE</b>

**THIRD INTERIM BOARD MEETING: ANDA/S03/2018/2019- 04 FEBRUARY 2019**

<b>2</b>	EXTENSION LETTER FOR THE CHIEF EXECUTIVE OFFICER	<p>1.That the recruitment for the new CEO be a (five) 5-year term period, taken into consideration the previous term was a (three) 3-year contract which is a short period.</p> <p>2.The position must be advertised at National, Provincial and local newspapers.</p> <p>3.The Advertisement be advertised for a minimum of 14 working days.</p> <p>4.The Board Chairperson must monitor the recruitment processes.</p>	<b>ANDA/S03/5.1/2 018/19</b>	<b>CEO</b>	<b>IMPLEMENTED</b>	<b>NONE</b>
<b>3</b>	COMPANY SECRETARY	<p>1.The matter be referred to the strategic planning session of the Agency.</p> <p>2.Meanwhile the parent and Agency officials will assist at</p>	<b>ANDA/S03/5.2/2 018/19</b>	<b>CEO</b>	<b>IMPLEMENTED</b>	<b>NONE</b>

		taking minutes in Board and Board Committee Meetings.				
4	CORPORATE PLAN AND ANNUAL PERFORMANCE PLAN	To replace APP with the Multi-Year Business Plan and Service Delivery and Budget Implementation Plan.	ANDA/S03/5.3/2 018/19	CEO	IMPLEMENTED	NONE
5	COMPLIANCE MATTERS	1. There must be a Board Planning Session to address all matters related to the complaints and any matter of importance.	ANDA/S03/5.4/2 018/19	CEO	IMPLEMENTED	NONE
FOURTH SPECIAL INTERIM BOARD MEETING: ANDA/S04/2018/19 - 21 FEBRUARY 2019						
1	UPDATE ON THE PREPARATION OF STRATEGIC PLANNING SESSION	1. The Strategic Planning Session should be scheduled on the 6 and 7 March 2019. 2. The Agency should liaise with District for proper coordination of session	ANDA/S04/5.1/2 018/2019	CEO	Implemented	The Strategic Planning Session sat on the 16 <sup>th</sup> April 2019 to the 20 <sup>th</sup> April 2020
2	UPDATE ON RECRUITMENT CHIEF EXECUTIVE OFFICER	1. The recruitment of Chief Executive Officer must be expedited. 2. The Human Resources Department to circulate Master list on or before 29 February 2019	ANDA/S04/5.2/2 018/2019	CEO	Implemented	NONE



3	UPDATE ON RECRUITMENT OF CHIEF FINANCIAL OFFICER & DIRECTOR CORPORATE SERVICES.	1.The recruitment process for the positions of Chief Financial Officer and Director Corporate Services be held in abeyance pending Strategic Session	ANDA/S04/5.3/2 018/2019	CEO	Implemented	NONE
<b>FIFTH SPECIAL INTERIM BOARD MEETING: ANDA/S05/2018/19- 03 APRIL 2019</b>						
1	STATUS QUO - REPORT	1. All issues be consolidated properly and be submitted to the Board.  2. Investigation must take place if needed and the Irregular expenditure be write-off to prevent any qualifying opinion.	ANDA/S05/05/2 018/2019	CEO	Implemented	NONE
2	BOARD PLANNING SESSION	1.The Board Strategic Planning must take place on the 15th – 17th April 2019.	ANDA/S05/06/2 018/2019	CEO	Implemented	NONE
3	ADJUSTMENT BUDGET 2018/19	1.The adjustment budget be prepared and be submitted in the next Board Sitting	ANDA/S05/07/2 018/2019	CEO	Implemented	NONE
<b>SIXTH SPECIAL INTERIM BOARD MEETING: ANDA/S06/2018/19- 24 APRIL 2019</b>						
1	PROGRESS REPORT ON IRREGULAR EXPENDITURE	1.It notes the report while the processes to address the issues on Irregular Expenditure are ongoing.	ANDA/S06/09/2 018/2019	CEO	Implemented	NONE

		2.The Agency must ensure that all issues pertaining the Historical and Current Irregular Expenditure are addressed, reported to the Municipality and Disclosed to the Auditor General.				
<b>SECOND ORDINARY INTERIM BOARD MEETING: ANDA/02/2018/19 – 27 JUNE 2019</b>						
<b>1</b>	DECLARATION OF PECUNIARY INTERESTS	1.This item be renamed to “Declaration of Interests” only  2.Mr Bam be recused from item 11.10 and 11.15 which deal with ANDA Recruitment Report 2019/20 and Regulation 36 Appointment which is Elliot and Walker Attorneys and also update on Litigations.	<b>ANDA/02/03/2018/19</b>	<b>CEO</b>	<b>Implemented</b>	<b>NONE</b>
<b>2</b>	CONFIRMATION OF MINUTES FROM THE PREVIOUS MEETING	1. Minutes of the 1st Ordinary Board Meeting - 20th December 2018, item 10.4, Resolution 8/2018/19 which spoke of “condonement of irregular expenditure” be ratified entirely and accordingly due to the fact that the Board and the Municipal Council has no authority to condone but can only write-off in	<b>ANDA/02/08/2018/19</b>	<b>CEO</b>	<b>IMPLEMENTED</b>	<b>NONE</b>

		<p>terms of section 32 of MFMA. Condonement is done through an application and an approval from the National Treasury. These minutes shall be revised entirely and submitted back to the Board for adoption.</p> <p>2.The Minutes of the 1st Special Board Meeting – 17th January 2019 be ratified entirely and item 4 which dealt with the “adoption of the agenda” be rephrased in order to give meaning and substance of what exactly transpired on the day. The meeting minutes were confirmed subject to the all the above proposed amendments being affected and correction of other errors.</p> <p>3.On Minutes of the 2nd Special Board Meeting – 21st January 2019 be confirmed as a true reflection of the proceedings of the meeting with the need to rectify the page</p>				
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		<p>numbering and other grammatical and editorial errors. 4.The Minutes of the 3rd Special Board Meeting – 4th February 2019 be confirmed as true reflection of the proceedings of the meeting subject to necessary corrections</p> <p>5.The Minutes of the 4th Special Board Meeting - 21st February 2019 be confirmed as a true reflection of the proceedings of the meeting with the rectification of item 5.3 to be Executive Manager- Corporate Services as per the approved organogram and further undertake all other corrections that might be deemed necessary.</p> <p>6.The Minutes of the 7th Special Board Meeting - 3rd April 2019 be confirmed as a true reflection of the proceedings of the meeting with</p>				
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		<p>ratification of item 5 to be in-line with the amended resolution on condonement of irregular expenditure.</p> <p>7.The Minutes of the 8th Special Board Meeting - 24th April 2019 be confirmed as true reflection of the proceedings of the meeting with ratification of spelling on item 7 and other necessary corrections.</p> <p>8.All reference to "recommendations" in the meeting minutes be changed to "resolutions"</p> <p>9.All the previous meeting minutes be deferred to the next board meeting to be signed by the chairperson after all the proposed amendments have been affected.</p>				
3	REGULATION 36 – APPOINTMENT OF ELLIOT AND WALKER ATTORNEYS AND UPDATE ON LITIGATIONS.	<p>1.It notes the Elliot and Walker Regulation 36 appointment.</p> <p>2.It further approves the settlement payment to Madodanele Cyprian Mgugudo in relation to ANDA Vs Mgugudo Case.</p>	ANDA/02/11.2/2018/19	CEO	IMPLEMENTED	NONE

		<p>3.Elliot and Walker be instructed to apply for the rescission of judgement in the case of Price Waterhouse Coopers vs Alfred Nzo Development Agency</p> <p>4.Price Waterhouse Coopers vs Alfred Nzo Development Agency case should also be investigated internally</p> <p>5.An investigation be initiated on why all the presented cases were never followed up, neither closed. This would be done using internal audit functions of the parent municipality.</p> <p>6.ANDA needs to draft Terms Of Reference to be adopted by the Board for the investigation of these litigation cases</p> <p>7.It required a more comprehensive and formal legal opinion from Elliot and Walker on the Nyalambisa Financial Services Case where facts of the case would be properly outlined. Furthermore, report from Elliot and Walker should provide a legal opinion from the matter.</p> <p>8.That Elliot and Walker Attorneys be instructed to be pro-active and close all the litigation cases that are in their scope of work.</p>				
4	ERRONEOUS PAYMENT OF CEO ACTING ALLOWANCE	<p>1.A formal letter be written and monies be recovered from the former CEO</p>	ANDA/02/11.3/2 018/19	CEO	IMPLEMENTED	NONE

		<p>2. A consequence management be implemented against responsible individuals</p> <p>3. An investigation be initiated on all ANDA salary related matters beginning from 1 July 2018 to 30 March 2019.</p>				
	ANDA SDBIP 2019/20	<p>1. It considers and approves the SDBIP 2019/20 FY report.</p> <p>2. All necessary alignment of the Multi-year Business Plan with the SDBIP be undertaken accordingly.</p>	ANDA/02/11.7.2 018/19	CEO	IMPLEMENTED	NONE
5	ANDA REQUEST FOR SHARED SERVICES	<p>1.It approves the request for Internal Audit and Audit Committee function to be shared service between ANDA and ANDM for a period of 3 years, beginning on the 1st of July 2019.</p> <p>2.It approves that IT Services be a shared service between ANDM and ANDA for a period of 3 years, beginning 1st July 2019</p> <p>3.It approves that Risk services and Risk Committee be formal established as a shared service function between ANDM and ANDA for a period of 3 years, beginning 1st July 2019.</p> <p>4.It approves that Financial Systems for ANDA to be hosted by the parent municipality's server.</p>	ANDA/02/11.9/2 018/19	CEO	IMPLEMENTED	NONE

		5.To refer the Shared Services report to the Executive Mayor for final approval.				
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## 14. ANNEXURE B: ANNUAL PERFORMANCE REPORT 2018/19

The purpose of the Annual Performance Report is to provide a record of activities of the municipal entity's performance during the financial year to which the report relates. It is an assessment by the accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality as required by the section 121 (4)(a) of the Municipal Finance Management Act. There has been a significant improvement under Corporate Services and Administration Department, Chief Executive Officer Office and Budget and Treasury compared to the previous year.

Notwithstanding challenges experienced by the Entity during 2018/19 financial year as indicated per Key Performance Indicator (KPI), Alfred Nzo Development Agency has achieved 77% (20 of 26 targets) in its performance. Strategies have been developed to address targets that have not been achieved and the Agency expects further improvement in the coming financial year. The Annual Performance Report is attached as an Annexure to the Annual Report in line with section 121 of the MFMA. It provides a detailed and performance report per project and per initiative that was implemented by ANDA during the previous financial year.

PROGRAMMES DEPARTMENT	
Section Name	Programme 1: Trade, investment, promotions, & facilitation
National KPA	Local Economic Development
Goal (s)	To expose business and cooperative enterprise to domestic and international markets and trade.
Business Plan Project	<b>Crop Production</b>
Business Plan Reference	3.6.1.1
Strategic Objective	Growth and strengthened business and co-operative enterprises in the district.
Baseline	0
Annual Target 17/18	200 hectares of grain harvesting within the district by 30 june 2018
Actual Performance 17/18	Not Achieved
Annual Target 18/19	To supply production inputs equivalent to 40 ha, Procurement of 6 sgn boards and 2 irrigation infrastructures by 30 June 2019
Actual Performance 18/19	Facilitated procurement of Inputs equivalent to 40 ha , Facilitated procurement of 6 sign boards by 30 June 2019
Measures taken to improve performance between 17/18 and 18/19 FY	Allocation of funds to the project
Reason for Variance	Memo for procurement of 2 Irrigations was submitted to SCM after the cut-off date of issuing of orders.
Corrective Action	The task activity was moved to the 1st Quarter of 2019/2020 FY
Annual Output	Production inputs equivalent to 40 ha facilitated, Procurement of 6 sign board and 2 irrigation infrastructures facilitated by 30 June 2019
Actual Output 18/19	Facilitated the supply of inputs for 3 Projects equivalent to 40 ha, Facilitated the procurement of 6 Sign boards for 3 Projects
mSCOA Amount/Budget	R150,000.00
mSCOA Actual Expenditure	R 73 000,00
Municipal Classification	Programme 1/Crop Production
Annual (Means of Verification)	Orders, Delivery Notes, Attendance Register; Progress Report
Annual KPI	Number of production inputs supplied (ha)

PROGRAMMES DEPARTMENT	
Section Name	Programme 1: Trade, investment, promotions, & facilitation
National KPA	Local Economic Development
IDP Goal	Inclusive growth and development
Business Plan Goal (s)	To expose business and cooperative enterprise to domestic and international markets and trade.
Business Plan Project	<b>Live Stock Programme</b>

<b>Business Plan Reference</b>	3.6.1.2
<b>Strategic Objective</b>	Growth and strengthened business and co-operative enterprises in the district.
<b>Baseline</b>	12 VLP Reports
<b>Annual Target 17/18</b>	0
<b>Actual Performane 17/18</b>	0
<b>Annual Target 2018/19</b>	Support for livestock programme by 30 June 2019-
<b>Actual Performance 18/19</b>	Support for livestock programme undertaken- Supply and delivery of piggery feed undertaken for 3 projects by 30 June 2019
<b>Measures taken to improve performance between 17/18 and 18/19 FY</b>	None
<b>Reason for Variance</b>	Memo for procurement of 4 Poultry feed was submitted to SCM after the cut-off date of issuing of orders.
<b>Corrective Action</b>	The task was moved to the 1st Quarter of 2019/2020 FY
<b>Annual Output 2018/19</b>	Livestock programme supported by 30 June 2019
<b>Actual Output 18/19</b>	Facilitated the procurement of piggery feed for 3 projects by 30 June 2019
<b>mSCOA Amount/Budget</b>	R250,000.00
<b>mSCOA Actual Expenditure</b>	R 80 000,00
<b>Municipal Classification</b>	Programme 1/Support for livestock programme
<b>Annual (Means of Verification)</b>	Progress Reports, Attendance Registers, Delivery Notes, and Invoices.
<b>Actual Means of Verification</b>	Progress Reports, Attendance Registers, Delivery Notes, and Invoices.
<b>Annual KPI</b>	Number of Livestock programmes supported

PROGRAMMES DEPARTMENT	
<b>Section Name</b>	Programme 1: Trade, investment, promotions, & facilitation
<b>National KPA</b>	Local Economic Development
<b>IDP Goal</b>	Inclusive Growth and Development
<b>Goal (s)</b>	To expose business and cooperative enterprise to domestic and international markets and trade.
<b>Business Plan Project</b>	<b>SMME Development</b>
<b>Business Plan Reference</b>	3.6.1.3
<b>Strategic Objective</b>	Growth and strengthened business and co-operative enterprises in the district.
<b>Baseline</b>	31 SMMEs supported
<b>Annual Target 17/18</b>	Business growth, Incubation of SMMEs trained through the New Venture Creation and Co-operative so as to contribute in the economic growth of the Region

<b>Actual Performane 17/18</b>	35 Co-operatives incubated for a period of 12 months in the Co-operative Development Programme
<b>Annual Target 2018/19</b>	Provide financial and non-financial support to 31 SMMEs by 30 June 2019
<b>Actual Performance 18/19</b>	Financial and Non-financial support provided to 31 SMMEs by 30 June 2019
<b>Measures taken to improve performance between 17/18 and 18/19 FY</b>	None
<b>Reason for Variance</b>	None
<b>Corrective Action</b>	None
<b>Annual Output</b>	Financial and Non-financial support provided to 31 SMMEs by 30 June 2019
<b>Actual Output 18/19</b>	Financial and Non-financial support provided to 31 SMMEs by 30 June 2019
<b>mSCOA Amount/Budget</b>	R1 650,000.00
<b>mSCOA Actual Expenditure</b>	R 1 048 602,00
<b>Municipal Classification</b>	Programme 1/SMME Development
<b>Annual (Means of Verification)</b>	SMME Database; Service Level Agreement; Progress Reports, Incubation Contracts; Company Registration Certificates
<b>Actual Means of Verification</b>	SMME Database; Service Level Agreement; Progress Reports, Incubation Contracts; Company Registration Certificates
<b>Annual KPI</b>	Number of SMMEs supported

PROGRAMMES DEPARTMENT	
<b>Section Name</b>	Programme 2: Resource Mobilisation and Stakeholder Management
<b>National KPA</b>	Local Economic Development
<b>IDP Goal</b>	Inclusive Growth and Development
<b>Business Plan Goal</b>	To ensure sustainability of the Agency's business model
<b>Business Plan Project</b>	<b>Investment Attraction</b>
<b>Business Plan Reference</b>	3.6.1.4
<b>Strategic Objective</b>	Increase Revenue Base of the Agency
<b>Baseline</b>	Funding Contract
<b>Annual Target 17/18</b>	0
<b>Actual Performane 17/18</b>	0
<b>Annual Target 18/19</b>	Increase Revenue Base by 30 June 2019
<b>Actual Performance 18/19</b>	Increased Revenue Base by 30 June 2019

Measures taken to improve performance between 17/18 and 18/19 FY	none
Reason for Variance	None
Corrective Action	None
Annual Output 18/19	Revenue Base increased by 30 June 2019
Actual Output 18/19	Revenue Base increased by 30 June 2019
mSCOA Amount/Budget	R 0,00
mSCOA Actual Expenditure	R 0,00
Municipal Classification	Programme 2/Investment Attraction
Annual (Means of Verification)	Signed Learnership Agreements
Actual Means of Verification	Signed Learnership Agreements, attendance registers, SLA document
Annual KPI	Number of Contracts Signed with Investors

PROGRAMMES DEPARTMENT	
Section Name	Programme 3: Skills Development
National KPA	Local Economic Development
IDP Goal	Inclusive Growth and Development
Business Plan Goal	To transfer skills to the unemployed
Business Plan Project	<b>Learnerships for the unemployed</b>
Business Plan Reference	3.6.1.5
Strategic Objective	To transfer skills to the unemployed
Baseline	1 Learnership for 250 Learners
Annual Target 17/18	0
Actual Performane 17/18	0
Annual Target 18/19	To implement 3 Training Programmes by 30 June 2019
Actual Performance 18/19	11 Training Programmes implemented by 30 June 2019
Measures taken to improve performance between 17/18 and 18/19 FY	None
Reason for Variance	None
Corrective Action	None

<b>Annual Output</b>	3 Training Programmes implemented by 30 June 2019
<b>Actual Output 18/19</b>	11 Training Programmes Implemented
<b>mSCOA Amount/Budget</b>	R 1 185 423,80
<b>mSCOA Actual Expenditure</b>	R 1 239 600,00
<b>Municipal Classification</b>	Programme 3/Learnership for the unemployed
<b>Annual (Means of Verification)</b>	Adverts for learner recruitments; Appointment Letters; Service Level Agreements; Progress Reports; Compliance Reports; Attendance Registers
<b>Actual Means of Verification</b>	Adverts for learner recruitments; Appointment Letters; Service; Progress Reports; Compliance Reports; Attendance Registers.
<b>Annual KPI</b>	Number of Learnerships provided

CORPORATE SERVICES & ADMINISTRATION	
Section Name	Program 4: Corporate Services and Administration
National KPA	Organisational Transformation and Development
IDP Goal	A capable and a financially viable institution
Business Plan Goal	To ensure effective administration, communication, marketing and all corporate services.
Business Plan Project	<b>Policy Development</b>
Business Plan Reference	3.6.2.1
Strategic Objective	Organisational efficiency
Baseline	2017/18 Agency Policies
Annual Target 17/18	To review and facilitate adoption of Agency policies by 30 June 2018
Actual Performance 17/18	Agency policies reviewed and adopted by 30 June 2018
Annual Target 18/19	To review and facilitate adoption of Agency policies by 30 June 2019
Actual Performance 18/19	34 Agency Policies were reviewed and adopted by 30 June 2019
Measures taken to improve performance between 17/18 and 18/19 FY	New Policies for the Programmes Department were developed and adopted by the Board of Directors
Reason for Variance	None
Corrective Action	None
Annual Inputs	Personnel: HR Practitioner, Executive Management, Section Manager and Agency's Staff, board of directors
Annual Output 18/19	Agency policies reviewed and adopted by 30 June 2019
Actual Output 18/19	34 ANDA Policies were reviewed and adopted by 30 June 2019
mSCOA Amount/Budget	R 0,00
mSCOA Actual Expenditure	R 0,00
Municipal Classification	Programme 4/ Policy Development
Annual (Means of Verification)	Reviewed Policies/ Board Resolution
Annual KPI	Number of Agency policies reviewed adopted by the Board of Directors

CORPORATE SERVICES & ADMINISTRATION	
Section Name	Program 4: Corporate Services and Administration
National KPA	Organisational Transformation and Development
IDP Goal	A capable and a financially viable institution
Business Plan Goal	To ensure effective administration, communication, marketing and all corporate services.
Business Plan Project	<b>Organisational Performance Management System</b>
Business plan Reference	3.6.2.2
Strategic Objective	Increase the performance and efficiency level
Baseline	2017/18 Reports
Annual Target 17/18	To develop and submit Quarterly reports, Mid-year performance and Budget Assessment and the Annual Report by 30 June 2018
Actual Performance 17/18	Partially Achieved
Annual Target 18/19	To produce and Submit 7 Reports by 30 June 2019 entailing (4 x Quarterly Performance Report, 1x Mid-term performance report, 1 Annual Performance Report, 1x Annual Report)
Actual Performance 18/19	7 Reports produced by submitted by 30 June 2019
Measures taken to improve performance between 17/18 and 18/19 FY	Reports were produced and submitted timeously and on time for compliance
Reason for Variance	None
Corrective Action	None
Annual Output	7 Reports produced and Submitted by 30 June 2019 entailing (4 x Quarterly Performance report, 1 Mid-term report, 1 Annual Performance Report, 1 x Annual Report)
Actual Output 18/19	7 Reports produced and Submitted by 30 June 2019 entailing (4 x Quarterly Performance Report, 1x Mid-term performance report, 1 Annual Performance Report, 1x Annual Report)
mSCOA Amount/Budget	R 0,00
mSCOA Actual Expenditure	R 0,00
Municipal Classification	Programme 4/ Organisation Performance System Management
Annual (Means of Verification)	4x Quarterly Performance Report, 1x Mid-term Performance Report, 1x Annual Performance Report and 1x Annual Report
Actual Means of Verification	4 x Quarterly Performance Report, 1x Mid-term performance report, 1 Annual Performance Report, 1x Annual Report
Annual KPI	Number of Reports produced and submitted



CORPORATE SERVICES & ADMINISTRATION	
Section Name	Program 4: Corporate Services and Administration
National KPA	Organisational Transformation and Development
IDP Goal	A capable and a financially viable institution
Business Plan Goal	To ensure effective administration, communication, marketing and all corporate services
Business Plan Project	<b>Organogram Review</b>
Business Plan Reference	3.6.2.3
Strategic Objective	Organisational efficiency
Baseline	0
Annual Target 17/18	None
Actual Performance 17/18	None
Annual Target 18/19	To facilitate the review and adoption of Organogram by 30 June 2019
Actual Performance 18/19	Review and adoption of organogram facilitated by 30 June 2019
Measures taken to improve performance between 17/18 and 18/19 FY	None
Reason for Variance	None
Corrective Action	None
Annual Output	1 reviewed organogram adopted by 30 June 2019
Actual Output 18/19	1 Reviewed and adopted Organogram by 30 June 2019
mSCOA Amount/Budget	R 0,00
mSCOA Actual Expenditure	R 0,00
Municipal Classification	CPS/Organogram Review
Annual (Means of Verification)	Reviewed Organogram and Adopted Organogram
Actual Means of Verification	Reviewed and Adopted Organogram/ Board Resolution
Annual KPI	Number of reviewed and adopted Organograms by 30 June 2019

CORPORATE SERVICES & ADMINISTRATION	
Section Name	Program 4: Corporate Services and Administration
National KPA	Organisational Transformation and Development
IDP Goal	A Capable and a financially viable institution
Business Plan Goal	To ensure effective administration, communication, marketing and all corporate services.
Business Plan Project	<b>Recruitment and Selection</b>
Business Plan Reference	3.6.2.4
Strategic Objective	Increase the performance and efficiency level
Baseline	0
Annual Target 17/18	None
Actual Performance 17/18	None
Annual Target 18/19	5 vacancies to be advertised and filled by 30 June 2019
Actual Performance 18/19	5 vacancies advertised by 30 June 2019
Measures taken to improve performance between 17/18 and 18/19 FY	None
Reason for Variance	The term of the Board had expired. There was no Board in place for 6 months which meant a vacuum in relation to the formation of the panel
Corrective Action	Outstanding activities on the project were moved to 2019/2020 FY
Annual Output 18/19	5 vacancies advertised and filled by 30 June 2019
Actual Output 18/19	5 vacancies advertised by 30 June 2019
mSCOA Amount/Budget	R 20 000,00
mSCOA Actual Expenditure	R 22 902,70
Municipal Classification	CPS/ Recruitment
Annual (Means of Verification)	Registers, Shortlisting Reports, Interview Report
Actual Means of Verification	Adverts and Registers for Applications
Annual KPI	Number of approved vacancies advertised and filled

CORPORATE SERVICES & ADMINISTRATION	
Section Name	Programme 4: Corporate Services and Administration
National KPA	Organizational Transformation & development
IDP Goal	A capable and a financially viable institution
Business Plan Goal	To ensure effective administration, communication, marketing and all corporate services.
Business Plan Project	<b>VIP Payroll</b>
Business Plan Reference	3.6.2.5
Strategic Objective	Increase the performance and efficiency level
Baseline	2017/2018 VIP Payroll Reports
Annual Target 17/18	None
Actual Performance 17/18	None
Annual Target 18/19	To run 12 processed payrolls by 30 June 2019
Actual Performance 18/19	12 payroll runs and processed by 30 June 2019
Measures taken to improve performance between 17/18 and 18/19 FY	None
Reason for Variance	None
Corrective Action	None
Annual Output 18/19	12 payroll runs processed by 30 June 2019
Actual Output 18/19	12 payroll runs processed by 30 June 2019
mSCOA Amount/Budget	R9, 903,046.31
mSCOA Actual Expenditure	R 8 952 506,52
Municipal Classification	CPS/HRM/VIP Payroll
Annual (Means of Verification)	Payroll System Reports, EMP201 Report, EMP501 Reconciliation, Payroll Reconciliation
Actual Means of Verification	Payroll System Reports, EMP201 Report, EMP501 Reconciliation, Payroll Reconciliation
Annual KPI	Number of payrolls runs processed

CORPORATE SERVICES & ADMINISTRATION	
Section Name	Program 4: Corporate Services and Administration
National KPA	Organisational Transformation and Development
IDP Goal	A capable and a financially viable institution
Business Plan Goal	To ensure effective administration, communication, marketing and all corporate services.
Business Plan Project	<b>CLEANING MATERIAL</b>
Business Plan Reference	3.6.2.6
Strategic Objective	Organisational efficiency
Baseline	SLA between ANDA and Umzimvubu Leather Craft and Multi - Purpose Co-operative
Annual Target 17/18	None
Actual Performance 17/18	None
Annual Target 18/19	To clean 2 Buildings on a daily basis by 30 June 2019
Actual Performance 18/19	2 Buildings cleaned on a daily basis by 30 June 2019 and Cleaning Material was procured
Measures taken to improve performance between 17/18 and 18/19 FY	None
Reason for Variance	None
Corrective Action	None
Annual Output	2 Buildings cleaned on a daily basis by 30 June 2019
Actual Output 18/19	2 Buildings cleaned on a daily basis and cleaning material procured by 30 June 2019
mSCOA Amount/Budget	R 30 000,00
mSCOA Actual Expenditure	R 13 000,00
Municipal Classification	Programme 4/Cleaning Material
Annual (Means of Verification)	Orders and delivery notes of cleaning materials
Actual Means of Verification	Orders and delivery notes of cleaning materials
Annual KPI	Number of the agency's offices cleaned

CORPORATE SERVICES & ADMINISTRATION	
Section Name	Program 4: Administration Support
National KPA	Organisational Transformation & Development
IDP Goal	A capable and a financially viable institution
Business Plan Goal	To ensure effective administration, communication, marketing and all corporate services.
Business Plan Project	<b>Records Management</b>
Business Plan Reference	3.6.2.7
Strategic Objective	Organisational efficiency
Baseline	0
Annual Target 17/18	None
Actual Performance 17/18	None
Annual Target 18/19	To develop, review and approve 1 manual general filing system by 30 June 2019
Actual Performance 18/19	Records Management Policy with General filing system was developed, reviewed and approved by 30 June 2019
Measures taken to improve performance between 17/18 and 18/19 FY	None
Reason for Variance	None
Corrective Action	None
Annual Output	1 manual general filing system developed and adopted by 30 June 2019.
Actual Output 18/19	1 manual general filing system developed and adopted by 30 June 2019.
mSCOA Amount/Budget	R 0,00
mSCOA Actual Expenditure	R 0,00
Municipal Classification	Programme 4/Records Management
Annual (Means of Verification)	Adopted general filing system document
Actual Means of Verification	Approved Records Management Policy and General Filing System
Annual KPI	Number of manual general filing systems developed, reviewed and approved

BUDGET & TREASURY – SCM	
Section Name	Programme 5: Financial & Risk Management
National KPA	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT
IDP Goal	Sound financial and risk management
Business Plan Goal	Sound financial and risk management
Business Plan Project	<b>Procurement Projects</b>
Business Plan Reference	3.6.3.1
Strategic Objective	Increase, protect and diversify ANDA funding base
Baseline	seven (7) reports produced
Annual Target 17/18	0
Actual Performance 17/18	0
Annual Target 18/19	To Produce 4 Implementation of the Supply Chain Management policy reports by 30 June 2019 dealing with (12 x deviations, 12 x irregular expenditure, 12 x contract register, 12 x orders issued less than R30 000, 12 x orders issued less than R200 000, 12 x bids awarded above R200 000, 4 x updated supplier database, 4 x progress with implementation of procurement plan, 4 x sitting of bid committees)
Actual Performance 18/19	4 Implementation of the Supply Chain Management policy reports produced by 30 June 2019 dealing with (12 x deviations, 12 x irregular expenditure, 12 x contract register, 12 x orders issued less than R30 000, 12 x orders issued less than R200 000, 12 x bids awarded above R200 000, 4 x updated supplier database, 4 x progress with implementation of procurement plan, 4 x sitting of bid committees)
Measures taken to improve performance between 17/18 and 18/19 FY	None
Reason for Variance	None
Corrective Action	None
Annual Output	4 Implementation of Supply Chain Management Policy Reports produced by 30 June 2019 dealing with (12 x deviations, 12 x irregular expenditure, 12 x contract register, 12 x orders issued less than R30 000, 12 x orders issued less than R200 000, 12 x bids awarded above R200 000, 4 x updated supplier database, 4 x progress with implementation of procurement plan, sitting of bid committees)
Actual Output 18/19	4 Implementation of Supply Chain Management Policy Reports produced by 30 June 2019 dealing with (12 x deviations, 12 x irregular expenditure, 12 x contract register, 12 x orders issued less than R30 000, 12 x orders issued less than R200 000, 12 x bids awarded above R200 000, 4 x updated supplier database, 4 x progress with implementation of procurement plan, sitting of bid committees)
mSCOA Amount/Budget	R 0,00
mSCOA Actual Expenditure	R 0,00
Municipal Classification	Programme 5/Procurement Projects
Annual (Means of Verification)	4x Annual Implementation of SCM Policy Report
Annual KPI	Number of Implementation of SCM Policy Reports dealing with deviations, contract register, orders issued less than R30 000, orders issued less than R200 000, bids awarded above R200 000, updated supplier database progress with implementation of procurement plan, sitting of bid committees

BUDGET & TREASURY – SCM	
Section Name	Programme 5: Financial & Risk Management
National KPA	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT
IDP Goals	Sound financial and risk management
Business Plan Goal	Sound financial and risk management
Business Plan Project	<b>Asset Management</b>
Business Plan Reference	3.6.3.2
Strategic Objective	Increase, protect and diversify ANDA funding base
Baseline	three (3) reports produced
Annual Target 17/18	0
Actual Performance 17/18	0
Annual Target 18/19	To produce 4 Asset Management Reports by 30 June 2019 dealing with (12 x fixed asset register, 12 x purchase listing (additions), 4 x asset verification reports, 12 x updates to the portfolio of assets insured)
Actual Performance 18/19	4 Asset Management Reports produced by 30 June 2019 dealing with (12 x fixed asset register, 12 x purchase listing (additions), 4 x asset verification reports, 12 x updates to the portfolio of assets insured)
Measures taken to improve performance between 17/18 and 18/19 FY	None
Reason for Variance	None
Corrective Action	None
Annual Output 18/19	To produce 4 Asset Management Reports dealing with 12 x fixed asset register, 12 x purchase listing (additions), 4 x asset verification reports, 3 x updates to the portfolio of assets insured by 30 June 2019
Actual Output 18/19	produced 4 Asset Management Reports dealing with 12 x fixed asset register, 12 x purchase listing (additions), 3 x asset verification reports, 6 x updates to the portfolio of assets insured by 30 June 2019
mSCOA Amount/Budget	R 0,00
mSCOA Actual Expenditure	R 0,00
Municipal Classification	Programme 5/Asset Management
Annual (Means of Verification)	Consolidated Fixed Asset Register
Actual Means of Verification	Consolidated Fixed Asset Register
Annual KPI	Number of monthly Status of Asset Reports dealing with Fixed Asset Register

BUDGET & TREASURY – SCM
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<b>Section Name</b>	Programme 5: Financial & Risk Management
<b>National KPA</b>	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT
<b>IDP Goal</b>	Sound financial and risk management
<b>Business Plan Goal</b>	Sound financial and risk management
<b>Business Plan Project</b>	<b>Fleet Management</b>
<b>Business Plan Reference</b>	3.6.3.3
<b>Strategic Objective</b>	Increase, protect and diversify ANDA funding base
<b>Baseline</b>	12 Fleet Management reports produced
<b>Annual Target 17/18</b>	Sound Fleet management by 30 June 2018
<b>Actual Performance 17/18</b>	Achieved
<b>Annual Target 18/19</b>	To produce 12 Fleet Management Reports by 30 June 2019
<b>Actual Performance 18/19</b>	12 Fleet Management Reports produced by 30 June 2019
<b>Measures taken to improve performance between 17/18 and 18/19 FY</b>	None
<b>Reason for Variance</b>	None
<b>Corrective Action</b>	None
<b>Annual Output</b>	12 Fleet management reports produced by 30 June 2019
<b>Actual Output 18/19</b>	12 Fleet Management Reports produced by 30 June 2019
<b>mSCOA Amount/Budget</b>	R 0,00
<b>mSCOA Actual Expenditure</b>	R 0,00
<b>Municipal Classification</b>	Programme 5/Fleet Management
<b>Annual (Means of Verification)</b>	Updated fleet register, Log book register, trip authorisation report
<b>Actual Means of Verification</b>	Updated fleet register, Log book register, trip authorisation report
<b>Annual KPI</b>	Number of monthly fleet Management registers



<b>Section Name</b>	Programme 5: Financial & Risk Management
<b>National KPA</b>	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT
<b>IDP Goal</b>	Sound financial and risk management
<b>Business Plan Goal</b>	Sound financial and risk management
<b>Business Plan Project</b>	<b>Inventory Management</b>
<b>Business Plan Reference</b>	3.6.3.4
<b>Strategic Objective</b>	Increase, protect and diversify ANDA funding base
<b>Baseline</b>	Four (4) Inventory Management Reports produced
<b>Annual Target 17/18</b>	Manage and safe guard the Agency's stores by 30 June 2018
<b>Actual Performance 17/18</b>	Agency's stores managed and safe guarded by 30 June 2018
<b>Annual Target 18/19</b>	To produce Four (4) Inventory Management Reports by 30 June 2019 dealing with (12 x monthly issue note listing, 4 x inventory count, 4 x inventory reconciliation)
<b>Actual Performance 18/19</b>	Four (4) Inventory Management Reports produced by 30 June 2019 dealing with (12 x monthly issue note listing, 4 x inventory count, 4 x inventory reconciliation)
<b>Measures taken to improve performance between 17/18 and 18/19 FY</b>	None
<b>Reason for Variance</b>	None
<b>Corrective Action</b>	None
<b>Annual Output</b>	Four (4) Inventory Management Reports produced by 30 June 2019 dealing with (12 x monthly issue note listing, 4 x inventory count, 4 x inventory reconciliation)
<b>Actual Output 18/19</b>	Four (4) Inventory Management Reports produced by 30 June 2019 dealing with (12 x monthly issue note listing, 4 x inventory count, 4 x inventory reconciliation)
<b>mSCOA Amount/Budget</b>	R 0,00
<b>mSCOA Actual Expenditure</b>	R 0,00
<b>Municipal Classification</b>	Programme 5/Inventory Management
<b>Annual (Means of Verification)</b>	Inventory reports, reconciliation report, Invoice (for new stock), Requisition register,
<b>Actual Means of Verification</b>	Inventory reports, reconciliation report, Invoice (for new stock), Requisition register,
<b>Annual KPI</b>	Number of monthly inventory reports produced

<b>Section Name</b>	Programme 5: Financial & Risk Management
<b>National KPA</b>	Financial viability and financial management
<b>IDP Goal</b>	Sound Financial & Risk Management
<b>Business Plan Goal</b>	Sound Financial & Risk Management
<b>Business Plan Project</b>	<b>Budget &amp; Reporting</b>
<b>Business Plan Reference</b>	3.6.3.5
<b>Strategic Objective</b>	Increase, protect and diversify ANDA funding base
<b>Baseline</b>	4 budget & reporting reports produced
<b>Annual Target 17/18</b>	To Develop and facilitate adoption of Budget process plan, Corporate plan, APP 2017/2018 and the Actual Budget by 30 June 2018
<b>Actual Performance 17/18</b>	Budget process plan, Corporate plan, APP 2017/2018 and the Actual Budget developed and adopted by 30 June 2018
<b>Annual Target 18/19</b>	To produce 22 Deliverables by 30th of June 2019 consisting of (1 x ANDA set of AFS, 12 x Sec 87 reports (budget vs actual expenditure), 1xSec 88 Mid-term report, 4 x budget developed & implemented in terms of s87, 4x Quarterly Financial Reports)
<b>Actual Performance 18/19</b>	22 Deliverables produced by 30th of June 2019 consisting of (1 x ANDA set of AFS, 12 x Sec 87 reports (budget vs actual expenditure), 1xSec 88 Mid-term report, 2 x budget developed & implemented in terms of s87, 2x Quarterly Financial Reports)
<b>Measures taken to improve performance between 17/18 and 18/19 FY</b>	None
<b>Reason for Variance</b>	None
<b>Corrective Action</b>	None
<b>Annual Output 18/19</b>	22 Deliverables produced by 30th of June 2019 consisting of (1 x ANDA set of AFS, 12 x Sec 87 reports (budget vs actual expenditure), Sec 88 Mid-term report, 4 x budget developed & implemented in terms of s87, 4x Quarterly Financial Reports)
<b>Actual Output 18/19</b>	22 Deliverables produced by 30th of June 2019 consisting of (1 x ANDA set of AFS, Sec 88 Mid-term report, 2 x budget developed & implemented in terms of s87, 2x Quarterly Financial Reports)
<b>mSCOA Amount/Budget</b>	R1, 900,000.00
<b>mSCOA Actual Expenditure</b>	R 1 186 000,00
<b>Municipal Classification</b>	Programme 5/ Budget & Reporting
<b>Annual (Means of Verification)</b>	ANDA set of AFS, Sec 87 reports (budget vs actual Expenditure), Sec 88 Mid-term report, budget developed & implemented in terms of s87, Qaurtely Financial report.
<b>Actual Means of Verification</b>	ANDA set of AFS, Sec 87 reports (budget vs actual Expenditure), Sec 88 Mid-term report, budget developed & implemented in terms of s87, Qaurtely Financial report.
<b>Annual KPI</b>	Number of deliverables produced

## BUDGET & TREASURY - FINANCE

<b>Section Name</b>	Programme 5: Financial & Risk Management
<b>National KPA</b>	Financial viability and financial management
<b>IDP Goal</b>	Sound Financial & Risk Management
<b>Business Plan Goal</b>	Sound Financial & Risk Management
<b>Business Plan Project</b>	<b>Financial Information Systems</b>
<b>Business Plan Reference</b>	3.6.3.6
<b>Strategic Objective</b>	Ensure Financial System is up and running and able to produce sound financial reporting
<b>Baseline</b>	0%
<b>Annual Target 17/18</b>	None
<b>Actual Performance 17/18</b>	None
<b>Annual Target 18/19</b>	To be 100% mSCOA compliant by 30 June 2019
<b>Actual Performance 18/19</b>	0% mSCOA compliant by 30 June 2019
<b>Measures taken to improve performance between 17/18 and 18/19 FY</b>	none
<b>Reason for Variance</b>	The Financial system which was used by the agency had missing modules for mSCOA compliance
<b>Corrective Action</b>	The entity is currently in engagements with Treasury and parent Municipality on acquiring Mscoa compliant financial system
<b>Annual Output 18/19</b>	Financial System is 100% compliant to mSCOA by 30 June 2019
<b>Actual Output 18/19</b>	0% mSCOA compliant by 30 June 2019
<b>mSCOA Amount/Budget</b>	R 1 000 000,00
<b>mSCOA Actual Expenditure</b>	R 0,00
<b>Municipal Classification</b>	Programme 5: Financial & Risk Management
<b>Annual (Means of Verification)</b>	mSCOA implementation Plan, (mSCOA Progress Reports)
<b>Actual Means of Verification</b>	mSCOA implementation Plan, (mSCOA Progress Reports)
<b>Annual KPI</b>	mSCOA progress report produced & submitted.

<b>Section Name</b>	Programme 5: Financial & Risk Management
<b>National KPA</b>	Financial viability and financial management
<b>IDP Goal</b>	Sound Financial & Risk Management
<b>Business Plan Goal (s)</b>	Sound Financial & Risk Management
<b>Business Plan Project</b>	<b>Revenue &amp; Expenditure</b>
<b>Business Plan Reference</b>	3.6.3.7
<b>Strategic Objective</b>	Ensure Financial System is up and running and able to produce sound financial reporting
<b>Baseline</b>	Compliance Reports
<b>Annual Target 17/18</b>	None
<b>Actual Performane 17/18</b>	None
<b>Annual Target 18/19</b>	6 Compliance reports to be submitted to ANDA Board of Directors by 30 June 2019
<b>Actual Performance 18/19</b>	6 Compliance reports submitted to ANDA Board of Directors by 30 June 2019
<b>Measures taken to improve performance between 17/18 and 18/19 FY</b>	None
<b>Reason for Variance</b>	None
<b>Corrective Action</b>	None
<b>Annual Output 18/19</b>	6 Compliance reports submitted to ANDA Board of Directors by 30 June 2019
<b>Actual Output 18/19</b>	6 Compliance reports submitted to ANDA Board of Directors by 30 June 2019
<b>mSCOA Amount/Budget</b>	R 0,00
<b>mSCOA Actual Expenditure</b>	R 0,00
<b>Municipal Classification</b>	Programme 5/Revenue & Expenditure
<b>Annual (Means of Verification)</b>	Investment schedule reports, Income & Expenditure reports, EMP 201 reports, VAT 201 report, Bank reconciliations
<b>Actual Means of Verification</b>	Investment schedule reports, Income & Expenditure reports, EMP 201 reports, VAT 201 report, Bank reconciliations
<b>Annual KPI</b>	Cash & Investment reports, Revenue report, PAYE 201 recon, VAT 201 recon, creditors recon report submitted.

<b>Section Name</b>	Programme 6: Office of the CEO
<b>National KPA</b>	Good governance and public participation
<b>IDP Goal</b>	Sound financial and risk management
<b>Business Plan Goal</b>	Compliance Planning and Reporting
<b>Business Plan Project</b>	<b>Sitting of Board Meetings, Monitoring, Evaluation and Reporting</b>
<b>Business Plan Reference</b>	3.6.4.1
<b>Strategic Objective</b>	To Strengthen Governance and reduce risk
<b>Baseline</b>	0
<b>Annual Target 17/18</b>	None
<b>Actual Performane 17/18</b>	None
<b>Annual Target 18/19</b>	Hold 4 Ordinary and 4 Special ANDA Board Meeting. Hold 1 Strategic Planning session. Submit 4 Quarterly Performance and Financial Reports to the Board and ANDM. Approve Final Budget for 2019/20 Financial Year. Submit ANDA SDBIP 2019/20 to the Board and ANDM by 30 June 2018/19
<b>Actual Performance 18/19</b>	Held 2 Ordinary and 6 Special ANDA Board Meeting. Held 1 Strategic Planning session. Submitted 1 Quarterly Performance to the Board. Submitted 2 Quarterly Performance Report and Financial report to ANDM. Approved Final Budget for 2019/20 Financial Year. Submitted ANDA SDBIP 2019/20 to the Board and ANDM. Submitted Adjusted Budget 2018/19, Adjusted Multi-Year Business Plan 2019/19 and Adjusted SDBIP 2018/19 to the Board. Mid-Term report submitted to the Board.
<b>Measures taken to improve performance between 17/18 and 18/19 FY</b>	N/A
<b>Reason for variance</b>	The term of the Board had expired. There was no Board in place for 6 months. Interim Board was appointed in September and only sat for the first time in December 2018.
<b>Corrective Action</b>	The Board Compliance Calendar has been developed drafted for adoption by the in 2019/20 FY
<b>Annual Output 18/19</b>	4 Ordinary and 4 Special ANDA Board Meetings held. 1 Strategic Planning session held. 4 Quarterly Performance and Financial Reports. Approved Final Budget for 2019/20 Financial Year. ANDA SDBIP 2019/20
<b>Actual Output 18/19</b>	Held 2 Ordinary and 6 Special ANDA Board Meeting. Held 1 Strategic Planning session. Submitted 1 Quarterly Performance to the Board. Submitted 2 Quarterly Performance Report and Financial report to ANDM. Approved Final Budget for 2019/20 Financial Year. Submitted ANDA SDBIP 2019/20 to the Board and ANDM. Submitted Adjusted Budget 2018/19, Adjusted Multi-Year Business Plan 2019/19 and Adjusted SDBIP 2018/19 to the Board. Mid-Term report submitted to the Board.
<b>mSCOA Amount/Budget</b>	R 92 286,00
<b>mSCOA Actual Expenditure</b>	R 92 286,00
<b>Municipal Classification</b>	Programme 6/Sitting of Board Meetings, Monitoring, Evaluation and Reporting
<b>Annual (Means of Verification)</b>	Attendance Registers, 4 Quarterly Performance and Financial Report, Approved Final Budget for 2019/20 Financial year. ANDA SDBIP 2019/20
<b>Annual Actual (Means of verification)</b>	Attendance Registers, 2 Quarterly Performance Reports, Approved Budget 2019/20, Approved SDBIP 2019/20, Approved Multi-Year Business Plan 2019/20, Adjusted Budgeted 2018/19, Adjusted SDBIP 2018/19, Adjusted Multi-Year Business Plan 2018/19, Mid-Term report.
<b>Annual KPI</b>	Number of Targets completed

## 15. ANNEXURE C: ANNUAL FINANCIAL STATEMENTS



Alfred Nzo Development Agency SOC Limited  
Annual Financial Statements  
for the year ended June 30, 2019

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## General Information

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**Country of incorporation and domicile Nature of**

South Africa

**business and principal activities**

Carrying out the promotion and implementation of the local economic development initiatives and investment promotions in Alfred Nzo District Municipality

**Registered office**

ERF 1400

Ntsizwa Street

Mount Ayliff

4735

**Business address**

ERF 1400

Ntsizwa Street

Mount Ayliff

4735

**Postal address**

Private bag X511

Mount Ayliff

4735

**Controlling entity**

Alfred Nzo District Municipality incorporated in South Africa

**Bankers**

First National Bank

**Auditors**

Auditor-General South Africa (AGSA)

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Index

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)



# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), 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 accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipal entity 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.

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

The accounting officer acknowledge that they are ultimately responsible for the system of internal financial control established by the municipal entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the municipal entity 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 municipal entity and all employees are required to maintain the highest ethical standards in ensuring the municipal entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipal entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the municipal entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer 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 accounting officer has reviewed the municipal entity's cash flow forecast for the year to June 30, 2020 and, in the light of this review and the current financial position, they are satisfied that the municipal entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipal entity is wholly dependent on the Alfred Nzo District Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipal entity is a going concern and that the Alfred Nzo District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipal entity.

Although the accounting officer is primarily responsible for the financial affairs of the municipal entity, they are supported by the municipal entity's internal auditors.

The annual financial statements set out on pages 5 to 38, which have been prepared on the going concern basis, were approved by the Accounting officer on August 30, 2019.

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**Mandy N Bambeni**  
Chief Executive Officer

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Director's Report

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The directors submit their report for the year ended June 30, 2019.

### 1. Review of activities Main

#### business and operations

There has been no material change in the nature or conduct of the company's business during the period under review.

The financial statements adequately disclose the results of the operations for the period under review and the state of the company's affairs at 30 June 2019.

There has been no material fact or occurrence since the end of the period under review on which we consider it necessary to report.

### 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 as Alfred Nzo Development Agency is funded 100% by Alfred Nzo District Municipality with no intension to stop in the near future.

### 3. Subsequent events

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

### 4. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the municipal entity during the year under review.

### 5. Auditors

Auditor-General South Africa (AGSA) will continue in office for the financial year ended 30 June 2019.

### 6. Board

#### The directors of the entity during the year and to date of this report are as follows

Name	Nationality
Mvula Mtimkulu	South African
Ntombile Mabude	South African
Luvuyo Mahlaka	South African
Luleka Nonyongo	South African
Tobela Nota	South African
Damain Nakin	South African

### 7. Company Secretary

The company secretary resigned on 22 January 2019.

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Statement of Financial Position as at June 30, 2019

Figures in Rand

Note(s) 2019 2018 Restated\*

### Assets

#### Current Assets

Receivables from exchange transactions	2	174,157	132,150
VAT receivable	32	45,683	-
Cash and cash equivalents	3	723,528	718,827
		<b>943,368</b>	<b>850,977</b>

#### Non-Current Assets

Property, plant and equipment	4	1,958,893	1,924,862
Intangible assets	5	73,262	42,414
		<b>2,032,155</b>	<b>1,967,276</b>

<b>Total Assets</b>		<b>2,975,523</b>	<b>2,818,253</b>
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### Liabilities

#### Current Liabilities

Payables from exchange transactions	6&23	1,763,264	1,882,252
VAT payable	33	-	399,866
Unspent conditional grants and receipts	18	166,002	546,731
SARS payable		79,057	-
Bank overdraft	3	24,879	-
		<b>2,033,202</b>	<b>2,828,849</b>

<b>Total Liabilities</b>		<b>2,033,202</b>	<b>2,828,849</b>
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<b>Net Assets</b>		<b>942,321</b>	<b>(10,596)</b>
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Share capital / contributed capital	7	100	100
Accumulated surplus		942,321	(10,696)

<b>Total Net Assets</b>		<b>942,421</b>	<b>(10,596)</b>
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\* See Note 31 & 28

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Statement of Financial Performance

Figures in Rand

	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental income		83,478	84,027
Other income		8,043	401,084
Interest received	8	115,308	101,072
<b>Total revenue from exchange transactions</b>		<b>206,829</b>	<b>586,183</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	9	19,011,995	23,566,174
<b>Total revenue</b>	10	<b>19,218,824</b>	<b>24,152,357</b>
<b>Expenditure</b>			
Employee related costs	11	(8,934,871)	(8,358,669)
Depreciation and amortisation	12	(308,648)	(400,559)
Lease rentals on operating lease		(23,825)	(68,775)
Repairs and maintenance	16	(34,651)	(36,146)
General Expenses	13	(4,782,193)	(5,312,990)
Project Expenditure	14	(2,741,487)	(6,613,539)
Auditors' remuneration	15	(1,257,356)	(1,285,380)
<b>Total expenditure</b>		<b>(18,083,031)</b>	<b>(22,076,058)</b>
Gain on disposal of assets		5,463	-
<b>Surplus for the year</b>		<b>1,141,256</b>	<b>2,076,299</b>

\* See Note 31 & 28

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

### Statement of Changes in Net Assets

	Share capital / contributed capital	Accumulated surplus	Total net assets
Figures in Rand			
<b>Balance at July 1, 2017</b>	<b>100</b>	<b>(7,538,232)</b>	<b>(7,538,132)</b>
Changes in net assets			
Correction of errors	-	5,451,237	5,451,237
Net income (losses) recognised directly in net assets	-	5,451,237	5,451,237
Surplus for the year	-	2,076,299	2,076,299
Total recognised income and expenses for the year	-	7,527,536	7,527,536
Total changes	-	7,527,536	7,527,536
Opening balance as previously reported	100	(10,696)	(10,596)
<b>Balance at July 1, 2018 as restated*</b>	<b>100</b>	<b>(10,696)</b>	<b>(10,596)</b>
Changes in net assets			
Correction	-	(188,239)	(188,239)
Net income (losses) recognised directly in net assets	-	(188,239)	(188,239)
Surplus for the year	-	1,141,256	1,141,256
Total recognised income and expenses for the year	-	953,017	953,017
Total changes	-	953,017	953,017
<b>Balance at June 30, 2019</b>	<b>100</b>	<b>942,321</b>	<b>942,421</b>

\* See Note 31 & 28

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Cash Flow Statement

Figures in Rand

Note(s) 2019 2018 Restated\*

### Cash flows from operating activities

#### Receipts

Grants		19,011,995	23,566,174
Interest income		115,308	101,072
Other receipts		121,250	485,111
		19,248,553	24,152,357

#### Payments

Employee costs		(8,649,214)	(8,088,349)
Suppliers		(10,223,062)	(15,927,974)
Finance costs		(22,927)	(20,691)
		(18,895,203)	(24,037,014)

<b>Net cash flows from operating activities</b>	<b>17</b>	<b>353,350</b>	<b>115,343</b>
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### Cash flows from investing activities

Purchase of property, plant and equipment	4	(445,577)	(40,150)
Proceeds from sale of property, plant and equipment	4	141,998	47,832
Purchase of other intangible assets	5	(69,949)	(29,700)

<b>Net cash flows from investing activities</b>		<b>(373,528)</b>	<b>(22,018)</b>
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<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(20,178)</b>	<b>93,325</b>
cash equivalents at the beginning of the year		718,827	625,503

<b>Cash and cash equivalents at the end of the year</b>	<b>3</b>	<b>698,649</b>	<b>718,828</b>
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\* See Note 31 & 28

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rental income	83,478	-	83,478	83,478	-	
Other income	-	-	-	8,043	8,043	30.1
Interest received - investment	152,960	-	152,960	115,308	(37,652)	30.2
<b>Total revenue from exchange transactions</b>	<b>236,438</b>	<b>-</b>	<b>236,438</b>	<b>206,829</b>	<b>(29,609)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	19,816,690	-	19,816,690	19,011,995	(804,695)	30.3
<b>Total revenue</b>	<b>20,053,128</b>	<b>-</b>	<b>20,053,128</b>	<b>19,218,824</b>	<b>(834,304)</b>	
<b>Expenditure</b>						
Employee related costs	(11,751,938)	1,848,893	(9,903,045)	(8,934,871)	968,174	30.4
Depreciation and amortisation	-	-	-	(308,648)	(308,648)	30.5
Lease rentals on operating lease	-	-	-	(23,825)	(23,825)	30.6
General Expenses	(49,653,354)	37,968,300	(11,685,054)	(8,815,687)	2,869,367	30.8
<b>Total expenditure</b>	<b>(61,405,292)</b>	<b>39,817,193</b>	<b>(21,588,099)</b>	<b>(18,083,031)</b>	<b>3,505,068</b>	
<b>Operating surplus</b>	<b>(41,352,164)</b>	<b>39,817,193</b>	<b>(1,534,971)</b>	<b>1,135,793</b>	<b>2,670,764</b>	
Gain on disposal of assets	-	-	-	5,463	5,463	30.9
<b>Surplus before taxation</b>	<b>(41,352,164)</b>	<b>39,817,193</b>	<b>(1,534,971)</b>	<b>1,141,256</b>	<b>2,676,227</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(41,352,164)</b>	<b>39,817,193</b>	<b>(1,534,971)</b>	<b>1,141,256</b>	<b>2,676,227</b>	

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 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 Municipal Finance Management Act (Act 56 of 2003).

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.

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 municipal entity.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity 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:

##### Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipal entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of the tangible assets are inherently uncertain and could materially change over time.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 23 - Provisions.

##### Taxation

##### Effective interest rate

The entity used the prime interest rate to discount future cash flows.

#### 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.



# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

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

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

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

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 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.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Furniture and fixtures	Straight line	7 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	2-5 years
Computer equipment	Straight line	5 years

The depreciable amount of an asset is allocated on a straight-line basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipal entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipal entity assesses at each reporting date whether there is any indication that the municipal entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipal entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

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 municipal entity 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.

The municipal entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

### 1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipal entity; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.5 Intangible assets (continued)

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

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

### 1.6 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.

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 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.

#### Classification

The municipal 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:

<b>Class</b>	<b>Category</b>
Receivable from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The municipal 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:

<b>Class</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

#### Initial recognition

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

The municipal entity recognises financial assets using trade date accounting.

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Initial measurement of financial assets and financial liabilities

The municipal entity 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 municipal entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity 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.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipal entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipal entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### 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 collectability of financial assets

The municipal entity 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:

# Alfred Nzo Development Agency SOC Limited

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Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.6 Financial instruments (continued)

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.

#### Derecognition

##### Financial assets

The municipal entity derecognises financial assets using trade date accounting.

The municipal entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipal entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipal entity, 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 municipal entity:
  - 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.

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.

##### Financial liabilities

The municipal entity 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.

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).

### 1.7 Leases

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

#### 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.

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.8 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipal entity after deducting all of its liabilities.

### 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.

#### 1.10 Provisions and contingent assets and liabilities

Provisions are recognised when:

- the municipal entity 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.

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipal entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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).

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

# Alfred Nzo Development Agency SOC Limited

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Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.10 Provisions and contingent assets and liabilities (continued)

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipal entity

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

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 municipal entity 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 municipal entity 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 municipal entity considers that an outflow of economic resources is probable, an municipal entity 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.



# Alfred Nzo Development Agency SOC Limited

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## Accounting Policies

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### 1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Amounts collected as an agent of the government or other third parties will not give rise to an increase in net assets or revenue of the agent. This is because the agent entity cannot control the use of, or otherwise benefit from, the collected assets in the pursuit of its objectives.

An exchange transaction is one in which the municipality 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.

### 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.

### 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 Comparative figures

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

### 1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), or the Public Office Bearers Act, 1998 (Act 20 of 1998), or in contravention of the Municipality entity's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in surplus or deficit in the period it occurred, and where recovered, it is subsequently accounted for as revenue in surplus or deficit for the year.

# Alfred Nzo Development Agency SOC Limited

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## Accounting Policies

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### 1.19 Budget information

Municipal entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipal entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 01-Jul-18 to 30-Jun-19.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.20 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipal entity, including those charged with the governance of the municipal entity 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 municipal entity.

### 1.21 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 municipal entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipal entity 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.

### 1.22 Service in kind

#### Service in kind

The municipal entity recognises services in kind that are significant to its operations and/ or services delivery objectives. Where service in kind is/are not significant to the entity's operations and/or service delivery objectives and /or do not satisfy the recognition criteria for recognition, the municipal entity disclose the nature and type of service in kind received during the period.

## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

# Alfred Nzo Development Agency SOC Limited

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Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### New standards and interpretations (continued)

In the current year there were no new standards and interpretations that are effective for the current financial period and that are relevant to the operations of the group.

### 2.2 Standards and interpretations early adopted

The municipal entity has not early adopted any new standards and interpretations

### 2.3 Standards and interpretations issued, but not yet effective

The group has not applied the following standards and interpretations, which have been published:

### GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's consolidated annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

identifying related party relationships and transactions;  
identifying outstanding balances, including commitments, between an entity and its related parties; identifying the circumstances in which disclosure of the items in (a) and (b) is required; and determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual consolidated annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity?

An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity)

# Alfred Nzo Development Agency SOC Limited

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Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### New standards and interpretations (continued)

The standard furthermore states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

Close member of the family of a person;

Management;

Related parties;

Remuneration; and

Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

Control;

Related party transactions; and

Remuneration of management.

The effective date of the standard is for the years beginning on or after 1 April 2019.

The municipal entity expects to adopt the standard for the first time in the 2020 financial year.

The adoption of this standard is not expected to impact on the results of the municipal entity, but may result in more disclosure than is currently provided in the annual financial statements

### GRAP 32: Service Concession Arrangements: Grantor

The objective of this standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard for the year beginning on or after 1 April 2019 financial year.

It is likely that the standard will have a material impact on the municipal entity's annual financial standards.

# Alfred Nzo Development Agency SOC Limited

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Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### New standards and interpretations (continued)

#### GRAP 34: Separate Financial Statements

The objective of this standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date. The effective date of the standard is for the year beginning on or after 1 April 2020 financial year.

It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.

#### GRAP 36: Investments in Associates and Joint Ventures

The objective of this standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

The effective date of the standard is for the year beginning on or after 1 April 2020.

It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements

#### GRAP 37: Joint Arrangements

The objective of this standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (ie joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date

The effective date of the standard is for the beginning on or after 1 April 2020.

It is unlikely that the standard will have a material impact on the municipal entity's consolidated annual financial statements.

#### GRAP 38: Disclosure of Interests in Other Entities

The objective of this standard is to require an entity to disclose information that enables users of its financial statements to evaluate: the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

The effective date of the standard is for the beginning on or after 1 April 2020.

It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements

#### GRAP 108: Statutory Receivables

The objective of this standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

# Alfred Nzo Development Agency SOC Limited

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Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### New standards and interpretations (continued)

It furthermore covers definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions as well as the effective date.

The effective date of the standard is for years beginning on or after 1 April 2019.

It is unlikely that the standards will have a material impact on the municipal entity's annual financial statements.

### GRAP 109: Accounting by Principals and Agents

The objective of this standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

The effective date of the standard is for years beginning on or after 1 April 2019.

It is unlikely that the standards will have a material impact on the municipal entity's annual financial statements.

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>2. Receivables from exchange transactions</b>		
Other debtors	128,359	86,352
Sundry debtors	45,798	45,798
	<b>174,157</b>	<b>132,150</b>
<b>3. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	-	500
Bank balances	2,505,511	
Short-term deposits	721,023	628,816
Bank overdraft	(24,879)	-
	<b>698,649</b>	<b>718,827</b>
Current assets	723,528	718,827
Current liabilities	(24,879)	-
	<b>698,649</b>	<b>718,827</b>

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2019	June 30, 2018	June 30, 2017
FNB BANK - Main Account - 62215290355	(24,879)	17,839	745	(24,879)	17,839	745
FNB BANK - Livestock Account - 62238128351	3,707	3,724	3,708	3,707	3,724	3,708
FNB BANK - SMME Account - 6223812517	2,751	546,731	1,283	2,751	546,731	1,283
FNB BANK - Tourism Call Account - 62238128781	1,186	1,337	1,451	1,186	1,337	1,451
FNB BANK - Fruit & Veg Call Account - 62238129094	1,298	1,444	1,552	1,298	1,444	1,552
FNB BANK - Wood cluster Call Account - 62238129804	1,321	1,466	1,573	1,321	1,466	1,483
FNB BANK - ANDA Reserve Fund Account - 62238130231	706,384	69,768	407,211	706,384	69,768	407,211
FNB BANK - Grain Call Account - 62238127949	2,505	71,672	205,149	2,505	71,672	205,149
FNB BANK - Cut Flower Call Account - 2268	2,169	2,268	2,331	2,169	2,268	2,331
FNB Bank- Capacity building Call Amount- 62723833621	1,103	1,044	-	1,103	1,039	-
FNB Bank- Resource mobilisation Call Amount- 62723836360	1,103	1,039	-	1,103	1,039	-
<b>Total</b>	<b>698,648</b>	<b>718,332</b>	<b>625,003</b>	<b>698,648</b>	<b>718,327</b>	<b>624,913</b>

# Alfred Nzo Development Agency SOC Limited

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## Notes to the Annual Financial Statements

Figures in Rand

### 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
Buildings	1,725,992	(230,132)	1,495,860	1,725,992	(172,599)	1,553,393
Furniture and fixtures	211,940	(161,915)	50,025	211,940	(140,721)	71,219
Motor vehicles	294,626	(279,612)	15,014	294,626	(220,687)	73,939
Office equipment	321,302	(301,802)	19,500	362,352	(319,468)	42,884
Computer equipment	773,146	(394,652)	378,494	703,214	(519,787)	183,427
Other property, plant and equipment	7,447	(7,447)	-	-	-	-
<b>Total</b>	<b>3,334,453</b>	<b>(1,375,560)</b>	<b>1,958,893</b>	<b>3,298,124</b>	<b>(1,373,262)</b>	<b>1,924,862</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	1,553,393	-	-	(57,533)	1,495,860
Furniture and fittings	71,219	-	-	(21,194)	50,025
Motor vehicles	73,939	-	-	(58,925)	15,014
Office equipment	42,884	6,250	-	(29,634)	19,500
Computer equipment	183,427	431,880	(141,998)	(94,815)	378,494
Other property, plant and equipment	-	7,447	-	(7,447)	-
	<b>1,924,862</b>	<b>445,577</b>	<b>(141,998)</b>	<b>(269,548)</b>	<b>1,958,893</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Reassessmen t	Depreciation	Total
Buildings	1,610,926	-	-	-	(57,533)	1,553,393



## Alfred Nzo Development Agency SOC Limited

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Annual Financial Statements for the year ended June 30, 2019

### Notes to the Annual Financial Statements

Figures in Rand

#### 4. Property, plant and equipment (continued)

Furniture and fittings	23,571	-	-	68,842	(21,194)	71,219
Motor vehicles	132,864	-	-	-	(58,925)	73,939
Office equipment	14,977	-	-	106,631	(78,724)	42,884
Computer equipment	220,680	40,150	(47,832)	47,832	(77,403)	183,427
	<b>2,003,018</b>	<b>40,150</b>	<b>(47,832)</b>	<b>223,305</b>	<b>(293,779)</b>	<b>1,924,862</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

#### 5. Intangible assets

	Cost / Valuation	2019		Cost / Valuation	2018	
		Accumulated amortisation and accumulated impairment	Carrying value		Accumulated amortisation and accumulated impairment	Carrying value
Computer software	540,933	(467,671)	73,262	470,984	(428,570)	42,414

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Carrying Amount
Computer software	42,414	69,948	(39,100)	73,262

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Carrying Amount
Computer software	71,660	29,700	(58,946)	42,414

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 6. Payables from exchange transactions

Trade payables	870,398	1,005,320
Leave provision	862,729	771,303
Other creditors	2,136	(1,664)
Sundry creditors	2,001	2,001
Board control	10,000	-
Rent received in advance	16,000	-
Accruals	-	105,292
	<b>1,763,264</b>	<b>1,882,252</b>

### 7. Share capital / contributed capital

#### Authorised

100 Ordinary shares of R 1 each	100	100
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#### Issued

100 Ordinary shares of R1 each	100	100
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### 8. Interest Received

#### Interest revenue

Bank	115,308	101,072
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### 9. Government grants and subsidies

#### Operating grants

Alfred Nzo District Municipality	17,391,304	17,513,023
Service Seta	1,620,691	6,053,151
	<b>19,011,995</b>	<b>23,566,174</b>

### 10. Total Revenue

Rental income	83,478	84,027
Other income	8,043	401,084
Interest received - investment	115,308	101,072
Government grants & subsidies	19,011,995	23,566,174
	<b>19,218,824</b>	<b>24,152,357</b>

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

Rental income	83,478	84,027
Other income	8,043	401,084
Interest received - investment	115,308	101,072
	<b>206,829</b>	<b>586,183</b>

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

#### Taxation revenue

#### Transfer revenue

Government grants & subsidies	19,011,995	23,566,174
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### 11. Employee related costs

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>11. Employee related costs (continued)</b>		
Acting allowances	428,230	-
Basic	5,360,999	5,843,788
Car allowance	1,256,521	878,214
Back pay	91,201	233,812
Pension Fund Allowance	694,627	555,549
Leave provision (decrease)/increase	285,657	270,320
Medical aid Allowance	704,538	458,930
SDL	79,659	85,940
UIF	33,439	32,116
	<b>8,934,871</b>	<b>8,358,669</b>

### Remuneration of Chief Executive Officer (Left March 2019)

Annual Remuneration	664,671	1,194,699
Car Allowance	199,401	59,735
Medical Aid Allowance	128,509	33,186
Contributions to UIF	1,338	1,785
Subsistence Allowance	33,479	32,620
Reimbursive Travel	-	610
Backpay	16,571	38,717
Pension Fund Allowance	115,203	39,823
	<b>1,159,172</b>	<b>1,401,175</b>

### Remuneration of Acting Chief Executive Officer (April 2019- June 2019)

Acting Allowance	69,917	-
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### Remuneration of chief finance officer

Annual Remuneration	704,999	653,579
Car Allowance	235,000	179,848
Medical Aid Allowance	117,500	88,571
Contributions to UIF	1,785	1,785
Subsistence Allowance	2,448	26,029
Reimbursive Travel	256	244
Backpay	12,953	30,263
Pension Fund Allowance	117,500	157,973
	<b>1,192,441</b>	<b>1,138,292</b>

### Remuneration of Executive Manager: Programmes (Left August 2018)

Annual Remuneration	102,935	701,298
Car Allowance	34,312	110,654
Medical Aid Allowance	17,156	55,327
Contributions to UIF	297	1,785
Subsistence Allowance	3,739	91,262
Backpay	-	25,854
Pension Fund Allowance	17,156	55,327
	<b>175,595</b>	<b>1,041,507</b>

### Remuneration of Acting Executive Manager Programmes (November 2018- June 2019)

Acting Allowance	271,856	-
	<b>271,856</b>	<b>-</b>

# Alfred Nzo Development Agency SOC Limited

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 12. Depreciation and amortisation

Property, plant and equipment	308,648	400,559
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### 13. General expenses

Accommodation	167,317	261,339
Accounting fees	1,186,000	1,155,550
Advertising	49,019	37,050
Sitting allowances for board and other committees	144,000	259,180
Bank charges	22,927	24,396
Catering and venue hire expenses	179,891	59,257
Cleaning	19,311	9,729
Conferences and seminars	-	7,000
Consulting and professional fees	1,024,765	1,152,426
Interest and penalties	364,988	20,691
Electricity	123,534	119,249
Interest and penalties	1,515	-
Fuel and oil	-	302
General equipment and minor items	3,807	4,436
Insurance	98,772	124,099
Licences	99,709	96,778
Motor vehicle expenses	8,783	9,176
Office refreshments	2,353	6,599
Other expenses	7,959	-
Parking	-	172
Postage and courier	256	260
Printing and stationery	121,976	75,895
S & T Internal	-	109,639
Security (Guarding of municipal property)	9,617	36,865
Subscriptions and membership fees	-	5,000
Telephone and fax	474,743	436,326
Training	-	213,535
Travel - local	670,951	1,088,041
	<b>4,782,193</b>	<b>5,312,990</b>

### 14. Project Expenditure

Achor Project	165,217	-
Fruits & Veg Project	14,500	-
Simanye Project	14,676	-
Emfundiseni Skills Development	687,000	818,155
Msukeni Development	19,658	-
Umzimvubu Leather Craft	99,600	99,600
Grain production	41,130	-
Livestock & Poultry Product	79,015	-
Alfred Nzo Community Radio	-	50,000
Service Seta	1,620,691	5,645,785
	<b>2,741,487</b>	<b>6,613,540</b>

### 15. Auditors' remuneration

Fees	1,257,356	1,285,380
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### 16. Repairs and Maintenance

Repairs and Maintenance	34,651	36,146
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# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>17. Cash flows from operating activities</b>		
Surplus	1,141,256	2,076,299
<b>Adjustments for:</b>		
Depreciation and amortisation	308,648	400,559
Gain (loss) on sale of assets	(5,463)	-
Other non-cash	(32,085)	-
Reassessment	-	223,305
Payables correction	-	(365,583)
Leave provision adjustment	-	(540,640)
Prior year adjustments	-	237,054
Increase in leave provision	285,657	270,320
VAT write off	-	5,338,691
Leave gratuity	(194,230)	-
Prior period error adjustment	(14,698)	-
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(42,007)	332,954
Payables from exchange transactions	(118,988)	(2,116,030)
Vat Payable	(648,189)	(6,288,317)
Unspent conditional grants and receipts	(380,729)	546,731
SARS payable	79,057	-
Ovedraft	(24,879)	-
	<b>353,350</b>	<b>115,343</b>

## 18. Unspent conditional grants and receipts

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

### Unconditional Grant

#### Alfred Nzo District Municipality

Amount Received	17,391,304	17,513,023
Amount recognised as revenue	(17,391,304)	(17,513,023)
	-	-

### Conditional Grant

#### Service SETA

Opening balance	546,731	-
Amount Received	1,239,962	6,599,881
Amount recognised as revenue	(1,620,691)	(6,053,150)
	<b>166,002</b>	<b>546,731</b>

## 19. Financial instruments disclosure

### Categories of financial instruments

#### 2019

#### Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	174,157	174,157
Cash and cash equivalents	723,528	-	723,528
	<b>723,528</b>	<b>174,157</b>	<b>897,685</b>

#### Financial liabilities

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand

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2018

### 19. Financial instruments disclosure (continued)

	At fair value	At amortised cost	Total
Payables from exchange transactions	-	1,763,264	1,763,264
Bank overdraft	24,879	-	24,879
	<b>24,879</b>	<b>1,763,264</b>	<b>1,788,143</b>

### 20. Related parties

#### Relationships

Controlling entity	Alfred Nzo District Municipality incorporated in South Africa
Shareholder with significant influence	Name (Proprietary) Limited
Members of key management	Ingonyama: M.T. Diko-Chief Executive Officer (Left March 2019)
Ms. M. Bambeni -Acting Chief Executive Officer (April 2019 June 2019)	
Mr. Z.S. Mazwi-Executive Manager Programmes (Left August 2018)	
Mr.L.Bam-Chief Finance Officer	
Mr.O. Mdudi-Acting Executive Manager Programmes (November 2018 to June 2019)	
Board of Directors	Ms. N. Mabude
Mr. M. Mtimkhulu	
Mr.T. Nota	
Dr. D. Nakin	
Mr. L. Mahlaka	
Ms.L. Nonyongo	

Apart from remuneration, no further transactions occurred with key management. refer to note 12 for a breakdown of amounts paid to key management.

#### Related party balances

##### Sitting allowances due to board of directors

Ms. N. Mabude	5,500	-
Mr. M. Mtimkhulu	4,500	-

#### Related party transactions

##### Sitting allowances paid to board of directors

Ms. N. Mabude	79,500	97,180
Ms. K. Sangoni	-	42,000
Mr. M. Mtimkhulu	54,500	66,000
Mrs. S. Mntoga	-	54,000

#### Revenue

Grant received-Alfred Nzo District Municipality (Parent Municipality)	17,391,304	17,513,023
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### 21. Fruitless and wasteful expenditure

Opening balance	1,367,010	1,026,348
Add Current year Fruitless and wasteful expenditure	366,729	340,662
	<b>1,733,739</b>	<b>1,367,010</b>

Fruitless and wasteful expenditure consists of:

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019 2018

### 21. Fruitless and wasteful expenditure (continued)

Interest of late payments of Eskom	2,558	153,688
Penalties on late payments to SARS	311,645	121,869
Penalties and admin fee paid for accident	-	5,898
Interest on Auditor General	50,876	59,207
Traveling and car hire penalties	1,650	-
	<b>366,729</b>	<b>340,662</b>

### 22. Irregular expenditure

Opening balance	24,846,465	17,231,689
Add: Irregular Expenditure - current year	4,938,545	7,614,776
	<b>29,785,010</b>	<b>24,846,465</b>

#### Irregular expenditure consists of:

SCM Policy	25,773	2,466,181
Competitive bidding	3,845,354	5,148,596
Overpayments	157,133	-
Overspending	747,034	-
Conditional grant funds used for other purposes	163,251	-
	<b>4,938,545</b>	<b>7,614,777</b>

Irregular expenditure is currently under investigation by the internal audit as per the resolution of the board of directors.

### 23. Provisions

#### Reconciliation of leave provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Leave gratuity	771,303	285,656	(194,230)	862,729

#### Reconciliation of leave provisions - 2018

	Opening Balance	Additions	Total
Leave gratuity	500,983	270,320	771,303

### 24. Operating lease

The operating lease payments represent rentals payable by the entity for the lease of a photocopier machine negotiated for a term of three years. Rentals are fixed for the three-year period. No contingent rental is payable. Lease rentals are fixed per month over the lease period hence no straight lining was done.

### 25. Other revenue

Rental income - third party	83,478	84,027
Other income	8,043	401,084
	<b>91,521</b>	<b>485,111</b>

### 26. Additional disclosure in terms of Municipal Finance Management Act PAYE, UIF and

SDL

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>26. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
Opening balance	-	-
Current year subscription / fee	2,358,899	2,098,393
Amount paid - current year	(2,204,615)	(2,098,393)
	<b>154,284</b>	<b>-</b>
<b>VAT</b>		
VAT receivable	45,683	-
VAT payable	-	399,866
	<b>45,683</b>	<b>399,866</b>

## 27. Contingencies

### Contingent liabilities

#### Pricewaterhouse Coopers Inc: Case 162.2019

Alfred Nzo Development Agency had a 3-year contract with Pricewaterhouse Coopers Inc (PWC) for internal audit services between February 2014 to February 2017. At the end of the contract there was a dispute over unpaid fees and Pricewaterhouse Coopers has instituted a claim of R 1 125 184.37 to Alfred Nzo Development Agency for outstanding invoices regarding Bid Number ANDA 03/2013. The estimated fees are R 1 145 184.37

#### Nyalambisa Financial Service CC

Nyalambisa Financial Services was appointed for the preparation Alfred Nzo Development Agency The appointment was terminated as it did not follow the Supply Chain Management processes. Nyalambisa Financial took the matter to court. The estimated fees are R 45 000

#### Madikizela

Mr Madikizela was a Center Manager at Emfundisweni Skills Development centre. He had a disagreement with the community and was forced to leave the centre. Emfundisweni Skills Development Centre is under management and responsibility of ANDA. He took the matter to the court and summons were delivered to Alfred Nzo Development Agency. There is no estimate of the fees for the case.

#### FBBI Solutions

Alfred Nzo Development Agency had appointed Ikhaaya Connect to project manage and secure grant funding for ANDM's community based projects. Ikhaaya Connect appointed FBBI Solutions to provide cash backed guarantee equal to 10% of the total financed amount. On the 30th of June 2017 Ikhaaya Connect terminated the appointment of FBBI Solutions and the matter was taken to court with Ikhaaya Connect the first respondent, Alfred Nzo Development Agency the second respondent and Alfred Nzo District Municipality the third respondent. There is no estimate of the fees for the case.

#### Mgugudo

Mgugudo was appointed by Alfred Nzo Development Agency for mechanization at Isaphukanduku Grain project for 188 hectares. Mgugudo was paid based on hectorage of 129 which is a ploughable portion which resulted in a dispute between Mgugudo and Alfred Nzo Development Agency. Mgugudo took the matter to court and summons were delivered at Alfred Nzo Development Agency. There is no estimate of the fees for the case.

#### Judgement Mthatha

The attorneys representing Alfred Nzo Development Agency were not able to make any investigation in connection with this matter and do not believe that any further action will be warranted. There is no estimate of the fees for the case.



# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand

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### 28. Prior period errors

#### Current year comparatives

Statement of Financial Performance	Previously stated	Adjustments	Reclassification	As restated 2018
Leave provision increase or decrease	(270,320)	540,640	-	270,320
Depreciation reversal	365,066	35,493	-	400,559
Auditors fees	1,047,505	237,875	-	1,285,380
Government grants & subsidies	24,112,904	(546,730)	-	23,566,174
General expenses	5,328,445	-	(15,455)	5,312,990
Finance costs	20,691	-	(20,691)	-
Repairs and maintenance	-	-	36,146	36,146
	<b>30,604,291</b>	<b>267,278</b>	<b>-</b>	<b>30,871,569</b>

Statement of Financial Position	Previously stated	Adjustments	Reclassification	As restated 2018
Furniture and Fittings	(22,562)	22,562	-	-
Leave provision	230,662	540,640	-	771,302
VAT payable	5,755,508	(5,355,642)	-	399,866
Computer equipment	135,595	47,832	-	183,427
Office equipment	(3,315)	3,315	-	-
Accumulated surplus	(7,538,232)	5,451,237	-	(2,086,995)
Trade payables	639,737	365,583	-	1,005,320
Receivables from exchange transaction	46,398	-	85,752	132,150
Payable from exchange transactions	1,968,006	-	(85,752)	1,882,254
	<b>1,211,797</b>	<b>1,075,527</b>	<b>-</b>	<b>2,287,324</b>

#### Explanations for the 2018 comparatives restatement.

##### Leave provision

An incorrect journal was processed for the movement of leave provision in 2018 resulting in a decrease whereas the actual movement was an increase, A journal has been raised to reverse the incorrect journal and also for the increase.

##### Depreciation

In 2018 depreciation was incorrectly calculated, resulting in Furniture and fittings and Office equipment being over-depreciated and having negative balances, an adjustment has been done.

##### Audit fees and Trade Payables

In 2017 and 2018 some audit fees invoices were not captured resulting in understatement of audit fees and also trade payables being understated, the invoices have been processed resulting in an increase in audit fees and trade payables.

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

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2018

### 28. Prior period errors (continued)

#### Computer equipment

In the prior periods up-to and including 2018, there were cellphones that did not meet the recognition criteria of an asset and were expensed and also incorrectly depreciated. The accumulated depreciation for those cellphones has been written off against accumulated surplus.

#### VAT Payable

In 2018 VAT payable was overstated, the overstatement has been adjusted to the VAT Payable amount as per SARS statements. Alfred Nzo Development Agency has been declaring VAT Output at a standard rate on the grant received from the parent municipality and management is of the opinion that the grant qualifies as a zero rating and has approached SARS regarding the matter. A contingent asset has been disclosed for the VAT Output declared and paid to SARS on the grant.

#### Government grants & Subsidies

There Service Seta grant revenue was overstated by the unspent grant portion.

#### Accumulated Surplus / Deficit

Prior period errors corrected through accumulated surplus/ deficit account.

### DISCLOSURE

#### Irregular expenditure

Irregular expenditure was incompletely recognised resulting in understatement in 2018, irregular expenditure has been restated resulting in an increase of R 23 475 405

#### Reclassification

#### Finance cost

Finance cost was comprised of interest and penalties on late payments to suppliers. Management is of the opinion that that's not the best classification and has reclassified interest and penalties to general expenditure not finance cost.

#### Repairs and maintenance

Repairs and maintenance was previously classified under general expenditure will now be shown separately on the face of the AFS (Statement of financial position). Repairs and maintenance note have also been disclosed.

#### General expenditure

Interest and penalties which was previously shown separately has been classified as general expenditure which resulted in an increase of R 20 691. Repairs and maintenance previously classified under general expenditure has been reclassified and now shown on the Statement of Financial Performance resulting in a decrease of R 36 146. The effect on the general expenditure is a decrease in R 20 691 and a decrease of R 36 146, the net effect is a decrease of R 15 455.

#### Receivables from exchange transaction

An amount of R 85 752 for suspense previously classified under payables from exchange transactions as per note 6 has been reclassified to Receivables from exchange transaction as it previously resulted in an understatement of Payables from exchange transaction.

### 29. Risk management

#### Liquidity risk

The municipal entity's risk to liquidity is a result of the funds available to cover future commitments. The municipal entity manages liquidity risk through an ongoing review of future commitments.

#### Credit risk

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

#### Market risk

#### Interest rate risk

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 29. Risk management (continued)

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

#### Price risk

The entity is not exposed to equity securities price risk as it does not hold commodities on an open market.

### 30. Budget differences

#### Material differences between budget and actual amounts

##### 1. Other Income

Tender deposits have not been budgeted for as past experience has shown that procurement was not done by the Agency for grant funded programmes. Bid procurement on these programmes was done by funders who appointed their own suppliers. The Company secretary had an extension ending 30 June 2019 but resigned before the end of the extension period (i.e. in January 2019) and the tender was advertised after they resigned. Their resignation was not anticipated.

##### 2. Interest Received

Services SETA funding budget for was not actually received which resulted in interest received being lower than expected.

##### 3. Government Grants and Subsidies

Services SETA funding that was budgeted for was not received in the current financial period.

##### 4. Employee related costs

Vacancies that were budgeted for were not filled.

##### 5. Depreciation and amortisation

Depreciation was not budgeted for.

##### 6. Lease rentals

Not budgeted for because the Agency was anticipating the purchase of a new machine and stop leasing.

##### 7. Repairs and maintenance

Repairs and Maintenance have been budgeted for under general expenditure.

##### 8. General expenses

The actual costs incurred were lower than the budgeted due to the fact that the Service Seta grant budgeted for was not received resulting in lower level of operation.

##### 9. Gain on disposal of assets

An insurance pays out was received for assets stolen.

### 31. Service in kind

The municipal entity receives shared service from its mother body Alfred Nzo District Municipality in the form of internal audit and Audit and Performance Committee services. This is not considered to be an integral part of the municipal entity's operations and will therefore will not be recognised in the annual financial statements.

### 32. VAT receivable

# Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>32. VAT receivable (continued)</b>		
VAT receivables	45,683	-
<b>33. VAT payable</b>		
Tax payables	-	399,866
<b>34. Commitments</b>		
<b>Already contracted for but not provided for:</b>		
The municipal entity entered into a contract for the purchase of computer equipment.		
Property plant and equipment	62,195	-
<b>35. Change in estimate Property, plant and equipment</b>		
Furniture and fittings		
The useful life of furniture and fittings was estimated to be 3 years. In the 2017/18 financial period management have revised their estimate to 5 years. The effect of this revision has increased the depreciation charges for the current and future periods by R 68 842.		
Office Equipment		
The useful life of office and equipment was estimated to be 2- 5 years. In the 2017/18 financial period management have revised their estimate to 2-10 years. The effect of this revision has increase the depreciation for the current and future periods by R 106 631.		
<b>36. Deviations</b>		
Current year -Deviations	11,215	-
<b>Deviations consist of</b>		
Legal fees	11,215	-
<b>37. Taxation</b>		
<b>SOUTH AFRICAN NORMAL TAX</b>		
Amounts receivable / (payable) at the beginning of the year	-	-
Interest earned	-	-
Add: paid during the year	-	-
Less: Tax refund	-	-
Current tax	-	-
	-	-

A estimated assessed loss of R 123 069 823 is available for set off against future taxable income. The asset is not disclosed as there is no future taxable income that is expected to be earned in the next financial year.

## 16. ANNEXURE D: AUDITOR GENERAL AUDIT REPORT

### Report of the auditor-general to Eastern Cape Provincial Legislature and the council of Alfred Nzo District Municipality on the Alfred Nzo

#### Development Agency SOC (Ltd)

#### Report on the audit of the financial statements

##### Opinion

1. I have audited the financial statements of the Alfred Nzo Development Agency SOC (Ltd) set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2019 the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts 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 Alfred Nzo Development Agency SOC (Ltd) as at 30 June 2019, and their financial performance and cash flows for the year then ended in accordance with General recognized accounting practice (GRAP) and the requirements of the Municipal Finance Management, 2003 (Act 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).
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 Alfred Nzo Development Agency in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (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 matter

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

##### Restatement of corresponding figures

7. Note 28 to the financial statements indicates that the previously issued financial statements of entity for the year ended 30 June 2018 have been restated, as a result of an errors identified in these financial statements.

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

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and Companies Act, 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.
9. In preparing the financial statements, the accounting officer is responsible for assessing the Alfred Nzo Development Agency SOC (Ltd)'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 entity or to cease operations, or has no realistic alternative but to do so.

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

10. 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.
11. 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**

### **Introduction and scope**

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 30 June 2019:



Programmes	Pages in the annual performance report
PROGRAMME 1– Trade, investment, promotion and facilitations	x – x
PROGRAMME 2– Resource mobilisation & stakeholder management	x – x
PROGRAMME 3– Skills development and capacity building	x – x

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

#### **Programme 1 – Trade, Investment promotion and Facilitation**

17 I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information and method of collection to be used when measuring the actual achievement for the indicator. This was due to a lack of technical indicator descriptions or documented system descriptions. was unable to test whether the indicator was well-defined by alternative means.

#### **Programme 2 – Resource Mobilisation and Stakeholder Management**

18. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information and method of collection to be used when measuring the actual achievement for the indicator. This was due to a lack of technical indicator descriptions or documented system descriptions. was unable to test whether the indicator was well-defined by alternative means.

#### **Programme 3 – Skills development and capacity building**

19. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information and method of collection to be used when measuring the actual achievement for the indicator. This was due to a lack of technical indicator descriptions or documented system descriptions. was unable to test whether the indicator was well-defined by alternative means.

#### **Achievement of planned targets**

20. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) x to x of this report.

## Report on the audit of compliance with legislation

### Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. The material findings on compliance with specific matters in key legislations are as follows:

#### Expenditure management

23. Reasonable steps were not taken to ensure that the municipal entity implements and maintains an effective system of expenditure control, including procedures for the authorisation of funds, as required by section 99(2)(a) of the MFMA.
24. Reasonable steps were not taken to prevent irregular expenditure amounting to R4 938 545 as disclosed in note 23 to the annual financial statements, as required by section 95(d) of the MFMA.
25. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R366 729, as disclosed in note 21 to the annual financial statements, in contravention of section 95(d) of the MFMA.
26. Expenditure was incurred that was not budgeted for and in excess of the approved budget, in contravention of section 87(8) of the MFMA.

#### Revenue Management

27. An adequate management, accounting and information system which accounts for revenue / receipts of revenue was not in place, as required by section 97(h) of the MFMA.
28. An effective system of internal control for revenue was not in place, as required by section 97(e) of the MFMA.

#### AFS Management

29. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

#### Other information

30. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report [ which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act)]. The other information does not include the financial statements, the auditor's report and those selected



programmes presented in the annual performance report that have been specifically reported in this auditor's report.

31. My opinion on the financial statements and findings on the reported performance information 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.

32. 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 and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

### Internal control deficiencies

33. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the unmodified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

#### Leadership

34. Leadership has not instituted all the disciplines necessary to enable effective oversight that promotes efficiency and effectiveness in financial management, performance reporting and compliance with legislation. Monitoring at an oversight level has not been fully effective resulted in numerous repeat finding due to non- monitoring of the audit action plan

#### Financial and performance management

35. The control environment at the entity was insufficient, with insufficient daily and monthly processing and reconciliation of transactions. The submitted financial statements contained numerous material misstatements that were not identified by the entity's deficient system of internal control. Furthermore, compliance with legislation was not monitored adequately throughout the year, resulting in numerous material findings on compliance with legislation.

36. There is nothing to report in this regard.

*Auditor-General*

East London

30 November 2019

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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 the procedures performed on reported performance information for selected programmes and on the entity'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 entity's internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes 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 related to events or conditions that may cast significant doubt on the Alfred Nzo Development Agency ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a entity to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### **Communication with those charged with governance**

3. I communicate with the 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 bearing on my independence and, where applicable, related safeguards.

## 17. ANNEXURE E: AUDIT ACTION PLAN

	Nr	Department	Stream	Sub stream	Audit finding (Add relevant Audit Communication number/s)	Root Cause	Risk	Recommendation/ Mitigation	Remedial Actions [Separate row should be used for each action in order to provide progress per activity in a separate line]	Completion date per activity, if more than 1 activity.	Responsible Branch / Chief directorate, Department and Cost Centre	Responsible SMS Member/s if more than 1 activity with different responsibilities	IA comment
	Finding No in MR												
1	Finding No 03	Finance	Financial	Income	statement or statement of comparison of budget and actual amounts, but is relevant to an understanding of any of them. Contrary to the above mentioned requirement, difference was identified between the face of Annual Financial Statement (Cash flow statement) and the note. The operating lease is not consistent with prior year AFS, and it's not justified on why its disclosed under Financing Activities. MR Finding No 3	The cause of the above findings is that management did not properly review the financial statements for errors of recording and missing accounts. Transactions are not recorded as they occur, they are recorded from payments. Monthly	The impact of the findings is that it may lead to a modified audit opinion if the misstatements are not addressed.	Management should take reasonable steps to ensure that the review process identify misstatements and are recommended for correction before the AFS are submitted for audit.	<b>Preventative Remedial Measures:</b> <ol style="list-style-type: none"> <li>1. Review AFS prior to submission</li> <li>2. Effect Management input into AFS.</li> <li>3. Review Financial reports by IA (monthly)</li> <li>4. Review AFS by Audit Committee (quarterly)</li> </ol> <b>Detective Remedial Measures:</b> <ol style="list-style-type: none"> <li>1. Performance of monthly reconciliation of General Ledger with Trial Balance .</li> <li>2. Capturing of transactions when as they occur not after the payment has been done.</li> </ol> <b>Corrective Measures:</b> <p>The Final Set of Adjusted 2018-19 Financial Statements is consistent with those of the prior year as operating leases are not reflected under Financing Activities.</p>	30-Mar-20	Chief Financial Officer	Finance Manager	<ol style="list-style-type: none"> <li>1. The documented remedial actions did not address the root cause of the observation as raised by the Auditor General.</li> <li>2. There were no activities documented and categorised according to the forms of controls: Preventative, Detective and Corrective measures.</li> <li>3. There documented</li> </ol>

						reconciliations are not done properly.							timeframe is not adequate as it is not aligned to any activity. <b>Recommendation:</b> There preventative, Detective and Corrective measures should be documented to address the audit observation.
2	<b>Finding No 04</b>	Finance	Financial	Expenditure	We identified the following misstatements in the cash flow statement: Prior year comparative amounts were misstated.  MR Finding no4	The cause of the finding is due to lack of proper reviews of the work performed by consultants	The impact of the issue is a disagreement misstatement on the cash flow.	Management should ensure that cash flow statement and the workings for the statement together with its disclosure notes are reviewed before being submitted for audit.	<b>Preventative Remedial Measures:</b> Mark Annual Financial Statements so that the correct version is always used when capturing prior year comparative figures <b>Detective Remedial Measures:</b> <b>2.</b> After financial statements have been compiled management will review them, after which they should be reviewed by the Internal Auditor.. <b>3. Corrective Measures:</b> The correct version of the prior year audited financial statement will be used to update the comparatives in the latest Audit Set of 2018/19 Financial Statements.	30-Aug-20	Chief Financial Officer	Finance Manager	1. The documented remedial actions did not address the root cause of the observation as raised by the Auditor General. 2. There were no activities documented and categorised according to the forms of controls: Preventative, Detective and Corrective

													measures. 3. There documented timeframe is not adequate as it is not aligned to any activity. <b>recommendation:</b> There preventative, Detective and Corrective measures should be documented to address the audit observation.
3	Finding No 05	Finance	Financial	Expenditure	It was noted that there is no register in place to record contingent liabilities. Furthermore, no evidence was provided to confirm that the amount of R1 195 184.37 as disclosed in the external confirmation.	The matter occurred due to a lack of controls to ensure that the contingent liability register is in place and updated timeously.	The above control deficiency could result in the understatement of contingent liabilities.	Management should implement proper processes and procedures to ensure that there is a register in place to record the contingent liabilities and also the contingent liabilities are presented to council for approval.	The Finding was resolved refer to page 35 of the Management Report.	Resolved	Chief Financial Officer	Finance Manager	1. The documented action is not adequate, did not specify controls that needs to implemented to ensure that there is a register in place to record contingent liabilities. <b>recommendation:</b> There preventative,

													Detectative and Corrective measures should be documented to address the audit observation.
4	<b>Finding No 08</b>	Finance	Financial	Corporate Services	While auditing leave accrual, we identified the following: <ul style="list-style-type: none"> <li>· Leave days at year end for one employee were recorded as negative 1 while in actual fact the employee had 6 leave days available making an amount of R4845.41.</li> <li>· The leave note is incorrectly said to be leave "provision" instead of leave "accrual".MR Finding No 08</li> </ul>	This is due to the duplication of the leave transaction dates taken on the leave spreadsheet .	This results to the understatement of the leave accrual.	Management should ensure that they continuously review the work performed in order to eliminate errors or mistakes in computing leave days and calculating the leave accrual.	<b>1.Preventative Remedial Measures:</b> Monitoring and reviewing of leave schedule <b>2. Detective Remedial Measures:</b> Review of leave schedule quarterly by management prior to updating financial statements <b>3. Corrective Measures:</b> Management has a supporting schedule for the journal to be submitted.	20-Feb-20	Acting Director - Corporate Services	Human Resources Practitioner	This Audit Finding will be tested during the follow up reviews to confirm corrections claimed by management
5	<b>Finding No 12</b>	Finance	Financial	Supply Chain Management	There is no proof in the tender register, to indicate that the municipality closed the tender register on the advertised time for bids received. The bid amounts for the bidders is then disclosed to the bidders during the opening of the tenders. MR finding No 08	The matter occurred due to management not ensuring that proper and appropriate documentation is maintained.	This constitutes an internal control issue.	Management should ensure proper record keeping are done and enforced.	<b>Preventative Remedial Measures:</b> The Bid Closing date and closing time and the public must sign to acknowledge the contents of the register. <b>Detective Remedial Measures:</b> Supply Chain Manager to review all Bid Registers. <b>Corrective Measures:</b> To submit the correct register which reflects closing date and closing time .	20-Feb-20	Chief Financial Officer	Finance Manager	The documented actions, needs to be structured as follows: <ol style="list-style-type: none"> <li>1 preventative activity</li> <li>2. Detective control activities.</li> <li>3 Corrective control activities</li> </ol>

6	<b>Finding No 13</b>	Finance	Financial	Supply Chain Management	<p>1. Emfundisweni Accommodation and Catering Primary Co-Operative LTD- R1 084 652,00</p> <p>The contract commenced on 1 July 2017 and the contract specified the practical date of completion of the contract 30 June 2019. The project was extended by 10 months as per the Contract management register, the extension was not justified and it was increased from R1 000 000,00 to R1 084 652,00.</p> <p>2. Nyalambisa Financial Services CC- R1 186 000,00</p> <p>The contract amount was R940 000.00, the contract was extended with the amount of R246 000.00 which is 26% that is more than the 15% of the expansion and variation order according to the SCM policy.</p> <p>MR Finding No 13</p>	<p>This was caused by lack of implementation of controls on project management.</p> <p>This will result in non-compliance with MFMA section 116(3)(a) of the SCM policy which will result in irregular expenditure.</p> <p>Management should improve controls over the project management unit and SCM unit to ensure that projects are adequately managed and extension of contracts are in accordance with the requirements of applicable legislation.</p>	<p><b>ON EMFUNDISWENI</b></p> <p><b>Preventative Remedial Measures:</b></p> <p>To draft separate SLA's for different projects and separate codes for each project</p> <p><b>Detective Remedial Measures:</b></p> <p>Supply Chain Manager to review all Contracts and SLA's prior to every payment.</p> <p><b>Corrective Measures:</b></p> <p>Aligning The System Chart of account to the projects as per the SDBIP.</p> <p><b>ON NYALAMBISA</b></p> <p><b>Preventative Remedial Measures</b></p> <p>the SCM Unit should review (with reference to legislation) all extensions, variation orders prior to the CEO's approval.</p> <p><b>Detective Remedial Measures</b></p> <p>SCM Manager to review all final variation orders and extension approved by the CEO before they are sent to any Service Provider.</p> <p><b>Corrective Action</b></p> <p>The Extension Value above 15% has been reflected in the irregular expenditure register.</p>	30-Apr-20	Chief Financial Officer	Supply Chain Manager	The documented remedial actions are not sufficient to address to root cause as it was raised by AG. There are not clear process to deal with non-compliance with SCM regulation, SCM policies. Management needs to improve the documented actions plans
7	<b>Finding No 14</b>	Finance	Financial	Finance	<p>Contrary to the above-mentioned requirement, it was noted that the entity did not disclosed</p>	<p>This is due to management not</p> <p>This is a non-compliance</p> <p>Management should ensure that a proper review of financial information is</p>	<p><b>Preventative Remedial Measures:</b></p> <p>Management utilizes GRAP guidelines when reviewing financial statements</p> <p><b>Detective Remedial Measures:</b></p>	20-Aug-20	Chief Financial Officer	Finance Manager	The documented remedial actions are not



					accounting policy for financial instruments which will detail and narrate the following: 1. Classification of each financial instrument. 2. Category of which each financial instrument are measured. 3. Specification on how the initial and subsequent measurements of its financial instruments. MR Finding No 14	properly reviewing the financial information.	nance with GRAP.	performed and compliance with GRAP is adhered to.	Financial Management and Internal Audit Reviews <b>Corrective Measures:</b> Management to submit the correct latest AFS version that reflects the correct Financial Instrument Disclosure.				sufficient to address the root cause as it was raised by AG. There are not clear process to deal with non-compliance with GRAP standards. Management needs to improve the documented actions plans
8	<b>Finding No 16</b>	Finance	Financial	Income	While auditing the service seta grant, we noted that the amount spent on the grant was not equal to the revenue recognised. Grant Expenditure equalled to R1 620 691.12, Grant Revenue equalled to R1 239 962.00, Thus, having a variance of R380 729.12.	This is due to lack of understanding on how the conditional grant is recognised as revenue.	This has led to grant revenue from the service seta to be understated by factual amount of R380729.12.	Management should ensure that the conditional grant from service seta is accurately recorded on revenue using the GRAP guidance on how conditional grants are recognised as revenue.	<b>Preventative Remedial Measures:</b> Management to monitor the investment accounts on a regular basis for the accurate correct amounts to be reflected in the financial statements. <b>Detective Remedial Measures:</b> Financial Proper monitoring and review of Investment Account Accounts reconciliations <b>Corrective Measures:</b> Management prepares and authorizes a journal to correct the difference.	30-Jan-20	Chief Financial Officer	Finance Manager	ref to the above comment
9	<b>Finding No 17</b>	Finance	Financial	Expenditure	During the audit, we identified the following: The entity disclosed zero amount on the AFS while the legal confirmation		The contingent liabilities are	Management should ensure that they collect all legal matters affecting the entity and be	<b>Preventative Remedial Measures:</b> Management prepares a contingent liability register <b>Detective Remedial Measures:</b> Financial Monitoring of the Contingent Liability	30-Jan-20	Chief Financial Officer	Finance Manager	The root cause in relation to the audit finding is not documented

					from the lawyers confirmed R1195184.37, The disclosure note is not complete, because it does not state the description of the legal matters affecting the entity.		understated by R1 195 184.37 and may impact on the audit outcome	properly disclosed in the financial statements.	register by the Finance Manager <b>Corrective Measures:</b> The Financial Statements with the updated litigations submitted. .				
10	<b>Finding No 18</b>	Finance	Financial	SCM	During the audit of property, plant and equipment (PPE) the auditor discovered that the below asset was disposed to the former CEO without council's approval as required by MFMA: MR Finding No 18	The above is caused by the fact that management did not follow the full process of disposals as required by the MFMA when disposing of capital assets.	The above has resulted in non-compliance with section 14(2) of the Municipal Finance Management Act. Furthermore, it has resulted in the understatement of PPE by R 24700 as the	Management should obtain the necessary approval from council, only then should the asset be removed from the fixed asset register as a disposal. Management should reverse the disposal of the laptop until such time that the approval is obtained from council. Once the approval has been obtained, only then will the disposal be valid and thus eligible to be removed from the asset register.	<b>Preventative Remedial Measures:</b> Review Asset Management Policy to include Council Approvals for disposal <b>Detective Remedial Measures:</b> Review of Annual Financial Statements by Management <b>Corrective Measures:</b> .	Immediately	Chief Financial Officer	Finance Manager	The documented remedial actions are not sufficient to address the root cause as it was raised by AG. It also encourages that implement AG recommendations

							disposal has not occurred (invalid) due to it not being approved at the correct levels.						
11	<b>Finding No 19</b>	Finance	Financial	SCM	During the audit, we identified that the opening balance of assets (Furniture, Computer equipment and office equipment) was restated. Upon following up the restatement, we identified that management had a change in estimate (asset useful lives was revised). The change in estimate was incorrectly recorded or disclosed as a prior period error. MR Finding No19	The misstatement was caused by management applying an incorrect GRAP referencing which is not aligned to the work actually performed.	The impact is that the financial statements are not properly disclosed and as a result are misstated.	Management should take reasonable steps in ensuring that GRAP is properly applied on all transactions or adjustments performed on the financial statements.	<b>Preventative Remedial Measures:</b> Utilization GRAP guidelines when preparing financial statements <b>Detective Remedial Measures:</b> Update Procedure manuals to include disposals. <b>Corrective Measures:</b> Corrected in the adjusted set of AFS	30-Mar-19	Chief Financial Officer	Finance Manager	The documented remedial actions are not sufficient to address the root cause as it was raised by AG. There are not clear process to deal with non-compliance with GRAP standards. Management needs to improve the documented actions plans
12	<b>Finding No 20</b>	Finance	Financial	Expenditure	Contrary to the above-mentioned requirement, the following was noted from the listed below	(a)-(b). The impact of this finding will result in non-	Internal control deficiency	Management should ensure that the payments voucher is authorised by the relevant officials.	<b>UNAUTHORISED PAYMENTS</b> <b>Preventative Remedial Measures:</b> Finance to not accept unauthorised payments <b>Detective Remedial Measures:</b> Monitoring of payment vouchers	30-Jan-20	Chief Financial Officer	Finance Manager	Remedial actions are not documented

					payment vouchers: MR Finding No 20	compliance with MFMA.			<b>Corrective Measures:</b> Updating of irregular expenditure register with these payments <b>CFO ACTING LETTER</b> <b>Preventative Remedial Measures:</b> <b>Finance to not accept unauthorised payments</b> <b>Detective Remedial Measures:</b> <b>Monitoring of payment vouchers</b>				
13	<b>Finding No 21</b>	Finance	Financial	SCM	Management incurred Fruitless and wasteful expenditure in the current year (R366 729) which is in contravention with S95 (d) of MFMA. MR Finding No21	No internal controls in place to prevent irregular expenditure and fruitless expenditure.	The impact of the non-compliance is that it will be a reportable misstatement.	management should design internal controls that detect and prevent irregular expenditure, over spending on approved budget and fruitless expenditure.	<b>Preventative Remedial Measures:</b> SOP's should be followed in the implementation of all policies <b>Detective Remedial Measures:</b> Monthly Development of Irregular and Fruitless Register <b>Corrective Measures:</b> Internal Audit Investigations	30-Jan-20	Chief Financial Officer	Finance Manager	Documented remedial actions has been noted, however no internal controls in documented to prevent irregular expenditure and fruitless expenditure.
14	<b>Finding No 23</b>	Corp Services	Corp Services	Corp Services	During the planning phase of the audit of performance information, the auditor identified the following documents which should have been made public as per the above legislation, but were not made public, The December 2018 Mid-year budget and performance assessment, The 2017/2018 annual report, The 2018/2019 performance management	The above is a result of the agency being destabilised during a period where there was no board and quite a number of leadership positions being vacant for a long period of	The above has resulted in material non-compliance with the Municipal Finance Management Act as	Management to go through public consultation in compiling their documents and to make the information available to the public via notices on their website, libraries, community walls or shopping centres, newspapers and the municipal office notice boards.	<b>Preventative Remedial Measures:</b> ANDA to develop compliance calendar/checklist for all documents that are required by legislation to be made public. <b>Detective Remedial Measures:</b> Monitoring of the compliance calendar/checklist. <b>Corrective Measures:</b> Update ANDA website and Facebook page	30-Jun-20	Chief Executive Officer	Director - Corporate Services	The remedial action has been noted; however, management should develop compliance checklist to improve compliance with applicable laws and regulations

					system : MR Finding No 23	time thus resulting in many duties or functions falling through the cracks.	well as the Municipal Systems Act.						
15	<b>Finding No 24</b>	Corp Services	Corp Services	Corp Services	During the planning phase of the audit of performance information, the auditor identified that the 2018/2019 PMS was not signed and approved at the correct levels. Management was still in the process of taking it to the relevant stakeholders for review and approval. Furthermore, the 2018/2019 PMS was not fit for its intended purposes due to the following noted by the auditor: MR Finding No 24	The above is a result of the agency being destabilised during a period where there was no board and quite a number of leadership positions being vacant for a long period of time thus resulting in many duties or functions falling through the cracks and not being done adequately and timeously. Furthermore , the above is	The above has resulted in non-compliance with the Municipal Systems Act.	Management should review the current PMS, making it applicable to ANDA. Management should also ensure that the PMS clearly outlines how the entity plans, monitors and reports on performance as well as roles and responsibilities in relation to these functions. Once the PMS has gone through the required processes it should be table to the board and council for approval, only then can it be implemented. Management should also then share the PMS with employees responsible and incorporate the roles and in responsibilities in the employees balanced	<b>Preventative Remedial Measures:</b> ANDA to develop PMS review guidelines/Terms of reference for guidance in constituting the reviewed PMS <b>Detective Remedial Measures:</b> Monitoring of the guidelines/Terms of Refence for PMS Review. <b>Corrective Measures:</b> Executive Manager of the Corporate Services Department has been recruited.	30-Jun-20	Chief Executive Officer	Director - Corporate Services	The documented actions are linked to the root cause and audit finding itself. Management should revisit the documented actions plans to ensure that, are addressing the root cause of the Audit Finding.

						indicative of a lack of due care in the development and implementation of the entity's documents due to an attempt to meet legislative deadlines rather than ensuring there are sound policies underpinning business activity.		score card to ensure performance.					
16	<b>Finding No 25</b>	Corp Services	Corp Services	Corp Services	During the planning phase of the audit of performance information, the auditor identified that in the 2017/2018 annual report the plans to address findings from the prior year were included, however progress towards rectifying these issues as at 31 December 2018 was not included in the annual report. MR Finding No 25	The above is a result of the agency being destabilised during a period where there was no board and quite a number of leadership positions being vacant for a long	The above has resulted in material non-compliance with S88 of the Municipal Finance Manage	Management to include their progress towards rectifying findings in their annual report going forward.	<p><b>Preventative Remedial Measures:</b></p> <p>ANDA to liaise with its parent Municipality on the standard format of the Annual Report. The Entity will also draft a MFMA section 121 compliance checklist on the requirements of the section.</p> <p><b>Detective Remedial Measures:</b></p> <p>The Accounting officer will monitor the MFMA section 121 compliance checklist whenever the Annual report is written to ensure all requirements of the section are met</p> <p><b>Corrective Measures:</b></p> <p>Executive Manager of the Corporate Services Department has been recruited and will be used to strengthen capacity in development of compliance documents.</p>	20-Jun-20	Chief Executive Officer	Director - Corporate Services	The documented action plans have been noted

						period of time thus resulting in many duties or functions falling through the cracks.	ment Act.						
17	<b>Finding No 26</b>	Programmes	Programmes	Programmes	During the audit of performance information, the auditor noted that there were inconsistencies between the target as defined in the 2018/2019 Service Delivery and Budget Implementation Plan (SDBIP) and the performance achievement reported on the 2018/2019 Annual Performance Report (APR). In the 2018/2019 SDBIP the target is defined as "To supply production inputs equivalent to 40 ha, Procurement of 6 sign boards and 2 irrigation infrastructure by 30 June 2019", whereas the performance reported is defined as "Facilitated procurement of Inputs equivalent to 40 ha, Facilitated procurement of	The cause of the above is due to management and those charged with governance not ensuring that proper reviews are done for planning documents and reporting documents and ensuring the consistency thereof.	The above has resulted in material non-compliance with the Municipal Systems Act and the Municipal Finance Management Act.	Management should ensure consistency between targets and reported performance by allowing for multiple reviews of the SDBIP and the APR.	<p><b>Preventative Remedial Measures:</b>  ANDA has introduced weekly plans and Weekly Reporting Template in order to align targets on the SDBIP with daily activities and tasks of the workforce. This is to ensure proper alignment when it's time for reporting as the culture of reporting is still being institutionalised within the Entity.</p> <p><b>Detective Remedial Measures:</b> The Office of the CEO through its Planning and Reporting Coordinator will monitor the weekly plans and weekly Reporting alignment with SDBIP targets.</p> <p><b>Corrective Measures:</b>  Senior Management will be sitting every Friday to consider weekly business progress and our weekly plans for the upcoming week in order to track progress on the SDBIP targets.</p>	20-Jun-20	Chief Executive Officer	Programmes - Director	The documented actions have been noted. Management also need to put more control activities in the form of preventative, detective and corrective measures.

					6 sign boards by 30 June 2019 " MR Finding No.26								
18	<b>Finding No 27</b>	Programmes	Programmes	Programmes	During the audit of performance information, the auditor noted that the indicator "Number of production inputs supplied (ha)" not well defined, specific and measurable: Not well defined: The auditor believes is not well defined because it has an ambiguous definition which is open to many interpretations regarding what "production inputs" could be. Furthermore, there is no technical indicator document which defines what will be considered "production" inputs in this regard. Not specific: The auditor believes the target is not specific because the nature and required level of performance of the target is not clearly identifiable as "production units" could be interpreted in different ways. Furthermore, there is no technical indicator document which defines what will be considered "production" inputs.	The cause of the above is due to management and those charged with governance not ensuring that indicators are formulated according to the SMART criteria or trouble interpreting the requirement of the National Treasury Framework for Managing Programme Performance. Furthermore, the above could be caused by a lack of review of	The above has resulted in material non-compliance with paragraph 3.2 of the National Treasury Framework for Managing Programme Performance. The above has resulted in a 100% limitation in the test of reliability	Management should ensure that indicators are formulated using the SMART criteria, either by being explicit of what terms, mean in their planning documents or by putting together a technical Indicator Document which outlines what terms mean. The SDBIP should be reviewed at various levels including the management of the parent municipality to ensure the measurability of indicators.	<b>Preventative Remedial Measures:</b> Develop SMART indicators in line with the SDBIP <b>Detective Remedial Measures:</b> Executive Manager reviews and aligns the reported performance indicators with the planned indicators. <b>Corrective Measures:</b> Submit reviewed SDBIP to MANCO, Internal Audit and the Audit Committee for review. Agree reported performance to Planned Performance .	30-Mar-20	Director - Programmes	Programmes - Director	The documented actions have been noted. Management also need to put more control activities in the form of preventative, detective and corrective measures.



					Not measurable: The auditor believes the target is not measurable because "equivalent to 40 ha" could be interpreted and calculated in different ways. Furthermore, there is no technical indicator document which defines what will be considered in determining an "equivalent" to 40 ha or how the agency would determine how many /how much inputs equate to 40 ha: MR Finding No 27	Performance information documents by the parent municipality and thus not timeously advising the agency on indicators which would not be considered SMART.	y and as a result reliability will not be tested for this indicator in the period under review.						
19	<b>Finding No 28</b>	Programmes	Programmes	Programmes	During the audit of performance information, the auditor noted that the indicator "Support for livestock Programme by 30 June 2019" not well defined, specific and measurable: Not well defined: The auditor believes it is not well defined because it has an ambiguous definition which is open to many interpretations regarding to what "support" and "livestock programmes" are. Furthermore, there is no technical indicator document which defines or explains these terms. Not specific: The auditor	The cause of the above is due to management and those charged with governance not ensuring that indicators are formulated according to the SMART criteria or trouble interpreting the requirement of the National	Management should that indicators are formulated using the SMART criteria, either by being explicit of what terms, mean in their planning documents or by		<b>Preventative Remedial Measures:</b> Develop SMART indicators in line with the SDBIP <b>Detective Remedial Measures:</b> Executive Manager reviews and aligns the reported performance indicators with the planned indicators. <b>Corrective Measures:</b> Submit reviewed SDBIP to MANCO, Internal Audit and the Audit Committee for review. Agree reported performance to Planned Performance.	30-Mar-20	Director - Programmes	Programmes - Director	The documented actions have been noted. Management also need to put more control activities in the form of preventative, detective and corrective measures.

					believes the target is not specific because the nature and required level of performance of the target is not clearly identifiable as "Support " and "livestock Programme" could be interpreted in different ways. Furthermore, there is no technical indicator document which defines or explains what these terms mean: MR Finding No 28	Treasury Framework for Managing Programme Performance Information. Furthermore, the above could be caused by a lack of review of Performance information documents by the parent municipality and thus not timeously advising the agency on indicators which would not be considered SMART.	putting together a technical Indicator Document which outlines what terms mean. The SDBIP should be reviewed at various levels including the management of the parent municipality to ensure the measurability of indicators.						
20	Finding No 29	Programmes	Programmes	Programmes	During the audit of performance information, the auditor noted that	The cause of the above is due to	The above has	Management should ensure consistency between targets and	Preventative Remedial Measures: Develop SMART indicators in line with the SDBIP  Detective Remedial Measures:	30-Mar-20	Director - Programmes	Programmes - Director	The documented actions have

				<p>there were inconsistencies between the annual target as defined in the 2018/2019 Service Delivery and Budget Implementation Plan (SDBIP) and the quarterly targets as depicted on the targets per quarter on the SDBIP. In the 2018/2019 SDBIP the annual target is defined as "Increase Revenue Base by 30 June 2019", whereas the is defined as quarterly targets are denied as follows "Facilitate signing of 3 Learner ship agreements, Learner agreement signed for the implementation of the Emfundisweni Special Programme by 30 September 2018: 2. 1 Learner Agreement Signed for the Project Management Learner ship Programme by 30 September 2018: 3. 1 Learner Agreement signed for the Artisan Training Programme by 30 September 2018: means of verification, quarterly targets and quarterly indicators</p>	<p>management and those charged with governance not ensuring that proper reviews are done for planning documents and reporting documents and ensuring the consistency thereof.</p>	<p>resulted in material non-compliance with the Municipal Finance Management Act as well as the Municipal Systems Act. The above has resulted in a 100% limitation in the test of reliability and as a result reliability will not be tested for this indicator in the</p>	<p>reported performance by allowing for multiple reviews of the SDBIP and the APR.</p>	<p>Executive Manager reviews and aligns the reported performance indicators with the planned indicators.</p> <p><b>Corrective Measures:</b></p> <p>Submit reviewed SDBIP to MANCO, Internal Audit and the Audit Committee for review.</p> <p>Agree reported performance to Planned Performance</p> <p>.</p>				<p>been noted. Management also need to put more control activities in the form of preventative, detective and corrective measures.</p>
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					states".The above do not relate to each other and the means of measure and verification do not relate to what the indicator and target are about.: MR Finding No 29		period under review.						
21	<b>Finding No 30</b>	Programmes	Programmes	Programmes	During the audit of performance information, the auditor noted that the indicator <i>"To implement 3 Training Programmes by 30 June 2019"</i> was ambiguous and misleading: While obtaining an understanding of the indicator and its related target, the auditor discovered that Services SETA was involved in the offering of the Programme. It became apparent that the role of the agency was to: Recruit the learners and monitor the service providers to ensure that they provide the trainings. Funds for the Learner ship are not transferred to the agency, but the agency claims reimbursement costs (HR and expenditure incurred) after which SETA makes a payment to the agency for	The cause of the above is due to management and those charged with governance not ensuring that indicators are formulated according to the SMART criteria or trouble interpreting the requirements of the National Treasury Framework for Managing Programme Performance Information. Furthermore, the above	The above has resulted in material non-compliance with paragraph 3.2 of the National Treasury Framework for Managing Programme Performance Information. The above has resulted in a 100%	Management should that indicators are formulated using the SMART criteria, either by being explicit of what terms, mean in their planning documents or by putting together a technical Indicator Document which outlines what terms mean. Management should assess both the substance and the form of their relationship with SETA, the learners and service providers to determine the nature of their role. If they are an arranger, to amend their planning documents to depict that and to measure themselves against their arranger activities. The SDBIP should be reviewed	<b>Preventative Remedial Measures:</b> Develop targets in line with funders SLA <b>Detective Remedial Measures:</b> Executive Manager to review and annual targets with funders SLA documents so that there is consistency between annual and quarterly targets <b>Corrective Measures:</b> Submit reviewed SDBIP to MANCO, Internal Audit and the Audit Committee for review. .	30-Mar-20	Director - Programmes	Programmes - Director	The documented actions have been noted. Management also need to put more control activities in the form of preventative, detective and corrective measures.

					arrangement fees. All contracts by the learners as well as service providers are with SETA and hard copies are kept at SETA offices after signing. Based on the above evaluation, the auditor believes that the agency is an arranger in the transaction role and as such their indicator and target should reflect that.: MR Finding No 30	could be caused by a lack of review of Performance information documents by the parent municipality and thus not timeously advising the agency on indicators which would not be considered SMART.	limitatio n the test of reliabilit y and as a result reliabilit y will not be tested for this indicator in the period under review	at various levels including the management of the parent municipality to ensure the measurability of indicators.					
22	<b>Finding No 31</b>	Submit reviewed SDBIP to MANCO, Internal Audit and the Audit Committee for review.	Program mes	Programmes	During the audit of performance information, the auditor noted that the indicator <i>"Increase revenue base by 30 June 2019"</i> not well defined, specific and measurable: Not measurable: The target was not measurable as the performance is unverifiable in the sense that the level at which the agency intends to increase the revenue by is not specified as either an increase by % or Rand nor is a base included to give context to the	The cause of the above is due to managemen t and those charged with governance not ensuring that indicators are formulated according to the SMART criteria or trouble interpreting the requirement	The above has resulted in material non-compliance with paragraph 3.2 of the National Treasury Framework for Managin g	Management should that indicators are formulated using the SMART criteria, either by being explicit of what terms, mean in their planning documents or by putting together a technical Indicator Document which outlines what terms mean. Going forward, management must adjust the target to specify the level of increase in revenue that is required as	<b>Preventative Remedial Measures:</b> Develop targets in line with funders SLA <b>Detective Remedial Measures:</b> Executive Manager to review and annual targets with funders SLA documents so that there is consistency between annual and quarterly targets <b>Corrective Measures:</b> Revising Annual targets reflects ANDA's role in line with the SLA .	30-Mar-20	Director - Programmes	Programmes - Director	The documented actions have been noted. management also need to put more control activities in the form of preventative, detective and corrective measures.

					measure. Not time bound: The target focuses on 1 date /just the year "by 30 June 2019" with no specific incremental performance targets for each quarter or targets and actions to be taken each quarter to accumulate or work towards the goal of increasing revenue: MR Finding No 31	s of the National Treasury Framework for Managing Programme Performance Information. Furthermore, the above could be caused by a lack of review of Performance information documents by the parent municipality and thus not timeously advising the agency on indicators which would not be considered SMART.	Programme Performance Information. The above has resulted in a 100% limitation in the test of reliability and as a result reliability will not be tested for this indicator in the period under review	well as clearly depict what will be done in each quarter to get to a point where revenue is at the "increased" or desired level. The SDBIP should be reviewed at various levels including the management of the parent municipality to ensure the measurability of indicators.					
23	Finding No 33	Finance	Financial	Finance	During the audit of prior period error note, we received a schedule of components that have been adjusted for prior period misstatements and identified that the below components were not	Management did not provide a complete disclosure note of the prior period error note.	The prior period disclosure note on the financial statement	Management should ensure that the prior period error note is disclosed accurately and its complete.	<b>Preventative Remedial Measures:</b> Management utilizes GRAP guidelines when reviewing financial statements <b>Detective Remedial Measures:</b> Financial Management and Internal Audit Reviews <b>Corrective Measures:</b> Management to submit the correct latest AFS	30-Mar-20	Chief Financial Officer	Finance Manager	The documented remedial actions has been noted, however the actions are not unpacked to

					disclosed on the AFS yet recorded on the prior period schedule, While re-performing the PPE account, we identified a variance of R47 832 relating to Computer Equipment even though the account was not adjusted. The closing account entry (Accumulated Surplus/deficit), the balance of R3259142 is not clear on where it has been recorded after adjusting as the account shows a restatement amount of R100.: MR Finding No 33		nts is under disclosed		version that reflects the correct Financial Instrument Disclosure .				describe the preventative measures to prevent re-occurrence of the audit finding. Management should reconsider the remedial actions to address the root cause of the audit finding
24	<b>Finding No 34</b>	Finance	Financia l	Expenditure	Contrary to the amount that is disclosed in the GL, AFS and TB is (R231 371) and it is not the amount that is in the SARS Statement Account for the year ended which is (R42 450,83). There is a difference of (R188 920,17). Also, the opening balance of R416 817 of vat payable does not agree to the SARS statement of R23 169.89 vat receivable: MR Finding No 34	The cause of the finding is due to lack of controls and reviews over vat processing for the entity.	This issue may lead to overstatement of the VAT receivable.	Management should make sure that vat is correctly accounted for all the entity's transactions so as to ensure that there are no differences as the vat payable is calculated as what remains between the vat input and vat output, and so if the vat input or the vat output is calculated incorrectly this will lead to the vat	<b>Preventative Remedial Measures:</b> Management utilizes GRAP guidelines when reviewing financial statements <b>Detective Remedial Measures:</b> Financial Management and Internal Audit Reviews <b>Corrective Measures:</b> Management to submit the correct latest AFS version that reflects the correct Financial Instrument Disclosure .	30-Mar-20	Chief Financial Officer	Finance Manager	There documented remedial actions are not explicit to identify to address in adequacies in relation to processing for the entity.

								payable to be incorrect as well					
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