



**2024**

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**ALFRED NZO  
DEVELOPMENT  
AGENCY ANNUAL  
REPORT  
2023-2024**

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# Chapter 1

## ABBREVIATIONS

ABBREVIATION	DESCRIPTION
ANDA	Alfred Nzo Development Agency
CEO	Chief Executive Officer
SDA	Service Delivery Agreement
MOI	Memorandum of Incorporation
MYBP	Multi Year Business Plan
DDP	District Development Plan
IDP	Integrated Development Plan
SDBIP	Service Delivery Budget and Implementation Plan
KPA	Key Performance Area
KPI	Key Performance Indicators
ECDC	Eastern Cape Development Corporation
COEGA	The Coega Development Corporation (CDC)
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism
ESRSDF	Eastern Seaboard Regional Spatial Development Framework
ECRDA	Eastern Cape Rural Development Agency
MFMA	Municipal Finance Management Act 56 of 2003

# Chapter 1

## CHAPTER 1 – CHAIRPERSON’S FOREWORD AND EXECUTIVE SUMMARY

### COMPONENT A: CHAIRPERSON’S FOREWORD

#### CHAIRPERSON’S FOREWORD

It is my privilege to present the 2023/2024 Annual Report for the Alfred Nzo Development Agency (ANDA) as we reflect on the achievements and challenges of the past year. This document serves as a comprehensive overview of the entity’s collective efforts to enhance the quality of life for all residents of Alfred Nzo District.

The Entity’s vision is to lead a rapidly growing economy that generates wealth for the Alfred Nzo District. The entity’s commitment to effective governance and sustainable development has driven key strategic objectives over the past year. From initiatives that promote efficient service delivery to policies fostering economic growth, the entity managed to hold a Strategic Planning session at the beginning of the financial year and took part in a number of policy workshops from various stakeholders.

The Entity has strived to create a framework that aligns with the evolving needs of our community. Inclusivity and fairness remain at the forefront the entity’s policymaking, ensuring that the benefits of Board decisions are felt in every corner of Alfred Nzo.

The key strategic goals of the entity are:

Goal 1: Sustainable Inclusive Economic Growth

Goal 2: Economic Infrastructure Development.

Goal 3: Sound Financial Management,

Goal 4: Good Governance

Goal 5: Enhancing Human Capabilities

The above strategic goals are aligned with the Provincial Growth and Development Strategy, the National Development Plan, the National Spatial Development Perspective and the National Key Performance Areas.

Service delivery lies at the heart of the entity’s mandate and 2023/2024 has seen considerable progress in this regard. Regardless of the pressure to justify the entity’s existence from all sections of society, I am pleased to share some highlights of the 2023/24 financial year.

The entity held a successful Trade Fair launch on 25 May 2024 in collaboration with Eastern Cape Development Corporation.

Handing over of Sheep Shearing Equipment to four wool grower’s associations to develop farmers, particularly smallholder wool producers to join the commercial animal wool value chain.

Pre-feasibility study Alfred Nzo Industrial Park has been finalized funded by DEDEAT and conducted by COEGA.

Feasibility study for development of Macadamia Nuts industry has been finalized.

In its endeavours to improve organisational capacity and capability, the Board has made some key

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restructuring of the organisational design by establishing a new Department and merging one in order to strengthen service provision.

As defined in the SDA, ANDA fulfils its mandate into the MYBP 2023/2024 by keeping in mind goals of the shareholder as expressed in the ANDM IDP 2022-2027. The entity also took part in the recent public consultations held in March 2024, where the draft Integrated Development Plan (IDP) and Budget for the 2024/25 fiscal year were presented. This underscores the entity's dedication to community engagement and accountability

ANDA recognizes that the journey toward a sustainable and inclusive development is a process. The Eastern Seaboard Regional Spatial Development Framework is a visionary plan aimed at addressing the complex challenges arising from decades of apartheid spatial planning. Alfred Nzo District is part of the Eastern Seaboard which was officially declared in June 2022. Despite its potential, the region grapples with underdevelopment, resulting in pervasive poverty, unemployment, and inequality. The ESRSDF seeks to transform this landscape and create a more equitable and prosperous future, this includes the N2 Wild coast corridor. The ESRSDF places a strong emphasis on key priority services to be provided as key enablers to sustainable development.

ANDA is looking at re-purposing the Emfundisweni Skills Development Centre to respond to the skills gap and high rate of youth unemployment. Working with Eastern Department of Public Works, the entity is intending at establishing an Artisan Development workshop for youth to acquire trade competencies and also attend to the deteriorating government infrastructures which will include school buildings, healthcare facilities and government offices

Collaboration has been established with Eastern Cape Rural Development Agency (ECRDA) on the development of industrial hemp and cannabis, forest development, macadamia nuts and re-purposing of the Mbizana Red Hub.

The entity has also formed collaboration with Izinini Community Property Associations CPA for the development of Alfred Nzo Industrial Park and other related developments.

ANDA has partnership with ECDC on hosting Trade Fairs, Investment promotion and access to markets.

I would also like to appreciate the Management of ANDA and the entire staff for their cooperation and the manner in which they handled themselves even during the absence of the full time CEO.

On behalf of the Board of Directors of ANDA the entity would like to thank the shareholder, Alfred Nzo District Municipality for their ongoing support, leadership and guidance and to all our partners and stakeholders without whom the entity would not be able to implement the mandate of driving effective and sustainable development within Alfred Nzo District communities.

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Mrs. N. Mabude  
Chairperson of the Board

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## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. CHIEF EXECUTIVE OFFICER'S OVERVIEW

#### CHIEF EXECUTIVE OFFICER'S OVERVIEW

In compliance with section 127 of the Municipal Finance Management Act 56 of 2003t his report not only fulfils the entity's statutory obligations but also serves to provide a comprehensive update on the performance of the Entity during the financial year.

The year under review has been marked by significant challenges, as rising operational costs remain unmatched by additional funding from project management fees. Nevertheless, ANDA's management has upheld its unwavering commitment to attracting investors and driving economic development within the district.

Governance structures continue to operate effectively. The entity expresses gratitude to the parent municipality for the steadfast support in shared services, including internal audit, the audit and performance committee, and the risk management committee. These governance structures have played a critical role in ensuring the quality and integrity of the entity's reports and in reinforcing effective internal controls.

The entity's approach to risk management emphasizes identifying, assessing, and mitigating risks within the entity's operational environment. While operating risks cannot be entirely eliminated, ANDA remains committed to minimizing these risks through robust systems, strong controls, and a steadfast commitment to ethical behaviour.

Despite being largely reliant on the parent municipality for operational funding, the Entity's Annual Financial Statements have been prepared on the assumption that ANDA is a going concern. This demonstrates the resilience and dedication of the Agency in fulfilling its mandate.

Aligned to the Service Delivery Agreement (SDA) and the goals of the shareholder expressed in the Integrated Development Plan (IDP), the Board translated ANDA's mandate into the Multi-Year Business Plan (MYBP) for 2023/2024. From this, the Adjusted Service Delivery and Budget Implementation Plan (SDBIP) was developed, providing in-year performance targets and detailed plans for delivering services to the entity's communities.

In the financial year under review 81% (eighty-one) percent of the set targets were achieved, while



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19% were not met due to the bid adjudication committee failing to reach a quorum, caused by vacancies at the senior management level. To address this challenge, the Entity engaged senior managers from other municipalities to assist in convening the committee meetings.

Key achievements include:

- **Skills Development:** Successful implementation of SETA-funded programs aimed at upskilling youth across the district.
- **Strategic Partnerships:** Collaborations with COEGA to conduct a feasibility study for the Alfred Nzo Industrial Park, the Eastern Cape Rural Development Agency (ECRDA) to drive initiatives such as cannabis and hemp industrialization and forest development and the Eastern Cape Development Corporation (ECDC) to develop the fresh produce industry.
- **Resource Mobilization:** Ongoing efforts to attract prospective funders, ensuring the Entity's sustainability.
- **Property Transfers:** Progress in the transfer of Fort Donald and Emfundisweni properties through the Transitional Facilitation Committee (TFC) processes, positioning ANDA to attract investments and generate revenue.

In addition, the Board of Directors approved the Staff Establishment for 2023/2024, transitioning employees from fixed-term contracts to permanent employment to foster organizational stability and job security.

On behalf of the management team, I extend my heartfelt gratitude to the Board, led by Chairperson Ms. N. Mabude, for their guidance and support. I also thank the shareholder, Alfred Nzo District Municipality, under the leadership of His Worship, Cllr. V. Mhlembana, as well as the entity's partners and stakeholders, for their unwavering collaboration.

The tireless efforts of the ANDA staff have not gone unnoticed, and I am deeply grateful to each team member for their unwavering dedication and readiness to go above and beyond.

The integrity of the entity's internal control system is not just about compliance—it is about earning and maintaining the trust of the entity's stakeholders. Together, with your support and commitment, I am confident that ANDA will continue to exemplify excellence in governance and achieve its mission of driving impactful change for the entity's community.

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Ms N. Maloi  
Acting Chief Executive Officer

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## 1.2. ENTITY FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### INTRODUCTION TO BACKGROUND DATA

The Development Agency operates as a critical enabler for economic and social development within the Alfred Nzo District Municipality (ANDM). Its mandate is structured to address key priorities that drive inclusive growth, environmental sustainability, and community upliftment.

Alfred Nzo Development Agency is strategically located in the Eastern Cape province, within the Alfred Nzo District, encompassing four local municipalities: Matatiele, Umzimvubu, Winnie Madikizela Mandela, and Ntabankulu. Historically part of the Transkei homelands, the district is rich in cultural heritage and natural beauty. Despite its rural nature and persistent socio-economic challenges, it offers untapped potential for investment and economic growth.

The Alfred Nzo District accounts for a total population of 936 462 or 12.1% of the total population in the Eastern Cape Province with an average annual growth rate of 0.9% between 2011 and 2022. This is projected to increase to 909 000 in 2023. The Alfred Nzo District has significantly more females (53,1%) than males (46,9%) when compared to the provincial female population at 52.45% of the total population.

#### **Strategic Location and Accessibility**

The Matatiele Local Municipality is situated near the Lesotho-South Africa border, making it a gateway for cross-border trade. Matatiele and Cedarville serve as urban nodes supporting the region's agrarian economy.

The Umzimvubu Local Municipality is traversed by the N2 highway, providing seamless connectivity to regional and national markets. It hosts Mt Frere, the district's largest economic hub, and Mt Ayliff, the administrative capital.

The Winnie Madikizela Mandela Municipality is the district's gateway to the Wild Coast, a region known for its pristine beaches and ecotourism potential.

Ntabankulu Municipality, with its strong rural character and proximity to mountain ranges, offers opportunities for agroforestry and rural development projects.

#### **Rich Natural Resources**

The district boasts fertile soils, diverse river systems, and indigenous forests, making it ideal for agriculture, forestry, and eco-friendly industries.

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The rugged, mountainous terrain creates a picturesque landscape, providing opportunities for scenic tourism, adventure sports, and niche markets such as agritourism.

## **Growing Economic Sectors**

**Agriculture:** The district's agrarian base, supported by fertile soils and abundant water resources, is poised for expansion into high-value crops, livestock farming, and agro-processing.

**Tourism:** The scenic beauty, biodiversity, and proximity to the Wild Coast make it an attractive destination for ecotourism, cultural tourism, and adventure activities.

**Renewable Energy:** Opportunities exist for harnessing solar, wind, and hydro energy, especially in alignment with the district's sustainability goals.

## **Supportive Interventions and Strategic Focus**

The Alfred Nzo District has been identified as a presidential poverty node under the Integrated Sustainable Rural Development Programme (ISRDP), making it a priority area for developmental support.

Collaborative efforts with various stakeholders aim to enhance infrastructure, unlock land potential, and create an enabling environment for investors.

## **Unique Selling Points**

**Biodiversity and Scenic Tourism:** The district's natural environment, characterized by mountain ranges, river systems, and indigenous forests, provides unparalleled opportunities for eco-friendly investment.

**Affordable and Productive Land:** Large parcels of rural land are available for development, offering cost advantages to investors in agriculture, renewable energy, and tourism.

**Cultural and Heritage Significance:** The region's rich history and cultural heritage offer avenues for developing heritage tourism and community-based enterprises.

## **Challenges and Opportunities**

While the district's topography presents logistical challenges, it also creates opportunities for innovative infrastructure solutions and sustainable development. The need for enhanced connectivity and basic services opens doors for partnerships in public-private infrastructure projects.

By investing in Alfred Nzo District, stakeholders can unlock its economic potential, improve livelihoods, and contribute to the sustainable development of this unique region.

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## 1.3. SERVICE DELIVERY OVERVIEW

### SERVICE DELIVERY INTRODUCTION

The entity is driving socio-economic development in the district through impactful projects, including skills development programs funded by SETAs. It fosters industry growth through strategic partnerships and progressing plans for the Alfred Nzo Industrial Park. Additionally, a Youth Employment Initiative, in collaboration with the Department of Labour, addresses unemployment through learning placements and funding exploration, showcasing the entity's commitment to sustainable development.

## 1.4. FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

During the year under review, our budget expectations were not fully realized on both revenue and expenditure. The Entity budgeted for income amounting to R38.9 million and expenditure of R38.4 million. By the close of books at the end of the financial year, revenue accrued totalled to R31.5 million, and expenditure was R29.1 million, resulting in a surplus of R2.1 million. The reasons for revenue shortfall were a result of the late issuing of commencement letters by SETAs, resulting in the late transfer of funds to the entity.

The Entity maintained a strong liquidity position throughout the reporting period as current assets exceeded current liabilities. The entity's ability to pay its short-term liabilities is tested by taking the total current assets and dividing them by current liabilities. This test is mainly used to give an idea of the entity's ability to pay back its short-term liabilities using the current assets. The liquidity ratio for the year under review was 1.7:1.

The entity's assets are nearly fully depreciated. Management is currently developing strategies to enhance the value of these assets and replace those that are fully depreciated.

A significant concern is the contingent liability, which totals over R700 million. This raises uncertainty about the Entity's ability to settle the liability should it materialize. The entity's legal experts are handling the matter.

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Financial Overview: Year 2024			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	35 703	38 624	30 839
Other	3 427	336	699
Sub Total	39 130	38 961	31 538
Less: Expenditure	34 678	38 411	29 150
Net Total*	4 452	550	2 388

Operating Ratios	
Detail	%
Employee Cost	31%
Repairs & Maintenance	1%

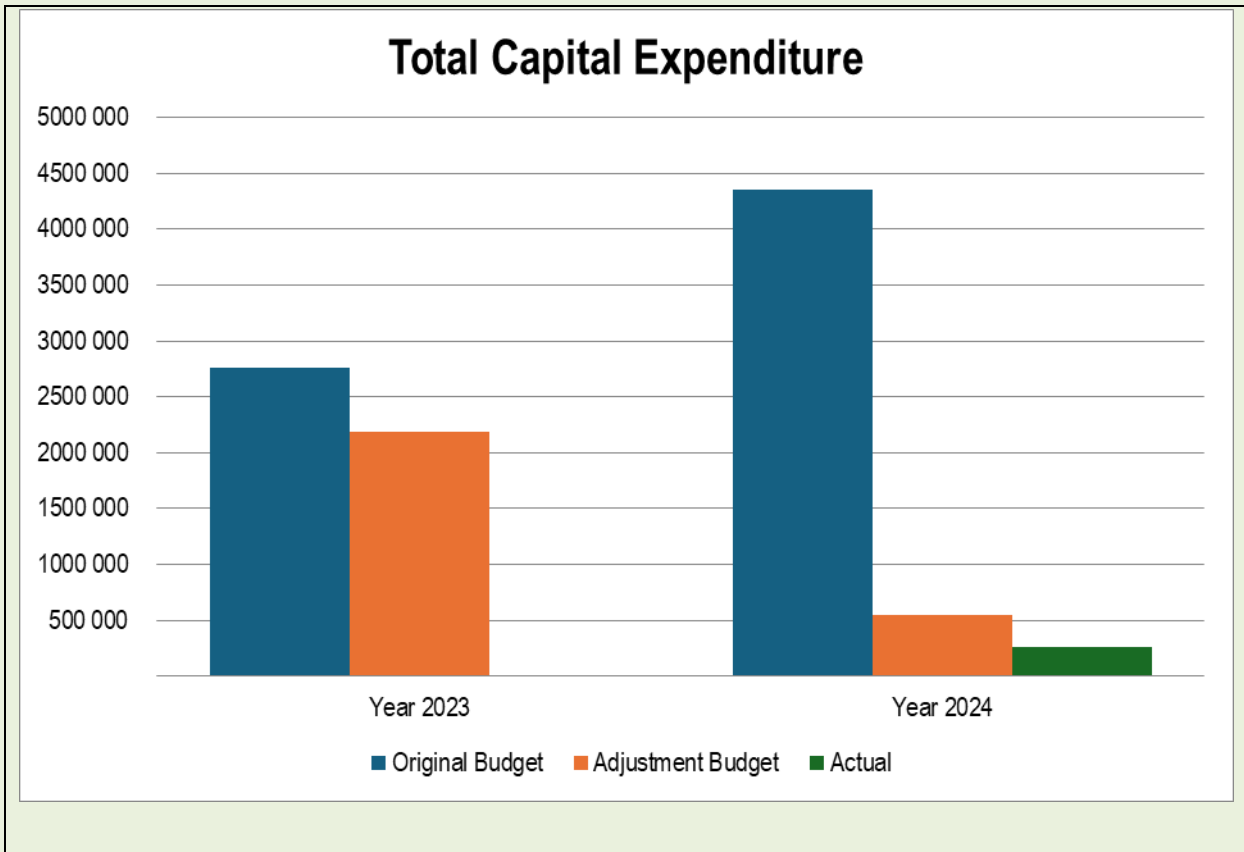
Employee costs' ratios were sitting at 31% compared to expected norm are between 25%-40%; repairs and maintenance were at 1% which is far less than the expected norm of 20%. Strategies to source funds for the maintenance of assets within the organisation are underway.

Total Capital Expenditure: Year -2023 to Year 2024		
		R'000
Detail	Year 2023	Year 2024
Original Budget	2 755	4 360
Adjustment Budget	2 190	550
Actual		265

The entity's capital budget for the current year was reduced from R4.3-million to R550-thousand, due to projects that were initially identified as the entity's assets that are in fact community assets.

The actual amount spent of assets relates to computer equipment.

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## 1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

### ORGANISATIONAL DEVELOPMENT PERFORMANCE

Organizational development remained a key focus during the reporting period as we worked to enhance our internal capacity and align our structures with the strategic objectives of the Entity. Significant progress was made in fostering stability by transitioning staff from fixed-term contracts to permanent employment, ensuring job security and improving morale. Additionally, efforts will be directed at building a skilled workforce through various training and development programs in the upcoming year as this was not accomplished due to financial constraints. These initiatives are aimed at strengthening the Entity's ability to deliver on its mandate effectively and sustainably. Moving forward, we remain committed to investing in our people and systems to enhance organizational performance and achieve long-term goals.

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## 1.6. AUDITOR GENERAL REPORT

### AUDITOR GENERAL REPORT: YEAR 2024 (CURRENT YEAR)

The entity achieved an unqualified audit opinion with emphasis of matter on the contingent liability totaling to more than R762 million.

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## CHAPTER 2 – GOVERNANCE

### INTRODUCTION TO GOVERNANCE

Effective governance ensures that the organization operates efficiently, meets its strategic objectives, and serves the community's needs. The relationship between the four components of governance—service delivery, institutional capacity and transformation, good governance, and financial viability—are interdependent and crucial for sustainable development:

**Service Delivery:** This component focuses on the organization's ability to provide quality public services that meet the needs of the community. Effective service delivery depends on the capacity of the institution to implement its programs and the efficiency of its financial and human resources.

**Institutional Capacity and Transformation:** This refers to the organization's ability to effectively manage resources, processes, and people to deliver on its mandate. Transformation involves adapting to changing conditions and improving operational efficiency. Strong institutional capacity enables an organization to meet service delivery goals and respond to emerging challenges.

**Good Governance:** Good governance ensures transparency, accountability, and ethical behavior in decision-making processes. It creates a framework for decision-makers to be responsible to stakeholders and ensures compliance with laws and regulations. Good governance enhances the trust and confidence of the public, which in turn supports better service delivery.

**Financial Viability:** Financial viability ensures that the organization has sufficient resources to carry out its operations, sustain services, and implement long-term plans. A sound financial management system is essential for achieving service delivery goals and maintaining institutional capacity. Financial viability also influences the organization's ability to attract investment, which supports its broader transformation objectives.

Together, these components create a dynamic relationship where each supports the others. Good governance strengthens financial viability by ensuring efficient resource management, while institutional capacity ensures that the organization can translate financial resources into meaningful service delivery. In turn, effective service delivery builds public trust, reinforcing the governance structure and contributing to long-term financial sustainability.



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## COMPONENT A: CORPORATE GOVERNANCE AND ADMINISTRATIVE GOVERNANCE

### 2.1 BOARD OF DIRECTORS

#### BOARD MEMBERS

The Municipal Entity is governed by a board of non-executive directors, which was appointed through a municipal council resolution that came into effect in July 2022. The Board Charter read with the Memorandum of Incorporation (Mol) clearly stipulates the structures that can enable ANDA to operate within defined parameters. The Chairperson of the Board and all other Non-Executive Directors/Board Members (with the exclusion of the Chief Executive Officer) are classified as Non-Executive Directors. There is a clear distinction of powers, functions and roles of the non-executive members (which include the Chairperson) and those conferred on the Chief Executive Officer by law and through delegation.

All Directors are enjoined to execute their legal duties in a professional manner, with integrity and utmost good faith. The Board of Directors is collectively accountable for the leadership and oversight control of management actions in ANDA. Its responsibilities include the development, review and monitoring of strategic objectives, the approval of budget expenditure, risk management and monitoring of operational and financial performance. The Board of Directors operates independently, impartially with separate authority from the Chief Executive Officer (CEO). The board leads the process of organisational oversight whilst the CEO is responsible for the operations of the organisation including the supervision and management of staff.

The Alfred Nzo District Municipality is the sole Shareholder of ANDA. The Board of Directors contracts with the Shareholder, through an annually approved Service Delivery Agreement (SDA). The Chief Executive Officer, as the Accounting Officer, is accountable to the Board for the successful implementation of this SDA and the overall performance of the Entity and is also required by law to account to various other stakeholders on behalf of the Entity.

During the year under review, ANDA operated with a full time board of 5 non-executive directors, as a result the Entity has experienced stability in corporate governance. One of the first key areas of focus for the new Board of Directors has been to ensure that the entity's Board Charter clearly defines the

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role of Directors in alignment with the law and best practice principles. The charter provides a framework for fiduciary duties, responsibilities and overall functioning of the Board. The Board Charter is in the process of being reviewed since there is still an issue of alignment between the MOI and the Board Charter.

For the past 4 years, the entity has relied on shared services for Audit, Risk management and IT functions. The board has been assisted by the Audit and Performance Committee and was supported by the Risk Function which is provided by the Parent Municipality. The trio of Audit Committee, Internal Audit and Risk Function has been established through a shared service with the Parent Municipality. Therefore, during the 2023/2024 financial year, the Board endeavoured to deliver on the core mandate bestowed over the Entity in line with all applicable regulations 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 below table shows the full members of the Board of Directors for the period under review.

<b>Initials &amp; Surname</b>	<b>Role</b>	<b>Brief Profile</b>	<b>Areas of Expertise</b>	<b>Appointment date</b>
Ms. N. Mabude	Board Chairperson	Bachelor of Arts Bachelor of Education Master of Arts (Education)	Ms N Mabude comes with number of expertise in community development and also having served as a South African Ambassador in Malawi. As part of her role in the South African Embassy was to champion development, culture and contacts with the local press of Malawi.	01 July 2021
Ms. F. Maqwati	Non-Executive Director	Bachelor of Commerce Bachelor of Commerce	Ms Maqwati has over 25 years' experience in the SMME Development and Local Economic	01 July 2021

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		Honours in Business Management Certificate in Practical Project Management Certificate in Results based Monitoring and Evaluation	Development Section at provincial and local government level. She has served on various boards in the Eastern Cape Province.	
Ms. I. Magaga	Non-Executive Director	BCom in Development Studies Postgraduate Diploma in Development Finance Master of Commerce in Leadership Studies	Ms Magaga has participated in many community development projects over 15 years.	01 July 2021
Ms N Matoti	Non-Executive Director	BCom Economics B Com Honours in Economics Central Banking MCom in Economic Development and Policy Issues	Ms N Matoti has a vast working experience in Trade, Investment and Promotion. Furthermore, she has a unique skill of analysing Banking and Investment related Policies	01 August 2022

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Mr. N Vimba	Non- Executive Director	B Proc Post Graduate Diploma in Drafting and Interpretation of Contracts Executive Development Studies Masters in Mercantile Law	Mr Vimba is an admitted attorney by profession with over 15 years post graduate experience of which 11 have been in Senior Management Services in the Public Sector and possess diverse skills and expertise in various disciplines such as Legal, Administration and executive leadership.	01 August 2022
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## RECORD OF BOARD MEETINGS ATTENDANCE

According to the Board Charter, the Board is required to meet a minimum of 4 times per annum for ordinary Board meetings; and to hold 2 special board meetings where and when necessary.

Due to the pressure that come with compliance requirements in terms of legislation, the Board held a number of special meetings to deal with matters of urgency which could not wait for the scheduled ordinary board meetings.

The meetings attendances for the period 01 July 2023 to 30 June 2024 is reflected as follows:

### Summary of Board Meetings Attendance

Initials & Surname	Role	No. of Meetings attended
Ms. N. Mabude	Non-Executive Board Chairperson	20
Ms. F. Maqwati	Non-Executive Director	16
Ms. I. Magaga	Non-Executive Director	14
Mr N Vimba	Non-Executive Director	18
Ms N Matoti	Non-Executive Director	13

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## 2.2 AUDIT AND PERFORMANCE COMMITTEE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The committee, which is a shared function of ANDM, is constituted in terms of section 166(6)(b) of the Municipal Finance Management Act, 56 of 2003 (MFMA). It is an independent body that reports to the Board of Directors to assist the board in discharging its duties relating to the safeguarding of assets, the operation of an 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. The Audit and Performance Committee comprises Independent Members who are directly appointed by the shareholder.

The composition of the Audit and Performance Committee is outlined as follows:

Name	Position	Qualifications
Ms. B. Jojo	Chairperson:	BCom in Accounting, Certificate in Accountancy, Bachelor of Accounting Science, Financial Accounting and Auditing. Chartered Accountant(CA)
Mr. Z. Zulu	Member	Master's in Business Administration, Post Graduate Diploma in Business Management, Bachelor's Degree in Business Technology, Diploma in Labour Economics.
Mr. V. Tshangana	Member	LLM in Labour Law, BProc Law

The Audit and Performance 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 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 advice 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,

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Dealing with Adequacy, reliability, and accuracy of financial reporting and information

The Audit and Performance Committee has played crucial role in providing quality assurance on the system of internal controls implemented by management. The Audit and Performance committee has regularly considered submissions from Management.

## 2.3 RISK MANAGEMENT

### RISK MANAGEMENT

Section 62(1)(c)(i) of the **Municipal Finance Management Act (MFMA)** requires Accounting Officers to maintain an effective, efficient, and transparent system of financial and risk management. This underscores the importance of risk management as a critical component of good governance. Effective risk management enables the Entity to identify, assess, and mitigate potential risks that could impact service delivery, financial stability, compliance, and reputation. It ensures that resources are allocated efficiently, risks are minimized, and the municipality remains resilient in the face of uncertainties.

The Service Department plays a key role in implementing risk management at the operational level.

This includes:

Identifying Risks: Monitoring operational activities to detect risks early.

Mitigation Planning: Developing and implementing controls to reduce risk exposure.

Reporting Risks: Communicating identified risks and mitigation efforts to the Risk Management Committee.

Compliance: Ensuring departmental operations comply with policies, regulations, and internal controls.

Performance Monitoring: Continuously evaluating the effectiveness of risk controls and processes.

#### **Top Five Risks to the Municipal Entity**

1. Political instability
2. Lack of stability in governance (strategic oversight at board level)
3. Possible noncompliance with Supply Chain Management processes (policy, procedures, regulations and circulars)
4. Inability to ensure financial Sustainability (poor revenue generation and lack of financial resources that may lead to cash flow challenges for the entity)

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5. Inability to implement socio-economic programs with impact (Catalytic projects) as per the service delivery agreement.

## 2.4 ANTI-CORRUPTION AND FRAUD

### FRAUD AND ANTI-CORRUPTION STRATEGY

The Board has approved the Fraud Prevention Plan and Anti-Corruption Strategy to practical sets out the stance of the Entity with regards to corruption and fraud, as well as reinforcing existing legislation aimed at preventing, reacting to and reducing the impact of fraud, corruption, theft and maladministration, where these dishonest acts subsist. With an aim to develop and foster an environment, where all employees shall strive for the ultimate eradication of fraud, corruption, theft and maladministration by means of the application of the full spectrum of both pro-active and re-active measures at their disposal.

The Entity continues to implement the approved anti- fraud strategy and plan, which features mechanisms in place to report fraud and corruption. The focus area is to create awareness of the anti-fraud and corruption strategy education and communication.

## 2.5 SUPPLY CHAIN MANAGEMENT

### OVERVIEW SUPPLY CHAIN MANAGEMENT

The municipal entity has a Supply Chain Management Unit that is fully functional and established within the Budget & Treasury Office. All SCM processes are conducted in line with Section 217 of the Constitution of the Republic of South Africa, Chapter 11 of the MFMA, PPPFA and the 2017 Preferential Procurement Regulations together with the 2022 Preferential Procurement Regulations and the SCM Policy of the Municipal Entity. In order to ensure the segregation of duties, the SCM directorate has four elements which operate independently but in a coherent manner as part of the supply chain, namely, demand, acquisition, contract management, logistics and disposal management.

# Chapter 2

## 2.6 WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	2023-2024
All current budget-related policies	Yes	2023-2024
The previous annual report (Year -2023)	Yes	2023-2024
The annual report (Year 2024) published/to be published	Yes	2023-2024
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 2024) and resulting scorecards	Yes	2023-2024
All service delivery agreements (Year 0)	No	
All long-term borrowing contracts (Year 0)	No	
All supply chain management contracts above a prescribed value (give value) for Year 2024	Yes	2023-2024
Public-private partnership agreements referred to in section 120 made in Year 2024	No	
All quarterly reports tabled in the council in terms of section 52 (d) during Year 2024	Yes	2023-2024

## 2.7 ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Over the past financial year, significant structural changes occurred due to the vacancy of the Chief Executive Officer (CEO) position. After a disciplinary process, the CEO position was declared vacant, and the organization functioned without a permanent CEO for the remainder of the financial year. This leadership gap created challenges, particularly in decision-making and maintaining strategic momentum.

During this period, the parent municipality supported the entity by seconding an acting CEO. However, the acting CEO's contract eventually expired, leading to senior managers within the entity taking turns acting in the CEO role. This arrangement ensured continuity of leadership but may have created inconsistencies in the decision-making process due to the frequent transitions.

The organization is now focused on appointing a permanent CEO, which will help stabilize the leadership structure and ensure long-term strategic focus. The process of appointing a permanent CEO is crucial to restore confidence, align the leadership team, and enhance operational efficiency moving forward.



# Chapter 2

Despite the leadership challenges, the Executive Directors have worked together effectively to ensure that mandate objectives continue to be met. Their collaborative efforts allowed the entity to proceed with key projects, including skills development programs, fresh produce industry development, and partnership projects. However, the absence of a permanent CEO might have affected the speed and coordination of decision-making, especially regarding strategic direction and resource mobilization.

In summary, while the leadership structure has faced challenges, the collaborative and corporate approach of the senior management team has ensured that service delivery goals remain on track. Moving forward, securing a permanent CEO will be key to addressing leadership gaps and driving the organization's long-term objectives more effectively.

# Chapter 3

## CHAPTER 3 – SERVICE DELIVERY PERFORMANCE HIGHLIGHTS

### INTRODUCTION

The entity's agricultural and agro-processing programme focuses on supporting local communities by providing them with the necessary resources, training, and infrastructure to engage in agricultural production and value-added processing activities. This initiative aims to promote sustainable economic growth, enhance food security, and create employment opportunities in rural areas. This initiative is in line with the entity's broader economic development strategy, aiming to empower local communities and create a diversified, resilient local economy by fostering agricultural and agro-processing industries. The Entity also launched several LED programs, including skills training initiatives funded through partnerships with SETAs (such as the Construction SETA, Services SETA, LG SETA and FoodBev SETA), and aimed at improving employability among the youth. These initiatives provided direct employment opportunities and contributed to entrepreneurship development.

Collaboration has been established with Eastern Cape Rural Development Agency (ECRDA) on the development of industrial hemp and cannabis, forest development, macadamia nuts and re-purposing of the Mbizana Red Hub.

The entity has also formed collaboration with Izinini Community Property Associations CPA for the development of Alfred Nzo Industrial Park and other related developments.

ANDA has partnership with ECDC on hosting Trade Fairs, Investment promotion and access to markets.

Collaborations with COEGA to conduct feasibility study for the Alfred Nzo Industrial Park has been formed. This will create an environment that foster collaboration and innovation by providing a location to stimulate the district's economy.

# Chapter 3

## 3.1. AGRICULTURE AND AGRO PROCESSING

PROGRAMME NAME	PROGRAMME DESCRIPTION AND STATUS QUO
Sheep Farming	The programme seeks to develop communal farmers and black smallholder fibre producers to join the commercial animal fibre production value chain which will contribute to inclusivity and stability in the sector as the NDP Vision 2030. Jobs are currently being created, with BKB being the main client. The entity has provided sheep shearing equipment to (4) four wool growers associations across the district.
Macadamia Nuts	<p>Macadamia farming presents potential to turn the villages' economic fortunes by capturing the whole value chain which includes the processing. It is anticipated that the introduction of macadamia farming will contribute to infrastructure development, massive job creation and enterprise development of some of these services within 10 years of rolling out of the project.</p> <p>Winnie Madikizela Mandela Local Municipality has the most favourable climatic conditions for the growth of macadamia and is highly endowed in the availability of arable land suitable for the development of macadamia. A feasibility study has been undertaken and completed in this regard. The final selection of the exact participating villages will be guided by the results of the feasibility which has covered soil testing, water supply, electricity supply and environmental requirements.</p>
Cannabis and Hemp production	The government has since legalised the cultivation of hemp and cannabis for medicinal purposes, thus opening the industry for serious investment and growth. ANDA wishes to undertake the development of a District Cannabis Master Plan that will serve as a guiding tool and reference for Cannabis Production in the District. This includes generation of contemporary information and data, applicable strategies and legislation, learned lessons and diverse agricultural systems and technologies applied in the sector. ANDA has signed an MOU with ECRDA for development of cannabis industry in the district, assisting farmers with licencing as well as Trading permits, and realise value chain of the plant
AgriVoltaic– SunFarming	In the past year the District Municipality through its Agency was approached by SUNfarming South Africa (Pty) Ltd to explore the development of Agri

# Chapter 3

	<p>Voltaics as part of Renewable energy sources that are sustainable due to their low impact on the environment. The entity has held numerous stakeholder engagements which ultimately resulted in geo-tech investigations and assessment being undertaken in some identified areas under Umzimvubu Local Municipality. The Local Municipal Council has recently taken a resolution to endorse the implementation of the project.</p>
Alfred Nzo Industrial Park	<p>ANDA is developing an Alfred Nzo Industrial Park at Winnie Madikizela Mandela. This initiative came as one of the president's interventions to transform rural economies. The industrial park location is ideally suited as it is adjacent to R61 and about 5 kms from Mbizana town. The Pre-feasibility study has been conducted and concluded by COEGA funded by DEDEAT. An environmental scan of the area has been conducted and 10 business cases viewed as low hanging fruits.</p>
Emfundisweni Skills Development Centre: Business Support	<p>Emfundisweni Skills Development and Resources Centre is one of the properties that were transferred through the TFC process. Alfred Nzo Development Agency has a responsibility to maintain and manage the property. Therefore, the Agency has been maintaining and supporting the centre, including managing and maintenance of the Centre, payment of electricity costs etc.</p>
Enterprise Development	<p>These are non-financial consultancy services that the entity provides to SMMEs. Four (4) referrals were made to ECDC for funding.</p>
Fresh produce industry development	<p>Eastern Cape Development Corporation in line with the mandate of coordinating economic development, trade and investment in the province conceived and implemented a pilot of the "Agriculture and food Trade Fair" in collaboration with Alfred Nzo Development Agency. The primary goal of this intervention is to stimulate local trade among the community of Alfred Nzo Region as an attempt of building the local economy. The entity held a successful Trade Fair launch on 25 May 2024 in collaboration with ECDC.</p>

# Chapter 3

## 3.2. SKILLS DEVELOPMENT

PROGRAMME NAME	PROGRAMME DESCRIPTION AND STATUS QUO
Learnerships: Services SETA: Clothing Manufacturing	ANDA in partnership with Service SETA have successfully implemented learnership programme in Clothing Manufacturing Processes NQF 01 for a period of twelve months. The programme was implemented at Emfundisweni Skills Centre and it targeted 14 unemployed learners receiving a stipend of R2 000 per month. The training involved practical component which was done at the centre using industrial machines. Learners are waiting for the issuing of certificates.
Learnerships: Services SETA: Project Management	ANDA in partnership with Service SETA have successfully implemented learnership programme in Project Management NQF 04 for a period of twelve months. The programme was implemented at Umzimvubu Local Municipality and it targeted 31 unemployed learners receiving a stipend of R2 000 per month. Learners are waiting for the issuing of certificates.
Learnerships: Services SETA: Generic Management	ANDA in partnership with Service SETA have successfully implemented learnership programme in Generic Management NQF 04 for a period of twelve months. The programme was implemented at Winnie Madikizela Mandela and Ntabankulu Local Municipality, and it targeted 40 unemployed learners receiving a stipend of R2 000 per month. Learners are waiting for the issuing of certificates.
Short Skills: Service Seta: Adult Education	ANDA in partnership with Service SETA have successfully implemented Short Skills programme in Adult Education and Training (AET) for a period of 6 months. The programme was implemented at Winnie Madikizela Mandela Local Municipality, and it targeted 30 employed learners. Certificates were issued to participants.
Short Skills: Services SETA: End User Computing	ANDA in partnership with Service SETA have successfully implemented Short Skills programme in End User Computing

# Chapter 3

	for a period of 6 months. The programme was implemented at Emfundisweni Skills Centre and it targeted 71 unemployed learners. Certificates were issued to participants.
Services SETA: Vocational Internship Programme	ANDA in partnership with Service SETA have successfully implemented an internship programme wherein graduates were placed in different institutions across the district for workplace experience, receiving a monthly stipend of R3 000 for a period of 12 months. A total of 83 unemployed graduates benefitted.
Learnership: BANK SETA: Skills Programme Entrepreneurship	ANDA submitted a grant application to BankSeta in the 2022/2023 financial year. The SETA subsequently approved the contract with the total value of R3-million for project implementation of about 50 learners trained on New Venture Creation NQF Level 4. The project has been successfully implemented and closed. Certificates were issued. The programme was implemented in Matatiele Local Municipality and Winnie Madikizela Local Municipality. Participants were receiving a stipend of R3000
Learnership: Services SETA (Business Administration Services)	ANDA submitted a grant application to Service SETA in the 2022/2023 financial year. The SETA subsequently approved the contract with the total value of R3.1-million for project implementation of about seventy (70) unemployed learners to be trained on Business Admin Services NQF Level 4. The project has experienced several dropouts due to delays in receipt of the commencement letters. Forty-six (46) learners are still in the programme as the programme is still ongoing expected to be completed in March 2025. The Programme is implemented in Umzimvubu Local Municipality and Winnie Madikizela Mandela Local Municipality.
Learnership: Services SETA: Sewing	ANDA submitted a grant application to Service Seta for funding. The SETA subsequently approved the contract with the total value of R1.7-million for project implementation of about thirty (30) unemployed learners to be trained on Clothing and Manufacturing Process NQF 02 for a period of 12 months. The learners are receiving a monthly stipend of

# Chapter 3

	R3 000. The Programme is implemented in Matatiele Local Municipality.
Internship: Services SETA (NATED) programme	ANDA in partnership with Service SETA is implementing an internship programme wherein graduates are placed in different institutions across the district for workplace experience, receiving a monthly stipend of R3000 for a period of 18 months. A total of sixty-three (63) unemployed graduates are currently in the programme. The programme is still ongoing.
Services SETA: Vocational Internship Programme	ANDA in partnership with Service SETA is implementing an internship programme wherein graduates are placed in different institutions across the district for workplace experience, receiving a monthly stipend of R3000 for a period of 18 months. A total of ninety-six (96) unemployed graduates are currently in the programme. The programme is still ongoing.

# Chapter 4

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

### INTRODUCTION

During the financial year, the vacancies within the entity had a significant impact on its ability to achieve maximum performance. The absence of key personnel in critical roles hindered the organization's capacity to effectively execute its strategic objectives and meet service delivery targets. This situation often led to increased workloads for existing staff, delays in decision-making processes, and challenges in maintaining operational efficiency.

The entity has ensured that its structure, culture, and resources are aligned with its mission, vision, and strategic goals. Efforts were made to refine processes that improve public service and meet the demands of stakeholders. The entity is committed to Organizational Development Performance, focusing on continuous improvement in effectiveness, efficiency, and alignment with strategic objectives. The goal is to enhance the organization's capabilities in areas such as structure, culture, processes, and workforce to achieve better service delivery, while ensuring governance, operational efficiency, and financial sustainability.

The organization remains dynamic, responsive, and aligned with both internal goals and the broader community's needs. A culture of innovation and adaptability was fostered to enable the organization to navigate changes effectively, particularly during restructuring or other transitions.

The lack of implementation of performance management during the financial year further compounded the challenges faced by the entity. Performance management is a critical tool for ensuring accountability, improving efficiency, and aligning individual and team efforts with the strategic goals of the organization. Without an effective performance management system in place, several key areas were impacted.

Filling all critical vacancies in the next financial year is a key strategic priority for the entity. By addressing these gaps, the organization aims to restore stability, enhance operational efficiency, and ensure that leadership and key functional areas are fully staffed. This move will help to improve accountability, streamline decision-making processes, and ensure that the entity can meet its service delivery objectives more effectively.



# Chapter 4

## COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	Year -2023	Year 2024			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Chief Executive Officer's Office	1	3	2	1	33%
Local Economic Development	3	5	4	1	20%
Budget and Treasury Office	6	6	4	2	33%
Corporate Services	3	2	2	0	0%
<b>Totals</b>	<b>13</b>	<b>16</b>	<b>12</b>	<b>4</b>	<b>25%</b>

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
Year -2022	21	7	33%
Year -2023	14	2	14%
Year- 2024	12	3	25%

#### COMMENT ON VACANCIES AND TURNOVER:

The entity's turnover rate has been decreasing since 2022, however there has been an increase in the number of resignations in the 2024 financial year. The Entity is working on employee retention strategy in the upcoming financial year.

# Chapter 4

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Workforce management at the entity focuses on ensuring that the right people with the necessary skills and competencies are in place to deliver on the entity's strategic goals and service delivery commitments. It involves a range of activities, including recruitment, retention, training, performance management, and employee engagement. Efficient workforce management is essential for maintaining high levels of service, optimizing resources, and fostering a positive work environment.

# Chapter 4

## 4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by Board or comment on failure to adopt
1	Policy and document outline	100%	100%	2022-2023
2	Communications Policy	100%	100%	2022-2023
3	Dress Code Policy	100%	100%	2022-2023
4	Inclement Weather Policy	100%	100%	2022-2023
5	Sexual Harassment Policy	100%	100%	2022-2023
6	Induction Policy	100%	100%	2022-2023
7	Career Succession Policy	100%	100%	2022-2023
8	Bereavement Policy	100%	100%	2022-2023
9	Employment Assistance Policy	100%	100%	2022-2023
10	Relocation Policy	100%	100%	2022-2023
11	HIV and AIDS Policy	100%	100%	2022-2023
12	Leave Policy	100%	100%	2022-2023
13	Occupational Health and Safety	100%	100%	2022-2023
14	Remuneration Policy	100%	100%	2022-2023
15	Code of Conduct	100%	100%	2022-2023
16	Cellular phone and Data Usage	100%	100%	2022-2023
17	Experiential Policy	100%	100%	2022-2023
18	Termination of Service	100%	100%	2022-2023
19	Bursary Scheme	100%	100%	2022-2023
20	Subsistence and Traveling	100%	100%	2022-2023
21	Recruitment and Selection	100%	100%	2022-2023
22	Training and Development	100%	100%	2022-2023
23	Retention Policy	100%	100%	2022-2023
24	PMS Framework	100%	100%	2022-2023
25	ICT security policy	100%	100%	2022-2023
26	Acting Policy	100%	100%	2022-2023
27	Telephone and Landline Policy	100%	100%	2022-2023

# Chapter 4

28	Hours of Work Policy	100%	100%	2022-2023
29	Records Management Policy	100%	100%	2022-2023
30	Backup Policy	100%	100%	2022-2023
31	User Access Management Policy	100%	100%	2022-2023
32	Network Infrastructure Management Policy	100%	100%	2022-2023
33	Wireless Communication Policy	100%	100%	2022-2023
34	Information Security Policy	100%	100%	2022-2023

## 4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Highly skilled production (levels 6-8)	32	0%	2	2	16	16
Highly skilled supervision (levels 9-12)	43	0%	4	4	11	15
Senior management (Levels 13-15)	12	0%	2	4	3	7
MM and S57	19	0%	1	2	10	87
<b>Total</b>	<b>106</b>	<b>0%</b>	<b>9</b>	<b>12</b>	<b>8.83</b>	<b>124</b>

# Chapter 4

## COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The entity's vision is to ensure that its employees are highly skilled, empowering them to contribute effectively to the organization's success and growth.

Skills development is a key investment that drives growth, innovation, and sustainability within an entity. Continuous skills development ensures employees are equipped with the latest knowledge and competencies, improving their performance and productivity.

During the 2023/2024 Financial Year, the Corporate Services Department conducted a skills audit for all employees of the entity to close the skills gap in terms of performing their respective duties. From the skills audit conducted, the entity developed an Annual Training Plan for 2023/2024. Workplace Skills Plans were developed and submitted to LGSETA for a Mandatory grant to implement WSP and Annual Training Plan. The Annual Training Plan was not implemented due to the limited budget of the entity. The

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

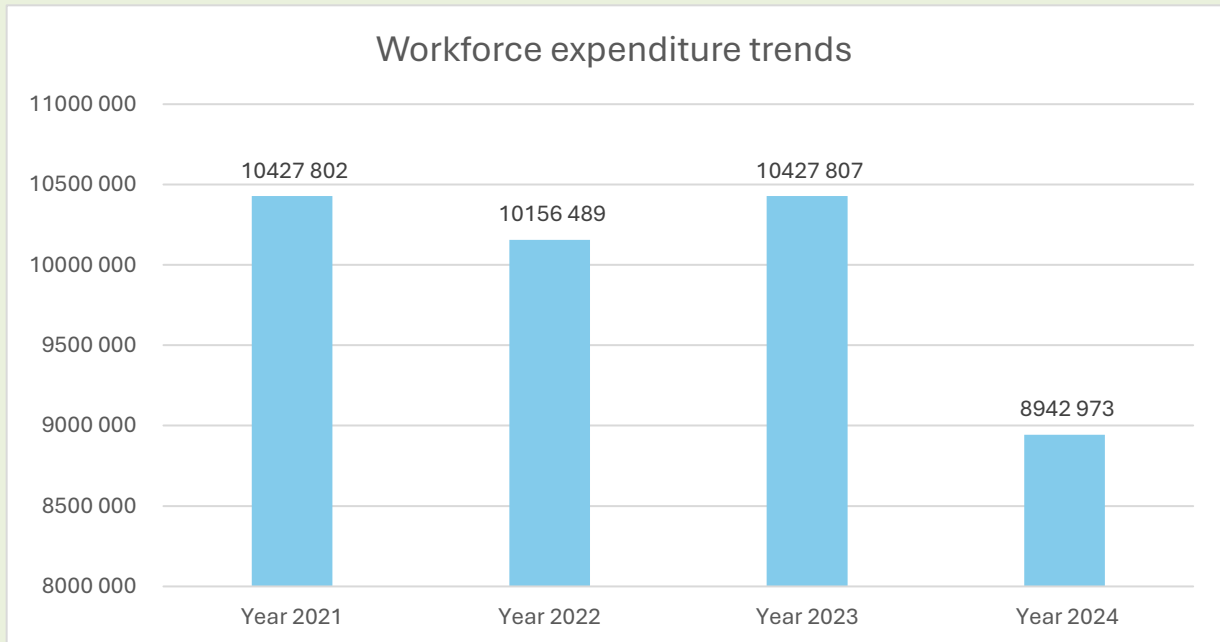
### INTRODUCTION TO WORKFORCE EXPENDITURE

Effectively managing workforce expenditure is vital for maintaining a financially sustainable and efficient organisation. By controlling spending through strategic workforce planning, staying within budget, and ensuring value for money, the entity can maximize the impact of its workforce while delivering quality services. Regular monitoring and continuous improvement of workforce management practices have assisted in mitigating the risks of overspending and ensure that the entity's financial resources are used effectively.

Over the years, the entity's employee-related costs have consistently been just above R10 million. However, during the year under review, this expenditure component has decreased, primarily due to the occurrence of vacancies within the organization.

# Chapter 5

## 4.4 EMPLOYEE EXPENDITURE



# Chapter 5

## CHAPTER 5 – FINANCIAL PERFORMANCE

### INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Cash Flow Management and Investments
- Component D: Other Financial Matters

The overall operating results achieved for the past financial year closed off with a surplus of R2.4 million compared to prior year's surplus of R9.1 million.

The Entity is required by the Municipal Finance Management Act (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 Chief Executive Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period.

The focus of risk management in ANDA is on identifying, assessing, managing and monitoring all known forms of risk within the environment. While operating risk cannot be fully eliminated, ANDA endeavours to minimise it by ensuring that appropriate controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or errors.

Although the Entity is largely dependent on the parent Municipality for the continued funding of operations, the Annual Financial Statements are prepared on the basis that ANDA is a going concern.

# Chapter 5

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

This component provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

The overall operating results achieved for the past financial year closed off with a surplus of R2.4 million compared to last year's surplus of R9.1-million.

- o Operating revenues for the year is R31.5-million (2023: R32.2 million), which reflects a decrease as a result of the parent Municipality's decreased allocation to the agency.
- o Operating expenditure for the year is R29-million (2023: R23-million), which reveals an increase.



# Chapter 5

## 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Description	Year 2024										Year 2023				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousands	1	2	3	4	5	6	7	8	9.00	10	11	12	13	14	15
<b>Financial Performance</b>															
Property rates			-			-									
Service charges			-			-									
Investment revenue	200	29	226			229	661		(432)	289%	331%				
Transfers recognised - operational	35 703	2 921	38 624			38 624	30 839		7 785	80%	86%				
Other own revenue	3 227	(3 119)	108			108	38		70	35%	1%				
	<b>39 130</b>	<b>(169)</b>	<b>38 961</b>	<b>-</b>	<b>-</b>	<b>38 961</b>	<b>31 538</b>								
<b>Total Revenue (excluding capital transfers and contributions)</b>															
Employee costs	11 714	(1 158)	10 557			10 557	8 943		1 614	85%	76%				
Board allowance	610	(10)	600			600	456		144	76%	75%				
Depreciation & asset impairment	300	(5)	295			295	378		(83)	128%	126%				
Other expenditure	22 054	(4 355)	17 699			26 960	19 373		(1 674)	109%	88%				
<b>Total Expenditure</b>	<b>34 678</b>	<b>(5 528)</b>	<b>29 150</b>	<b>-</b>	<b>-</b>	<b>38 411</b>	<b>29 150</b>								
<b>Surplus/(Deficit)</b>	<b>4 452</b>	<b>5 359</b>	<b>9 810</b>	<b>-</b>	<b>-</b>	<b>550</b>	<b>2 388</b>								
<b>Capital expenditure &amp; funds sources</b>															
<b>Capital expenditure</b>															
Transfers recognised - capital	4 360	(3 810)	550			550	265		285	48%	6%				
<b>Cash flows</b>															
Net cash from (used) operating			-			-	1 819								
Net cash from (used) investing			-			-	265								
Net cash from (used) financing			-			-									
<b>Cash/cash equivalents at the year end</b>							<b>7 944</b>								

T5.1.1

# Chapter 5

Operating revenue including operating grants and subsidies for the year is R31-million (2023: R32-million), which shows a decrease of 0.3%.

Included in the above figure are operating government grants to the amount of R30-million, which constitute 98% of total revenue.

Sale of goods relates to tender fees that increased to R37-thousand (R34-thousand).

Interest received has increased from R291-thousand to R661-thousand, which can mainly be attributed to the entity having additional funds to invest.

The operating expenditure for the year is R29-million (2023: R23-million), which indicates an increase of 25% when compared to the previous financial year.

The main expenditure items are employee-related costs at R8.9-million, projects expenditure at R10.6-million, general expenses at R5-million and contracted services at R3.1-million.

## 5.2 GRANTS

Grant Performance							R' 000
Description	Year - 2023	Year 2024			Year 2024 Variance		
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)	
<b><u>Operating Transfers and Grants</u></b>							
<b>National Government:</b>	<b>20 000</b>	<b>20 000</b>	<b>20 000</b>	<b>20 000</b>	<b>0%</b>	<b>0%</b>	
Alfred Nzo District Municipality	20 000	20 000	20 000	20 000			
<b>Other grant providers:</b>	<b>8 156</b>	<b>15 454</b>	<b>18 371</b>	<b>8 911</b>	<b>42%</b>	<b>51%</b>	
Services SETA	3 827	12 679	14 742	6 838			
LG SETA	1 918		629	882			
Bank SETA	1 800	2 775	3 000	1 191			
Wholesale and retail sector education	612	–	–	–			
<b>Total Operating Transfers and Grants</b>	<b>28 156</b>	<b>35 454</b>	<b>38 371</b>	<b>28 911</b>			

# Chapter 5

The year under review experienced several challenges that impacted the implementation of various programs. These challenges included the late receipt of commencement letters from SETAs, as well as learner dropouts and deaths, which further complicated efforts to manage learner retention. As a result, the budget initially estimated to be received from SETAs was less than anticipated, reflecting an under collection compared to the projected amounts.

However, the entity has amended the contract terms to enable the realization of revenue from project management fees associated with the new contracts being entered into. Despite the challenges, these programs have had a positive impact, as some learners have secured full-time employment, while others have started their own small businesses, contributing to local economic development and addressing youth unemployment.

## 5.3 ASSET MANAGEMENT

### INTRODUCTION TO ASSET MANAGEMENT

The Asset Management Policy is developed to comply with all relevant legislative requirements and complies with the standards specified by the Accounting Standards Board. Asset management within the entity and is overseen by the Chief Financial Officer.

The CFO established and maintained an asset register containing key financial data on each item of property, plant, or equipment that satisfies the criterion for recognition.

The CFO is responsible to the Chief Executive Officer and needs to ensure that the financial investment in the municipality's assets is safeguarded and maintained.

The CFO ensured that appropriate physical management and control systems are established and maintained for all assets in their area of responsibility and that the entity resources assigned to them are utilized effectively, efficiently, economically, and transparently. The Asset Officer assisted the Asset Manager in performing his/her functions and duties in terms of asset management.

The entity's assets are old and worn out, as reflected in the asset register. Plans to replace these outdated assets are currently underway, aiming to ensure that the entity can continue to operate efficiently and meet its service delivery objectives.

# Chapter 5

Repair and Maintenance Expenditure: Year 2024				
				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure		510	190	37%
				T

## COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

The aging assets of the entity require that larger amounts be made available for the maintenance and replacement of some assets. However, the pressure placed on budget limits the availability of funds for maintenance purposes. The intention is to substantially increase maintenance expenditure in future budgets.

# Chapter 5

## 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

### Liquidity Management

#### i. Current ratio

The entity's liquidity ratio is 1.7:1 as compared to the Treasury's norm of 1.5:2.1. The Entity had adequate assets available to cover short-term obligations in both the 2024 and 2023 financial years, however an improvement on ratio from 1.2(2023) to 1.7(2024) is noticeable

#### ii. Cash/Cost coverage ratio (excluding unspent conditional grants)

The ratio indicates the Entity's ability to meet at least its monthly operating commitments from cash and short-term investments without collecting any additional revenue.

The Entity has minimal ability to fund monthly fixed operational expenditure due to stagnancy in funding provided by the parent whilst the operational costs continue to increase timeously, however the improvement in ratio from 12.8(2023) to 36.15(2024) is noticeable.

### Liabilities

#### iii. Debt (Total Borrowings)/Total Operating Revenue

The purpose of this ratio is to provide assurance that sufficient revenue generated will be able to settle liabilities. This ratio indicates affordability.

### Sustainability

#### iv. Level of cash backed reserves

This ratio measures the extent to which other reserves are cash backed.

### Remuneration to total expenditure.

#### v.

The ratio is sitting at 31% compared to 44% for 2023 financial year. The salary costs of the Entity for 2024 were within the norm of 22% to 40% compared to 2023 at 44%

### Grant Dependency.

#### vi. Own Source of Revenue to Total Operating Revenue

The ratio assesses the extent of own revenue to total operating revenue including agency revenue

# Chapter 5

	Ratio	Treasury Norm	2024	2023
Liquidity	Current ratio	1.5-2:1	1.7	1.08
	Cash/Cost coverage ratio	1 - 3 months	2 months	2 months
Liability Management	Debt/Revenue	45%	25%	25%
		100%		
Expenditure Management	Creditors' Payment Period (30 days)	30 days	30 days	36 days
Expenditure Management	Remuneration to total expenditure		31%	40%
Asset Management	Cash Coverage	30-90 days	32 days	11 days

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

### INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

Proper cash flow management is a critical element to ensure the entity meets its obligations. A stable positive cash flow balance relative to the growth of the entity is a good indication of the entity's financial position and health. Cash flow projections are done monthly, and cash not immediately required is invested for a better return on the short-term.

# Chapter 5

## 5.5 CASH FLOW

Cash Flow Outcomes				
R'000				
Description	Year 2023	Current: Year 2024		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Government - operating	38 453	35 683	38 624	31 470
Government - capital		3 478		
Interest	292	200	229	661
Other receipts	121		236	38
<b>Payments</b>				
Suppliers and employees	(33 353)	(38 614)	(42 195)	(30 349)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>5 514</b>	<b>747</b>	<b>(3 106)</b>	<b>1 819</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
<b>Payments</b>				
Capital assets	(487)	(230)	(633)	(265)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(487)</b>	<b>(230)</b>	<b>(633)</b>	<b>(265)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
<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>5 027</b>	<b>517</b>	<b>(3 739)</b>	<b>1 554</b>
Cash/cash equivalents at the year begin:	1 363	(200)	6 535	6 390
Cash/cash equivalents at the year end:	6 390	317	2 796	7 944
				T 5.9.1

### COMMENT ON CASH FLOW OUTCOMES:

The cash flow from operating activities indicates a positive cash flow of R7.9 million. Further, R265 thousand was utilized on investment activities mainly to purchase property, plant, and equipment. Considering the above movements, the net cash position at financial year end is R7.9 million, which indicates an increase. The net cash position of the municipality has remained stable over the past two years. This is a good indication that the entity has and will meet its obligations in the future.

# Chapter 5

## 5.6 BORROWING AND INVESTMENTS

### INTRODUCTION TO BORROWING AND INVESTMENTS

During the financial year under review, no external loans were taken up.

Surplus cash not immediately required for operations and cash backed internal reserves are invested on a short-term basis. Funds are only transferred to call accounts and withdrawn when there is expenditure to be incurred.

Municipal and Entity Investments			
	Year -2022	Year 2023	Year 2024
Investment* type	Actual	Actual	Actual
<b>Municipal Entities</b>			
Deposits - Bank	1 325	5 324	7 337
<b>Consolidated total:</b>	<b>1 325</b>	<b>5 324</b>	<b>7 337</b>

## 5.7 PUBLIC PRIVATE PARTNERSHIPS

### PUBLIC PRIVATE PARTNERSHIPS

The entity did not have any public private partnerships for the year under review

T 5.11.1



# Chapter 5

## COMPONENT D: OTHER FINANCIAL MATTERS

### 5.8 SUPPLY CHAIN MANAGEMENT

#### SUPPLY CHAIN MANAGEMENT

All procurement processes are conducted in a manner that is fair, transparent, efficient, competitive and cost effective in line with the provisions of the MFMA, SCM policy, and the 2017 and 2022 Preferential Procurement Regulations pertaining to the Preferential Procurement Policy Framework Act. As a prerequisite, all institutions doing business with the municipality must be registered on the National Treasury's Central Suppliers Database (CSD). Over and above other mandatory requirements for eligibility to do business with the municipality, the institutions/businesses must submit SARS pins or tax clearance certificates to enable the verification of their tax status with SARS. This verification is done in all procurement processes and bidders are given seven days to sort out their tax matters with SARS.

The SCM Policy stipulates that goods and services above a transaction value of R200 000( VAT included) and long-term contracts may only be procured through a competitive bidding process. The municipal entity has established all three bid committees duly appointed by the Accounting Officer, namely, Bid Specifications Committee, Bid Evaluation Committee, and Bid Adjudication Committee. All projects that are processed by these committees must be fully funded and be on the annual procurement plan.

The 2017 Preferential Procurement Regulations pertaining to the Preferential Procurement Policy Framework Act Regulations (PPPFA) Act No.5 of 2000 and Preferential Procurement Regulations of 2022 were incorporated in the SCM policy. The regulations are used to advance designated groups through the procurement activities, by applying the following pre-qualification criteria Bidders with specific goals are of preference with guidelines from the above regulations. These goals are part of the entity's SCM policy .

# Chapter 5

## 5.9 GRAP COMPLIANCE

### GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice, and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

The entity has complied with GRAP requirements in 2023/24 financial year.

# Chapter 6

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

Note: The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement... must be audited annually by the Auditor-General.

T 6.0.1

## COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS YEAR 2024

### 6.1 AUDITOR GENERAL REPORTS YEAR -2024 (CURRENT YEAR)

Auditor-General Report on Financial Performance: Year 2024	
<b>Audit Report Status*:</b>	Unqualified opinion
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
Reasonable steps were not taken to prevent fruitless and wasteful expenditure.	An appeal has been filed with the South African Revenue Services, and MPAC is investigating the root cause for the occurrence of such expenditures. Consequence management will be implemented after investigations.

Auditor-General Report on Service Delivery Performance: Year 2024	
<b>Audit Report Status:</b>	Unqualified opinion
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
None	N/A

## COMPONENT B: AUDITOR-GENERAL OPINION YEAR 2023 (PRIOR YEAR)

### 6.2 AUDITOR GENERAL REPORT 2023

Auditor-General Report on Financial Performance: Year 2023	
<b>Audit Report Status*:</b>	Unqualified opinion
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
Reasonable steps were not taken to prevent fruitless and wasteful expenditure.	Controls and procedures were established to prevent future fruitless and wasteful expenditure.

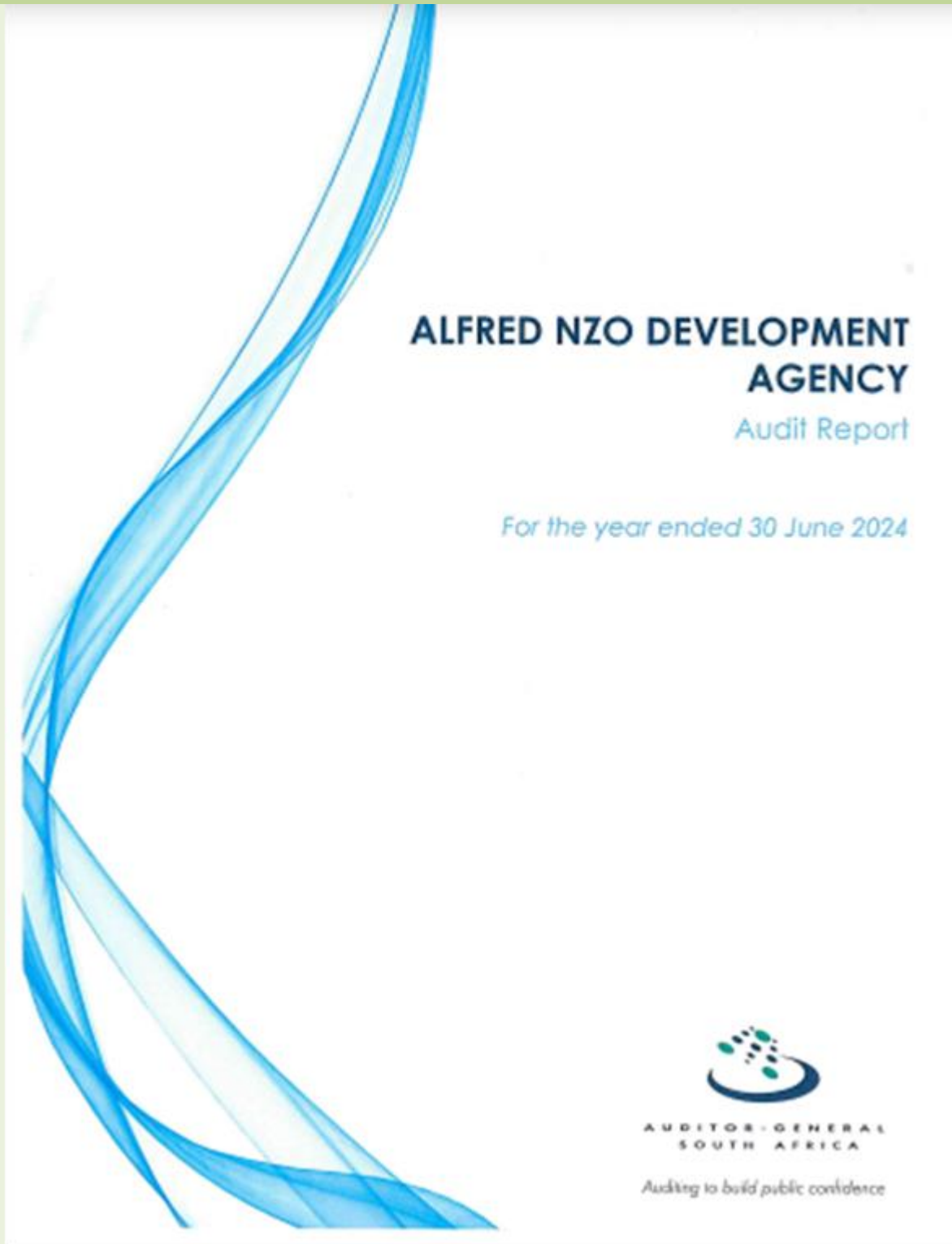
# Chapter 6

Reasonable steps were not taken to prevent irregular expenditure.	Controls and procedures were established to prevent future irregular expenditure.
Annual financial statements were not prepared in all material respects in accordance with the requirements of the section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted annual financial statements were subsequently corrected and supporting documents were subsequently submitted.	Daily accounting practices were improved and monitored.
Irregular expenditure incurred by the entity was not investigated to determine whether any person is liable for the expenditure as required municipal budget and reporting regulations.	The report on fruitless and wasteful expenditures was investigated and consequence management implemented.
Fruitless and wasteful expenditure incurred by the entity was not investigated to determine whether any person is liable for the expenditure as required municipal budget and reporting regulations.	The report on fruitless and wasteful expenditures was investigated and consequence management implemented.

<b>Auditor-General Report on Service Delivery Performance: Year 2023</b>	
<b>Audit Report Status:</b>	<b>Unqualified opinion</b>
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
Annual performance report was not prepared in all material respects in accordance with the requirements of the section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted annual performance report were subsequently corrected and supporting documents were subsequently submitted.	

# Chapter 6

## COMPONENT A: AUDITOR-GENERAL REPORT OF FINANCIAL STATEMENTS YEAR 2024



# Chapter 6

## Report of the auditor-general to the Eastern Cape Provincial Legislature on 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 .... to .... which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as 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 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 and Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *international code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matters

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

#### Contingent liabilities

7. As disclosed in note 26 to the financial statements, the entity has contingent liabilities amounting to R764 million.

# Chapter 6

## Irregular Expenditure

- B. As disclosed in note 28 to the financial statements, the cumulative balance of irregular expenditure as at 30 June 2024 amounted to R37,2 million (2023: R37,2 million) is still under investigation.

## Fruitless and wasteful expenditure

- B. As disclosed in note 29 to the financial statements, fruitless and wasteful expenditure to the amount of R2,4 million (2023: R57 189) was incurred, as a result of interest and penalties incurred. The cumulative balance as at 30 June 2024 amounted to R5,8 million (2023: R3,4 million) still remains to be investigated.

## Restatement of corresponding figures

10. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2023 have been restated as a result of errors identified in the financial statements of the municipal entity at, and for the year ended, 30 June 2024.

## Other matter

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

## Unaudited disclosure notes

12. The supplementary information set out on pages ...to ... does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion on them.
13. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with this legislation. This disclosure requirement did not form part of the audit of the financial statements and accordingly we do not express an opinion on them.

## Responsibilities of the accounting officer for the financial statements

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the MFMA, 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.
15. In preparing the financial statements, the accounting officer is responsible for assessing the entity'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.

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

16. 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.
17. 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 annual performance report

18. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
19. I selected the following material performance indicators related to agriculture, agro-processing and forestry presented in the annual performance report for the year ended 30 June 2024. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.
- Agri Voltaic – Sun-Farming
  - Macadamia Nuts Plantation
  - Sheep Farming Programme
20. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
21. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
  - all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included
  - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements



# Chapter 6

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets / measures taken to improve performance.

22. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

23. I did not identify any material findings on the reported performance information for agriculture, agro-processing and forestry.

## Other matters

24. I draw attention to the matters below.

### Achievement of planned targets

25. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements /measures taken to improve performance.

26. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets / measures taken to improve performance are included in the annual performance report on pages ..... to .....

### Agriculture, agro-processing and forestry

Targets achieved: 81%

Budget spent: 100%

Key indicator not achieved	Planned target	Reported achievement
Sheep farming programme	1	0

### Report on compliance with legislation

27. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial

# Chapter 6

management and other related matters. The accounting officer is responsible for the entity's compliance with legislation.

28. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
29. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
30. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

#### Expenditure management

31. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R2,4 million as disclosed in note 29 to the annual financial statements, in contravention of section 95(d) of the MFMA.

#### Other information in the annual report

32. The accounting officer is responsible for the other 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. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programme presented in the annual performance report that have been specifically reported on in this auditor's report.
33. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
34. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

#### Internal control deficiencies

35. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

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36. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
37. Leadership has not instituted all the disciplines necessary to enable effective oversight that promotes efficiency and effectiveness in compliance with laws and regulations.

*Auditor-General*

East London

29 November 2024



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# Chapter 6

## Annexure to the auditor's report

The annexure includes the following:

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

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

#### Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the entity's compliance with selected requirements in key legislation.

#### Financial statements

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

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

### Communication with those charged with governance

I communicate with the accounting 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.

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

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## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Sections 87(5)(b), 87(5)(d), 87(5)(d)(i), 87(5)(d)(ii), 87(5)(c), Sections 87(8), 88(1)(a), 90(1), 90(2)(a), 90(2)(b), 95(d), Sections 96(2)(a), 96(2)(b), 97(e), 97(f), 97(h), 97(i), 99(2)(a), Sections 99(2)(b), 99(2)(c), 99(2)(g), 102(1), 102(2)(a), 112(1)(i), Sections 116(2)(b), 116(2)(c)(ii), 122(1), 126(2)(b), 133(1)(a), Sections 133(1)(c)(i), 133(1)(c)(ii), 170, 172(3)(a), 172(3)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 73(1), 73(2), 75(1), 75(2)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(2), 3(3), 5(4), 6, 6(8)(b), 7, 10(1), 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2005	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), Regulations 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), Regulations 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), Regulations 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, Regulations 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(i), 38(1)(e), Regulations 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, Regulations 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 93B(a), 93C(a)(iv), 93J(1)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)

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Legislation	Sections or regulations
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), Regulations 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), Regulations 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Companies Act 71 of 2008	Sections 45(2), 45(3)(a)(ii), 45(3)(b)(i), 45(3)(b)(ii), 45(4) Sections 46(1)(a), 46(1)(b), 46(1)(c), 112(2)(a)

# GLOSSARY

## GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.

# GLOSSARY

<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General performance indicators</b>	<b>Key</b> After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National performance areas</b>	<b>Key</b> <ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance</b>	Indicators should be specified to measure performance in relation to



# GLOSSARY

<b>Indicator</b>	input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or

# GLOSSARY

functional area.

Section 1 of the MFMA defines a “vote” as:

- a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and*
- b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned*

# APPENDICES

## APPENDICES

### APPENDIX A – RECORD OF BOARD MEETINGS ATTENDANCE





# APPENDICES

✓	Present in the meeting
x	Absent in the meeting

# APPENDICES

## APPENDIX B – RECORD OF AUDIT AND PERFORMANCE COMMITTEE ATTENDANCE

APC MEMBERS	MEETINGS										
DATES	18 July 2023	27 July 2023	23 August 2023	29 August 2023	20 October 2023	16 January 2024	22 January 2024	20 February 2024	12 April 2024	18 June 2024	16 July 2024
Ms. B Jojo (Chairperson)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Z Zulu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. V Tshangana	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓	Present in the meeting
x	Absent in the meeting

# VOLUME II

## APPENDIX C – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of Year 2024 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
Board Chairperson	Ms N.I. Mabude	Nil
Board Members		
	Ms F. Maqwati	Nil
	Ms I. Magaga	Nil
	Ms N. Matoti	Nil
	Mr N. Vimba	Nil
Acting Chief Executive Officer	Ms N. Maloi	Nil
Chief Financial Officer	Ms N Boti	Nil
Executive Manager programmes	Mr S. Tshonga	Nil

# APPENDICES

## APPENDIX D: SERVICE PROVIDER PERFORMANCE

### LEGEND:

1 – Not meeting the standards (0-30%)

2 – Meet some of the standards (30-50%)

3 – Meet most of the standards (50-70%)

4 – Meet all the standards (70-100%)

NAME OF SERVICE PROVIDER	SERVICE RENDERED	SET TARGET OF PERFORMANCE (2023/2024)	SET TARGET OF PERFORMANCE (2023/2024)	PERFORMANCE	RATING FOR CURRENT FINANCIAL YEAR	COMMENTS /RECOMMENDATIONS
MUNSOFT	Financial System	Provision of municipal financial system for transacting	Provision of municipal financial system for transacting	Good	4	The interaction with Munsoft has improved after an email was sent to management. No challenges so far
Vodacom	Business Contract Phones and Internet	Phones and internet provided as specified.	N/A	Poor	2	Contract is in place and monitored monthly but overall service is poor
Umzimvubu Leather Craft	Provision of cleaning services	Cleaning services	N/A	Good	4	Performance has improved
MTN	Provision of Cell phone contracts for 24 months	Cell phone Contracts	Provision of cell phone contracts	Good	3	Service Provider is performing as expected
Summat Institute	Panel of training providers	Provision of Project Management NQF L5 Training	Project Management Training	N/A	N/A	Contract has ended, awaiting final tranche from SETA
Ndotha General	New Venture Creation NQF	New Venture Creation NQF	NVC Short	N/A	N/A	Contract has ended, awaiting



# APPENDICES

## LEGEND:

1 – Not meeting the standards (0-30%)

2 – Meet some of the standards (30-50%)

3 – Meet most of the standards (50-70%)

4 – Meet all the standards (70-100%)

NAME OF SERVICE PROVIDER	SERVICE RENDERED	SET TARGET OF PERFORMANCE (2023/2024)	SET TARGET OF PERFORMANCE (2023/2024)	PERFORMANCE	RATING FOR CURRENT FINANCIAL YEAR	COMMENTS /RECOMMENDATIONS
Trading	Level 2 Short Skills Programme	Level 2 Short Skills Programme	skills training			final tranche from SETA
Matotoman a Training and General Trading	Horticulture NQF Level 1 Learnership	Horticulture NQF Level 1 Learnership	Horticulture NQF Level 1 Learnership	N/A	N/A	Contract has ended, awaiting final tranche from SETA
Ndotha General Trading	Horticulture NQF Level 1 Short Skills Programme	Horticulture NQF Level 1 Short Skills Programme	Horticulture NQF Level 1 Short Skills Programme	N/A	N/A	Contract has ended, SETA has not deposited grant for last invoice
Bonakude Consulting	Provision of Annual Financial Statements (AFS).	Provision of 2022/23 Annual Financial Statements	Provision of 2022/23 AFS	Good	4	Contract ongoing with no challenges.
Taleni Godi Attorneys	Provision of Legal Services	Provision of Legal Services	Provision of Legal Services	Good	4	Contract ongoing with no challenges.
Kenako Development	Feasibility study for Macadamia Nuts Plantation	Feasibility study for Macadamia Nuts Plantation	Feasibility study for Macadamia Nuts Plantation	Good	4	Contract ended.
Reflections Development Institute	Reflections appointed to conduct skills programme on	Skills programme on New Venture	Skills programme on New Venture	Good	4	Contract ongoing with no challenges.

# APPENDICES

LEGEND:						
1 – Not meeting the standards (0-30%)						
2 – Meet some of the standards (30-50%)						
3 – Meet most of the standards (50-70%)						
4 – Meet all the standards (70-100%)						
NAME OF SERVICE PROVIDER	SERVICE RENDERED	SET TARGET OF PERFORMANCE (2023/2024)	SET TARGET OF PERFORMANCE (2023/2024)	PERFORMANCE	RATING FOR CURRENT FINANCIAL YEAR	COMMENTS /RECOMMENDATIONS
	NVC - green economy for 08 months	Creation	Creation			
Silale Skills Academy	Silalele appointed to conduct learnership on Generic management L04	Learnership on Generic Management NQF L4	Learnership on Generic Management NQF L4	Good	4	Contract ongoing with no challenges.
Silale Skills Academy	Silalele appointed to conduct learnership on Sewing General Education Training (GET) Certificate Clothing Manufacturing Processes	Learnership on Clothing Manufacturing Processes NQF L1	Learnership on Clothing Manufacturing Processes NQF L1	Good	4	Contract ongoing with no challenges.
Reflections Development Institute	Reflections appointed to conduct learnership programme on	Learnership programme on Business Administration	Learnership programme on Business Administration	Good	4	Contract ongoing with no challenges.

# APPENDICES

**LEGEND:**

1 – Not meeting the standards (0-30%)

2 – Meet some of the standards (30-50%)

3 – Meet most of the standards (50-70%)

4 – Meet all the standards (70-100%)

NAME OF SERVICE PROVIDER	SERVICE RENDERED	SET TARGET OF PERFORMANCE (2023/2024)	SET TARGET OF PERFORMANCE (2023/2024)	PERFORMANCE	RATING FOR CURRENT FINANCIAL YEAR	COMMENTS /RECOMMENDATIONS
	General Education Training Certificate: Business Administration NQF L4					
Kunene Makopo Risk Solutions	Provision of Insurance	Provision of Insurance Services	Provision of Insurance Services	Good	3	Contract ongoing, minimal challenges experienced

# VOLUME II

## VOLUME II: ANNUAL FINANCIAL STATEMENTS



Alfred Nzo Development Agency SOC Limited  
(Registration number 2008/009093/08)  
Annual Financial Statements  
for the year ended 30 June 2024

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	The promotion and implementation of the local economic development initiatives and investment promotion in Alfred Nzo District.
<b>Registered office</b>	Umzimvubu Goats Complex Hospital Road Mount Ayliff 4735
<b>Postal address</b>	Private bag X511 Mount Ayliff 4735
<b>Controlling entity</b>	Alfred Nzo District Municipality
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor General of South Africa (AGSA)
<b>Website</b>	<a href="http://www.anda.org.za">www.anda.org.za</a>
<b>Acting Chief Executive officer (CEO)</b>	Ms N. Maloi
<b>Chief Financial Officer (CFO)</b>	Mrs N. Boti
<b>Board Members</b>	Mrs N. Mabude Ms F. Maqwathi Ms I. Magaga Mr N. Vimba Ms N. Matoti
<b>Legal form of entity</b>	Municipal Entity

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Index

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8
Accounting Policies	9 - 25
Notes to the Annual Financial Statements	26 - 48

#### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MSCOA	Municipal Standard Chart of Accounts

# APPENDICES

## **Alfred Nzo Development Agency SOC Limited**

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### **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 are 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 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 was 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 entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the 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 are 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 have reviewed the entity's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

The annual financial statements set out on page 6 to 44, which have been prepared on the going concern basis, were approved by the accounting officer and were signed by her:

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**Ms. N. Maloi**  
Acting Chief Executive Officer

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from non-exchange transactions	4	110 832	177 107
VAT receivable	5	951 486	584 229
Cash and cash equivalents	6	7 944 121	6 389 969
		<b>9 006 439</b>	<b>7 151 305</b>
<b>Non-Current Assets</b>			
Investment property	7	283 000	283 000
Property, plant and equipment	8	1 561 661	1 541 313
Intangible assets	9	259 361	392 694
		<b>2 104 022</b>	<b>2 217 007</b>
<b>Total Assets</b>		<b>11 110 461</b>	<b>9 368 312</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	10	2 503 220	821 991
Unspent conditional grants and receipts	11	2 106 329	4 211 595
Provisions	12	689 931	911 751
		<b>5 299 480</b>	<b>5 945 337</b>
<b>Net Assets</b>		<b>5 810 981</b>	<b>3 422 975</b>
Share capital	13	100	100
Accumulated surplus		5 810 881	3 422 875
<b>Total Net Assets</b>		<b>5 810 981</b>	<b>3 422 975</b>



# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods		37 528	34 913
Interest received	14	661 103	291 949
Fair value adjustment	23	-	3 000
<b>Total revenue from exchange transactions</b>		<b>698 631</b>	<b>329 862</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	15	30 839 188	31 874 597
<b>Total revenue</b>	16	<b>31 537 819</b>	<b>32 204 459</b>
<b>Expenditure</b>			
Auditors remuneration	17	(1 054 042)	(1 052 042)
Contracted services	18	(3 176 360)	(2 597 528)
Depreciation and amortisation	19	(377 742)	(364 306)
Employee related costs	20	(8 942 972)	(10 156 340)
General Expenses	21	(5 005 705)	(2 942 860)
Project expenditure	22	(10 592 993)	(6 139 304)
Debt impairment reversal	40	-	83 176
<b>Total expenditure</b>		<b>(29 149 814)</b>	<b>(23 169 204)</b>
<b>Surplus for the year</b>		<b>2 388 005</b>	<b>9 035 255</b>

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Cash Flow Statement

Figures in Rand	Note(s)	2024	2023
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		37 528	-
Grants		31 469 725	38 453 432
Interest income		661 103	291 949
Other receipts		-	121 164
		<b>32 168 356</b>	<b>38 866 545</b>
<b>Payments</b>			
Employee costs		(9 188 900)	(12 695 308)
Suppliers		(18 551 792)	(14 369 773)
VAT payments to SARS		(2 608 696)	(6 287 518)
		<b>(30 349 388)</b>	<b>(33 352 599)</b>
<b>Net cash flows from operating activities</b>	24	<b>1 818 968</b>	<b>5 513 946</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(264 816)	(86 639)
Purchase of other intangible assets	9	-	(400 000)
<b>Net cash flows from investing activities</b>		<b>(264 816)</b>	<b>(486 639)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1 554 152</b>	<b>5 027 307</b>
Cash and cash equivalents at the beginning of the year		6 389 969	1 362 662
<b>Cash and cash equivalents at the end of the year</b>	6	<b>7 944 121</b>	<b>6 389 969</b>

The accounting policies on pages 9 to 25 and the notes on pages 26 to 48 form an integral part of the annual financial statements.

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Statement of Changes in Net Assets

Figures in Rand	Share capital	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	100	(6 745 764)	(6 745 664)
Adjustments			
Prior year adjustments 32	-	1 133 384	1 133 384
<b>Balance at 01 July 2022 as restated*</b>	<b>100</b>	<b>(5 612 380)</b>	<b>(5 612 280)</b>
Changes in net assets			
Surplus for the year	-	9 035 255	9 035 255
Total changes	-	9 035 255	9 035 255
<b>Balance at 01 July 2023</b>	<b>100</b>	<b>3 422 876</b>	<b>3 422 976</b>
Surplus for the year	-	2 388 005	2 388 005
Total changes	-	2 388 005	2 388 005
<b>Balance at 30 June 2024</b>	<b>100</b>	<b>5 810 881</b>	<b>5 810 981</b>
Note(s)	13		

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	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>						
Sale of goods	50 000	-	50 000	37 528	(12 472)	25.1
Administration and management fees received	3 176 911	(3 119 172)	57 739	-	(57 739)	25.2
Interest received - investment	200 000	28 686	228 686	661 103	432 417	25.3
<b>Total revenue from exchange transactions</b>	<b>3 426 911</b>	<b>(3 090 486)</b>	<b>336 425</b>	<b>698 631</b>	<b>362 206</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Grant income</b>						
ANDM Grant	20 000 000	-	20 000 000	20 000 000	-	
Other SETA's	15 702 758	2 921 354	18 624 112	10 839 188	(9 071 605)	25.4
<b>Total revenue from non-exchange transactions</b>	<b>35 702 758</b>	<b>2 921 354</b>	<b>38 624 112</b>	<b>30 839 188</b>	<b>(9 071 605)</b>	
<b>Total revenue</b>	<b>39 129 669</b>	<b>(169 132)</b>	<b>38 960 537</b>	<b>31 537 819</b>	<b>(8 709 399)</b>	
<b>Expenditure</b>						
Personnel	(11 714 316)	1 157 785	(10 556 531)	(8 942 973)	1 613 558	25.5
Board Members' Fees	(610 000)	10 000	(600 000)	(456 276)	143 724	25.6
Auditors remunerations	(1 200 000)	-	(1 200 000)	(1 054 042)	145 958	25.7
Depreciation and amortisation	(300 000)	5 474	(294 526)	(377 742)	(83 216)	25.2
Contracted services	-	(3 944 244)	(3 944 244)	(3 176 360)	767 884	25.8
Project expenditure	(15 453 520)	(2 341 311)	(17 794 831)	(10 592 933)	7 201 898	25.9
General Expenses	(5 400 250)	1 379 762	(4 020 488)	(4 549 488)	(529 000)	25.10
<b>Total expenditure</b>	<b>(34 678 086)</b>	<b>(3 732 534)</b>	<b>(38 410 620)</b>	<b>(29 149 814)</b>	<b>9 260 806</b>	
<b>Operating surplus</b>	<b>4 451 583</b>	<b>(3 901 666)</b>	<b>549 917</b>	<b>2 388 005</b>	<b>1 838 088</b>	
Capital project	(4 360 000)	3 810 000	(550 000)	(264 756)	285 244	25.11
<b>Surplus before taxation</b>	<b>91 583</b>	<b>(91 666)</b>	<b>(83)</b>	<b>2 123 249</b>	<b>2 123 332</b>	

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

Figures in Rand

#### 1. Significant account policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

##### 1.1 Basis of preparations

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 .

These accounting policies are consistent with the previous period.

##### 1.2 Presentation currency

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

##### 1.3 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. The assessment of the entity's ability to continue as a going concern was based on an evaluation of several factors, including current and projected financial performance, cash flow forecasts, funding availability and the entity's ability to meet its obligations as the fall due.

##### 1.4 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:

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as 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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

##### 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 12 - Provisions.

##### Allowance for doubtful debts

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

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

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#### 1.4 Significant judgements and sources of estimation uncertainty (continued)

##### Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
  - Developing accounting policies
  - Deciding what information to disclose
  - Deciding how to present information
  - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

#### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2006/005053/08)  
Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

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#### 1.5 Investment property (continued)

##### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note ).

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note ).

##### Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use at no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property ( property, plant and equipment) the deemed cost for subsequent accounting is the fair value or carrying amount if cost model is used at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with policy stated under property, plant and equipment up to the date of change in use. The municipal entity separately discloses expenditure to repair and maintain investment property in the notes to the financial statements.

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

#### 1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

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	10 Years
Motor vehicles	Straight-line	7 Years
Office equipment	Straight-line	2-5 Years
Computer equipment	Straight-line	5 Years

The depreciable amount of an asset is allocated on a systematic 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.



# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

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

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 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 entity assesses at each reporting date whether there is any indication that the entity's 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 entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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 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 entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

#### 1.7 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 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 entity; and
- the cost or fair value of the asset can be measured reliably.

The 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.

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2006/009053/08)  
Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

#### 1.7 Intangible assets (continued)

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.

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 - 5 Years

#### 1.8 Financial instruments

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

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

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

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

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:

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

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#### 1.8 Financial instruments (continued)

- 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.

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#### Classification

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

Class	Category
Receivable from exchange	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payable from exchange	Financial liability measured at amortised cost

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

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

The 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 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.

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/005003/08)

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### Accounting Policies

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#### 1.8 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 amortised 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 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, an 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.

##### Impairment and uncollectibility of financial assets

The 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:

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.

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

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#### 1.8 Financial instruments (continued)

##### Derecognition

###### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

###### Financial liabilities

The 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.

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2006/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

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#### 1.8 Financial instruments (continued)

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

#### 1.9 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

#### 1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

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# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

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#### 1.10 Impairment of cash-generating assets (continued)

##### Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### 1.11 Share capital

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

#### 1.12 Employee benefits

##### Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number: 2028/020053/08)  
Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

#### 1.13 Provisions and contingencies

Provisions are recognised when:

- the 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 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.

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; and
  - 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 entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.



# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

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#### 1.13 Provisions and contingencies (continued)

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.

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

## Alfred Nzo Development Agency SOC Limited

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### Accounting Policies

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#### 1.14 Revenue from exchange transactions

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

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

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

#### Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

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

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2058/005093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

#### 1.15 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.

##### Conditional grant

Conditional grants recognised as revenue to the extent that the Municipal Entity has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

##### Unconditional grants

Unconditional grants refer to transfers of funds from the Alfred Nzo District Municipality that are provided with no conditions attached, meaning that as a recipient entity there is no requirement to perform a specific action or meet certain condition to receive or utilize the funds.

##### Recognition

##### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. Where a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

#### 1.16 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.

#### 1.17 Comparative figures

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

#### 1.18 Fruitless and wasteful expenditure

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

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2026/005053/08)  
Annual Financial Statements for the year ended 30 June 2024

### Accounting Policies

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#### 1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

#### 1.20 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

#### 1.21 Budget information

Entity is 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 entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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.

#### 1.22 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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

# APPENDICES

## **Alfred Nzo Development Agency SOC Limited**

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### **Accounting Policies**

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#### **1.22 Related parties (continued)**

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

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

The 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.

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>2. New standards and interpretations</b>		
<b>2.1 Standards and interpretations issued, but not yet effective</b>		
The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2024 or later periods:		
<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"> <li>GRAP 104 (as revised): Financial Instruments</li> </ul>	01 April 2025	Unlikely there will be a material impact
<b>3. Receivables from exchange transactions</b>		
Sundry debtors	18 874	18 875
Other debtors	798	798
Lungisani Farmers Corp	45 000	45 000
Other receivables	25 807	25 807
Debt impairment	(90 480)	(90 481)
	<b>(1)</b>	<b>(1)</b>
<b>4. Receivables from non-exchange transactions</b>		
LGSETA	-	177 107
Salary control	60 832	-
Alfred Nzo District Municipality	50 000	-
	<b>110 832</b>	<b>177 107</b>
<b>5. VAT receivable</b>		
Statutory Receivable	856 647	480 474
Input VAT Receivable	94 839	103 755
	<b>951 486</b>	<b>584 229</b>
<b>6. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	7 944 121	6 389 969
Cash and cash equivalents held by the entity that are not available for use by the economic entity.	-	-

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024			2023		
<b>6. Cash and cash equivalents (continued)</b>						
<b>The entity had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FN BANK - Main Account - 62215290355	609 799	1 056 135	37 580	609 800	1 101 623	37 580
FNB BANK - Livestock Account - 62238128351	1 056 377	974 450	213 286	1 056 317	974 450	213 286
FNB BANK - SMME Account - 62238128517	56 445	52 068	392 163	56 445	14 788	392 163
FNB Investment account - 76202953868	-	2 051 599	-	-	2 051 599	-
FNB BANK - Reserve Account - 62238130231	5 868 695	338 924	14 354	5 868 724	338 953	14 354
FNB BANK - Capacity Building - 62723833621	45 978	91 417	5 609	45 978	92 856	5 609
FNB BANK - Commercial NFS - 62822669620	306 864	1 815 704	699 670	306 856	1 815 697	699 670
<b>Total</b>	<b>7 944 158</b>	<b>6 380 297</b>	<b>1 362 662</b>	<b>7 944 120</b>	<b>6 389 966</b>	<b>1 362 662</b>

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

#### 7. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	283 000	-	283 000	283 000	-	283 000

#### Reconciliation of investment property - 2024

	Opening balance	Total
Investment property	283 000	283 000

#### Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	280 000	3 000	283 000

#### Details of investment property

The Municipal entity's mandate is to amongst others acquire, own and manage land and buildings necessary to enable it to achieve its stated aims and objectives. This includes managing and developing some of the properties under the ownership of the Parent Municipality. Fortdonald site is one of the properties managed by the Municipal entity.

#### Investment property subsequent measurement

The investment property is subsequently measured at fair value, the valuations were performed by professional valuers registered with the South African Council for Property Valuers Profession and South African Institute of Valuers.

#### Methodology

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand 2024      2023

#### 7. Investment property (continued)

The property was valued using the comparative method. The method involves identifying properties that have been sold on the market. They are compared with the subject property and an adjustment is then made to the values to reflect their differences.

#### Other Factors

Other factors considered in determining the property value:

- Current condition of the property.
- Highest and best use of the property.

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

#### 8. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	1 747 792	(520 255)	1 227 537	1 747 792	(461 882)	1 285 910
Furniture and fixtures	660 326	(616 871)	43 455	660 326	(587 317)	73 009
Motor vehicles	294 626	(290 373)	4 253	294 626	(288 246)	6 380
IT equipment	1 085 197	(798 781)	286 416	1 085 196	(909 182)	176 014
Other property, plant and equipment	-	-	-	25 692	(25 692)	-
<b>Total</b>	<b>3 787 941</b>	<b>(2 226 280)</b>	<b>1 561 661</b>	<b>3 813 632</b>	<b>(2 272 319)</b>	<b>1 541 313</b>



# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Depreciation	Total
Buildings	1 285 910	-	(58 373)	1 227 537
Furniture and fixtures	73 010	-	(29 554)	43 456
Motor vehicles	6 379	-	(2 127)	4 252
IT equipment	176 014	264 756	(154 354)	286 416
	<b>1 541 313</b>	<b>264 756</b>	<b>(244 408)</b>	<b>1 561 661</b>

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Depreciation	Total
Buildings	1 344 283	-	(58 373)	1 285 910
Furniture and fixtures	73 716	26 639	(27 345)	73 010
Motor vehicles	8 506	-	(2 127)	6 379
IT equipment	259 112	60 000	(143 098)	176 014
	<b>1 685 617</b>	<b>86 639</b>	<b>(230 943)</b>	<b>1 541 313</b>

#### Pledged as security

No assets were pledged as security.

#### Expenditure incurred to repair and maintain property, plant and equipment

##### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

General expenses	189 624	100 941
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#### 9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	266 229	(6 868)	259 361	400 000	(7 306)	392 694

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

	2024	2023		
<b>9. Intangible assets (continued)</b>				
<b>Reconciliation of intangible assets - 2024</b>				
	Opening balance	Amortisation	Total	
Computer software, other	392 694	(133 333)	259 361	
<b>Reconciliation of intangible assets - 2023</b>				
	Opening balance	Additions	Amortisation	Total
Computer software, other	126 027	400 000	(133 333)	392 694
<b>10. Payables from exchange transactions</b>				
Accrued expenses	2 503 220	821 991		
<b>11. Unspent conditional grants and receipts</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
<b>Unspent conditional grants and receipts</b>				
Service Seta Grant	392 350	1 197 424		
Fibre Processing and Manufacturing Sector Education Training Authority- FP&M	-	75 002		
National Skills Fund- NSF	824 150	834 317		
Wholesale and Retail Sector Education Training Authority-W&R	-	304 852		
Bank Seta	891 600	1 800 000		
Local Governance Sector Education Training Authority-LG	(1 290)	-		
	<b>2 106 810</b>	<b>4 211 595</b>		

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)

Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand 2024      2023

#### 12. Provisions

##### Reconciliation of provisions - 2024

	Opening Balance	Decrease due to re- measurement or settlement without cost to entity	Total
Leave provision	911 751	(221 820)	689 931

##### Reconciliation of provisions - 2023

	Opening Balance	Utilised during the year	Reduction due to re- measurement or settlement without cost to entity	Total
Leave provision	1 254 783	(241 707)	(101 325)	911 751

#### 13. Share capital

##### Issued

Ordinary	100	100
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#### 14. Interest Received

##### Interest revenue

Interest on Bank Accounts	661 103	291 949
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# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

	2024	2023
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#### 15. Government grants & subsidies

Operating grants		
Service Seta	7 643 178	2 794 403
Local Government Sector Education Training Authority	706 578	2 305 238
National Skills fund	10 178	688 000
Wholesale and Retail Sector Education Training Authority	304 950	-
Fibre Processing and Manufacturing Sector Education Training Authority	75 002	-
Bank Seta	2 099 400	-
	<b>10 839 286</b>	<b>5 787 641</b>

#### Unconditional Grant

Alfred Nzo District Municipality	20 000 000	26 086 956
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#### Conditional Grants

##### Fibre Processing and Manufacturing Sector Education Training Authority

Balance unspent at beginning of year	75 002	75 002
Conditions met - transferred to revenue	(75 002)	-
	<b>-</b>	<b>75 002</b>

This is a learnership grant for clothing manufacturing in the Alfred Nzo District Municipality.

##### National Skills Fund

Balance unspent at beginning of year	834 328	615 821
Current-year receipts	-	906 507
Conditions met - transferred to revenue	(10 178)	(688 000)
	<b>824 150</b>	<b>834 328</b>

This grant was COVID PPE for learnerships - is condition to mixed farming training learnership programs.

##### Local Governance Sector Education Training Authority

Balance unspent at beginning of year	(177 107)	209 933
Current-year receipts	882 362	1 917 960
Conditions met - transferred to revenue	(706 578)	(2 305 000)
	<b>(1 293)</b>	<b>(177 107)</b>

This grant is condition to new venture creation and horticulture training within the Alfred Nzo District Municipality.

##### Wholesale and Retail Sector Education Training Authority

Balance unspent at beginning of year	304 950	168 886
Current-year receipts	-	612 000
Conditions met - transferred to revenue	(304 950)	(475 936)
	<b>-</b>	<b>304 950</b>

A learnership conditional grant on entrepreneurship within the Alfred Nzo District Municipality.

##### Service SETA

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>15. Government grants &amp; subsidies (continued)</b>		
Balance unspent at beginning of year	1 197 894	166 001
Current-year receipts	8 837 634	3 826 533
Conditions met - transferred to revenue	(7 643 178)	(2 794 640)
	<b>392 350</b>	<b>1 197 894</b>
Learnership on project management, business administration, clothing manufacturing, sewing, generic management and vocational training within the Alfred Nzo District.		
<b>Bank Sets grant</b>		
Balance unspent at beginning of year	1 800 000	-
Current-year receipts	1 191 600	1 800 000
Conditions met - transferred to revenue	(2 039 400)	-
	<b>891 600</b>	<b>1 800 000</b>
<b>16. Revenue</b>		
Sale of goods	37 528	34 913
Interest received (trading)	661 103	291 949
Government grants & subsidies	30 839 188	31 874 597
Fair Value Adjustment	-	3 000
	<b>31 537 819</b>	<b>32 204 459</b>
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	37 528	34 913
Interest received (trading)	661 103	291 949
Fair value adjustment	-	3 000
	<b>698 631</b>	<b>329 862</b>
The amount included in revenue arising from non-exchange transactions is as follows:		
<b>Taxation revenue</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	30 839 188	31 874 597
<b>17. Auditors remuneration</b>		
Administration and management fees - third party	1 054 042	1 052 042
<b>18. Contracted services</b>		
Consultants and Professional Services	3 176 099	4 161 753
Contractors	-	(1 564 225)
	<b>3 176 099</b>	<b>2 597 528</b>

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>19. Depreciation and amortisation</b>		
Property, plant and equipment	244 409	230 973
Intangible assets	133 333	133 333
	<b>377 742</b>	<b>364 306</b>

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand

	2024	2023
<b>20. Employee related costs</b>		
Basic	5 881 664	6 075 326
Medical aid - company contributions	433 412	921 404
UIF	41 708	28 200
SDL	76 012	102 085
Leave pay provision charge	(221 820)	(343 032)
Acting allowances	149 562	315 282
Car allowance	1 289 968	1 848 814
Pension contributions	566 557	873 034
Backpay	-	93 520
Leave payout	725 909	241 707
	<b>8 942 972</b>	<b>10 156 340</b>

#### Remuneration of Chief Executive Officer

Basic salary	231 479	925 917
Car Allowance	77 159	308 637
Medical Aid Allowances	38 580	154 319
Contributions to UIF	531	1 785
Leave gratuity	344 197	-
Contribution to SDL	7 146	15 432
Pension Fund allowance	38 580	154 319
Settlement payout	514 397	-
	<b>1 252 069</b>	<b>1 560 409</b>

The settlement agreement for Ms Mandy Barberi was concluded in September 2023.

#### Remuneration of Chief Finance Officer

Basic salary	760 362	785 670
Car Allowance	276 495	261 890
Medical aid allowance	-	130 945
Contributions to UIF	1 948	1 785
Contributions to SDL	10 338	13 095
Pension fund allowance	21 725	130 945
Subsistence and travel	27 650	-
	<b>1 098 518</b>	<b>1 324 330</b>

#### Remuneration of Executive Manager: Programmes

Basic salary	785 670	785 670
Car Allowances	261 890	261 890
Medical Aid Allowance	130 945	130 945
Contribution to UIF	2 125	1 785
Pension Fund Allowance	130 945	130 945
Contributions to SDL	12 613	12 211
Acting Allowance	-	11 687
	<b>1 324 188</b>	<b>1 335 133</b>

Executive Manager: Programmes is the Acting Chief Executive Officer

#### Remuneration of Executive Manager: Corporate Services

Basic salary	-	785 670
Car Allowance	-	261 890

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2006/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>20. Employee related costs (continued)</b>		
Medical Aid Allowance	-	130 945
Contributions to UIF	-	1 785
Pension Fund Allowance	-	130 945
Contribution to SDL	-	13 095
	-	<b>1 324 336</b>
<b>Acting Chief Executive Officers</b>		
Mr N. Xolo (01 July 2023 to February 2024)	143 625	-
Ms N. Boli (01 March 2024 to 30 April 2024)	2 790	-
Ms N. Maloi (01 May 2024 to 30 June 2024)	2 790	-
	<b>149 205</b>	-
<b>21. General expenses</b>		
Accommodation	107 215	32 724
Advertising	296 480	47 306
Legal fees	58 280	754 833
Bank charges	15 837	14 435
Cleaning	89 743	78 242
Electricity	204 734	325 859
Interest and penalties	2 453 795	24 215
Insurance	62 073	79 958
Board sitting allowance	456 276	246 544
Fuel and oil	7 139	-
Printing and stationery	194 665	20 511
Sheep incubation	142 869	602 914
Repairs and maintenance	189 624	102 059
Hire charges	26 585	-
Telephone and fax	499 063	477 029
Travel - local	201 327	15 100
	<b>6 905 705</b>	<b>2 942 860</b>
<b>22. Project expenditure</b>		
Emfundisweni Skills Development	445 519	614 080
Services SETA	7 530 840	-
Fibre Processing and Manufacturing Sector Education Training Authority	-	2 612 145
Bank SETA	1 979 100	-
Local government SETA	627 459	2 224 930
National Skills Fund	10 073	888 000
	<b>10 592 993</b>	<b>6 139 155</b>
<b>23. Fair value adjustments</b>		
Investment property (Fair value model)	-	3 000

# APPENDICES

## Alfred Nzo Development Agency SOC Limited

(Registration number 2008/009093/08)  
Annual Financial Statements for the year ended 30 June 2024

### Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>24. Cash generated from operations</b>		
Surplus	2 388 005	9 035 255
<b>Adjustments for:</b>		
Depreciation and amortisation	377 742	364 306
Fair value adjustments	-	(3 000)
Impairment reversals	-	(83 176)
Movements in provisions	(221 820)	(343 032)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	102 939	86 251
Receivables from non-exchange transactions	-	(177 106)
Payables from exchange transactions	1 644 625	(749 734)
VAT	(367 257)	(3 105 919)
Unspent conditional grants and receipts	(2 105 266)	2 842 899
SARS Payable	-	(2 352 796)
	<b>1 818 968</b>	<b>5 513 946</b>

### 25. Variances

#### 25.1 Sale of goods

Variance is immaterial

#### 25.2 Administration and management fees

Under budgeting on expected receipts from SANAMI

#### 25.3 Interest received on investments

The entity kept all the funds on call accounts and only transferred to main account when there was expenditure to be incurred.

#### 25.4 Other Setas

The revenue on this grant is only recognised once the qualifying expenditure is incurred and the programmes are still running. The programmes were delayed by funders who issued commencement letters very late.

#### 25.5 Employee cost

Staff vacancies that were not filled during the year.

#### 25.6 Depreciation

Variance immaterial

#### 25.6 Contracted services

The variance is due to the fact that financial management system costs were budgeted for under general expenses.

#### 25.7 Project expenditure

Programmes were delayed due to late issuing of commencement letters from funders

#### 25.8 General expenditure

The difference is due to SARS interest and penalties that were paid during the year.

#### 25.9 Capital Expenditure

The variance is due to projects that were not implemented during the year due to staff shortages.



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#### 26. Contingencies

##### Contingent liabilities

FBI Solutions Secure grant funding for ANDM's community based projects. Ikhaya Connect appointed FBI Solutions to provide cash backed guarantee equal to 10% of the total financed amount.	762 250 000	762 250 000
NJ Madikizela: Case 1945/20 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. He took the matter to the court.	1 500 000	3 000 000
Dorinite (Pty) Lt Plaintiff is claiming for alleged goods and services rendered.	989 669	-
	<b>764 739 669</b>	<b>765 250 000</b>

#### 27. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that is that assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of the business as Alfred Nzo Development Agency is funded 100% by Alfred Nzo District Municipality with no intention to stop in the near future.

#### 28. Irregular expenditure

Opening balance as previously reported	37 193 360	36 729 831
Add: Irregular expenditure - current	-	463 529
<b>Closing balance</b>	<b>37 193 360</b>	<b>37 193 360</b>

Incidents/cases identified/reported in the current year include those listed below:

Competitive bidding invited	-	273 951
Appointment not made to the service provider with highest points	-	189 578
	-	<b>463 529</b>

#### Cases under investigation

Irregular expenditure investigated and certified as irrecoverable by the Board	27 650 952	-
Irregular expenditure under investigation	9 542 408	-
	<b>37 193 360</b>	-

#### 29. Fruitless and wasteful expenditure

Opening balance as previously reported	3 374 551	3 317 362
Add: Fruitless and wasteful expenditure identified - current	2 468 223	57 189
<b>Closing balance</b>	<b>5 842 774</b>	<b>3 374 551</b>

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<b>29. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	3 374 551	3 317 362
Add: Fruitless and wasteful expenditure identified - current	2 482 987	57 189
Less: Amount recovered - current	(14 764)	-
<b>Closing balance</b>	<b>5 842 774</b>	<b>3 374 551</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

#### Details of fruitless and wasteful expenditure

Interest on late payments - Eskom	896	15 115
VAT penalties and interest	40 945	42 579
SARS 2018 Assessment penalties and interest	2 441 146	-
Less: Amount recovered on VAT penalties	(14 764)	-
Munsoft interest	-	167
	<b>2 468 223</b>	<b>57 861</b>

An appeal on the remission assessment penalties and interest has been filed with SARS and the entity is awaiting the results of the appeal.

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#### 30. Segment information

##### General information

##### Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipal entity and economic benefits generated. The Municipal entity has various departments which are administrative units which do not on its own generate economic benefits or have service potential and do not form part of the Municipal entity's segment reporting. The Municipal entity operates in one geographical area-Alfred Nzo District. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

##### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

##### Reportable segment

Programmes -LED

##### Goods and/or services

Implementation of local economic development programmes

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<b>30. Segment information (continued)</b>			
<b>Segment surplus or deficit, assets and liabilities</b>			
<b>2024</b>			
	Programmes- LED	Non-reportable segment	Total
<b>Revenue</b>			
Government grants and subsidies	1 985 026	28 854 162	30 839 188
Income from sale of tender	-	37 528	37 528
Interest revenue	-	661 103	661 103
<b>Total segment revenue</b>	<b>1 985 026</b>	<b>29 552 793</b>	<b>31 537 819</b>
<b>Entity's revenue</b>			<b>31 537 819</b>
<b>Expenditure</b>			
Salaries and wages	2 390 336	6 552 636	8 942 972
Depreciation and amortisation	-	377 742	377 742
Contracted services	2 254 568	921 792	3 176 360
General expenses	615 564	4 390 141	5 005 705
Project expenditure	8 716 455	1 876 538	10 592 993
Auditors remuneration	-	1 054 042	1 054 042
<b>Total segment expenditure</b>	<b>13 976 923</b>	<b>15 172 891</b>	<b>29 149 814</b>
<b>Total segmental surplus/(deficit)</b>	<b>(11 991 897)</b>	<b>14 379 902</b>	<b>2 388 005</b>
<b>Assets</b>			
VAT receivable	-	951 486	951 486
Cash and cash equivalents	7 272 356	671 765	7 944 121
Receivables from non-exchange	-	110 832	110 832
Property plant and equipment	-	1 561 661	1 561 661
Investment property	-	283 000	283 000
Intangible assets	-	259 361	259 361
<b>Total segment assets</b>	<b>7 272 356</b>	<b>3 838 105</b>	<b>11 110 461</b>
<b>Total assets as per Statement of financial Position</b>			<b>11 110 461</b>
<b>Liabilities</b>			
Payables from exchange transactions	-	2 503 220	2 503 220
Unspent conditional grants and receipts	2 106 329	-	2 106 329
Provisions	-	689 931	689 931
<b>Total segment liabilities</b>	<b>2 106 329</b>	<b>3 193 151</b>	<b>5 299 480</b>
<b>Total liabilities as per Statement of financial Position</b>			<b>5 299 480</b>

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#### 31. Related parties

Relationships			
Controlling entity	Alfred Nzo District Municipality		
Members of key management	Mr N. Xolo Acting Chief Executive Officer (01 July 2023 - 29 February 2024) Ms N. Mafisi Acting Chief Executive Officer (from 01 May 2024) Mrs N. Boti Chief Financial Officer		
Board Members	Ms F. Maqwele Ms N. Mabude Ms I. Magaga Ms N. Matoli Mr N. Vimba		

#### Related party balances

<b>Receivable from the parent</b>			
Alfred Nzo District Municipality	50 000		-
<b>Seating allowances paid to board</b>			
Ms F. Maqwele	72 000		73 000
Ms N. Mabude	158 500		75 500
Ms I. Magaga	63 000		58 500
Ms N. Matoli	58 500		-
Mr N. Vimba	81 000		39 445

#### S & T allowance board of directors

Ms. O. Sangoni	4 276		-
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#### Revenue

Grant received-Alfred Nzo District Municipality (Parent Municipality)	20 000 000		28 086 956
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#### Related party transactions

##### 32. Prior-year adjustments

#### Cash and cash equivalents

During the financial year it was identified that some charges/payments made were not captured on the system.

#### Trade and other payables from exchange transactions

During the financial year it was identified that accruals raised in 2021 & 2022 had not been reversed and that SARS payments for penalties and interest for prior years were recorded under salary control.

#### Contracted services

Recognising expenditure previously not recorded.

#### Statement of financial position

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#### 32. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash and cash equivalents		6 456 894	(66 926)	-	6 389 968
Payables from exchange transactions		(1 556 364)	1 028 593	(294 220)	(821 991)
		<b>4 900 530</b>	<b>961 667</b>	<b>(294 220)</b>	<b>5 567 977</b>

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments.

#### Statement of financial performance

2023

	Note	As previously reported	Correction of error	Restated
Contracted services		(2 534 101)	(63 428)	(2 597 529)

#### Reclassifications

The following reclassifications adjustment occurred:

#### Provisions

Provision for leave was previously reported in payables from exchange and in current the amount has been accounted for as provision.

Leave provision payments meets the definition of provision as timing and amount of settlement is uncertain.

#### 33. Risk management

##### Financial risk management

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

##### Liquidity risk

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

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

	2024	2023
Financial instrument		
Payables from exchange	2 466 556	1 556 364

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#### 33. Risk management (continued)

##### Credit risk

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

Trade receivables comprise a widespread customer base. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2024	2023
Cash and cash equivalents	7 944 121	6 456 894
Receivables from exchange	74 168	-

#### 34. In-kind donations and assistance

The municipal entity receives shared services from the parent municipality Alfred Nzo District Municipality in the form of internal audit, risk and audit committee services.

DEDEAT funded the development of pre feasibility study for the establishment of industrial park. The study is worth R1 million and COEGA was appointed.

#### 35. Additional disclosure in terms of Municipal Finance Management Act

##### Audit fees

Amount paid - current year	1 054 042	1 052 042
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##### PAYE and UIF

Amount paid - current year	2 872 791	4 908 123
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##### Pension and Medical Aid Deductions

Amount paid - current year	557 945	921 404
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##### VAT

VAT receivable	951 488	584 229
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

#### 36. Deviations

In terms of Section 36 of the Municipal Supply Chain Management Regulation any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by the Council. Deviations from the official procurement process during the financial year were approved by the Accounting officer and noted by the Board.

Current year-Deviation	-	1 058 615
	-	1 058 615

Deviations consists of

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<b>36. Deviations (continued)</b>		
Exceptional case- Munsoft	-	1 038 240
Emergence - Meridian Hygiene	-	4 922
Sole supplier - SAGE VIP	-	15 453
	-	<b>1 058 615</b>
<b>37. Consumer debtors</b>		
Summary of debtors by customer classification		
<b>38. Operating surplus</b>		
Operating surplus for the year is stated after accounting for the following:		
Reversal of impairment on trade and other receivables	-	83 176
Amortisation on intangible assets	133 333	133 333
Depreciation on property, plant and equipment	244 409	230 973
Employee costs	8 942 972	10 156 340
<b>39. Fair value adjustment</b>		
Fair value adjustment	-	3 000
<b>40. Impairment loss</b>		
<b>Impairments</b>		
Trade and other receivables	-	83 176
Debt impairment reversal		
<b>Reversal of impairments</b>		
Trade and other receivables	-	(83 176)
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
<b>Total impairment losses (recognised) reversed</b>	-	-

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

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

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