

UMHLOSINGA
Development Agency



"Opportunity
through Development"
www.umd.org.za

2016/17

ANNUAL REPORT



Chief Executive Officer,
Mr. Mandla Ntuli

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION AND OVERVIEW

1.1 Foreword from the Board Chairman.....	04
1.2 Foreword from the CEO.....	07
1.3 Overview of the Agency.....	10

CHAPTER 2: GOVERNANCE

Section A: Governance Structures

2.1 Board Governance.....	14
2.2 Management Governance.....	26

Section B: Intergovernmental Relations

2.3 Intergovernmental Relations.....	27
--------------------------------------	----

Section C: Accountability

2.4 Meetings with the shareholder.....	31
2.5 Strategy and Alignment to the IDP.....	32

Section D: Corporate Governance

2.5 Risk Management.....	33
2.6 Policies.....	34
2.9 Website.....	34

CHAPTER 3: SERVICE DELIVERY AND PERFORMANCE HIGHLIGHTS

Section A: Investment Promotion.....	36
Section B: Agribusiness Development.....	37
Section C: Tourism promotion and Development.....	38
Section D: Infrastructure Development.....	39
Section E: Industrial and Urban Development.....	40
Section F: Annual Performance Report.....	41

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

Section A: Municipal Entity Personnel Overview.....	48
Section B: Managing the Municipal Entity Employee Workforce.....	60
Section C: Capacitating the Municipal Entity Workforce.....	63
Section D: Managing the Workforce Expenditure.....	63

CHAPTER 5: FINACIAL PERFORMANCE

Section A: General Information.....	65
Section B: Financial Position.....	75
Section C: Financial Statements.....	76
Section D: Net Assets.....	77
Section E: Cash Flow.....	78
Section F: Statement of Comparison of Budget and Actual.....	80
Section H: Budget.....	81
Section I: Accounting Policies.....	83
Section J: Notes of the Annual Financial Statements.....	103

CHAPTER 6: AUDITOR GENERAL FINDINGS

Section A: Report of Auditor General.....	131
Section B: Action Plan to Address Audit Queries.....	139

CHAPTER 1

INTRODUCTION AND OVERVIEW

1.1 FOREWORD FROM THE CHAIRMAN

This is that period again that gives us an opportunity to render an account of the activities of Umhlosinga Development Agency, for the year under review.

UMDA as the UMkhanyakude District Municipal entity is tasked with stimulating and facilitating economic growth within the district, through the implementation of catalytic projects. Agribusiness and Tourism has been identified as the two main economic drivers of the district. However, the agency has also been mandated in the past to implement specific infrastructure projects that include the Mkuze Airport Development and the Jozini Hydro electricity generating plant. We are in the middle of implementing a five year strategy that will place the agency in the heart of delivery. The agency now focuses on implementing catalytic projects in the fields of Agribusiness, Tourism, infrastructure and urban development.

Our Vision

A leading partner providing investment solutions to economic development.

Our Mission

To co-ordinate, plan and manage the implementation of a locally driven program of catalytic projects, to fast track the development of the local economy of the district of uMkhanyakude.

Our Objectives

1. To promote sustainable commercialisation of agriculture and establishment of agri-business industries in the district
2. To develop world class tourism establishment
3. To develop settlements that promote urbanisation and industrialisation
4. To develop world class catalytic infrastructure that promotes economic development
5. To develop institutional capacity of the agency, at all levels, with the capacity to effectively implement and raise funds for catalytic projects and operational needs.

In order to achieve our mandate, we have been working with a number of stakeholders both in the province and nationally. We believe that if we have to make an impact as the agency, we need to work together with all the relevant stakeholders but also co-ordinate our efforts better. During the year under review a new council came in after the local government elections. It appears that council was ill-advised that UMDA is not a municipal entity as prescribed by both the municipal systems act and the companies act. As the board, we have worked tirelessly in clarifying this lie. Our work resulted in a meeting between the board and the Exco representatives, in June 2017 that paved the way for more engagements. We are hopeful that despite all of this, the relationship will be restored to even better levels. In this regard, we continue to create a platform for better engagement with our parent municipality, which will eventually yield excellent results.

Tourism is currently a major draw card for the district. A number of jobs have been created in the sector but not significant enough to match the profile and growth of the industry. Transformation in the sector is also of priority, as we enter a new phase of radical economic transformation in our country. Tourism has not reached its full potential as the economic driver of the district economy, as outlined in the provincial growth and development plan and the Makhathini Integrated Development Plan. Through Route 22, The Hotel School and the Tourism Development Nodes, we are now implementing plans that will ensure that our district attracts more domestic and international tourists, while boasting with world class establishments and unique tourism attractions.

Agriculture and agribusiness together are the most important sectors in the district. We are elevating agri-business to be at the top of the agenda for economic transformation and development. Agribusiness is beginning to play a critical role in jump-starting economic transformation through the development of agro-based industries that bring much needed jobs and income. Successful agribusiness in turn stimulates agricultural growth through the provision of new markets and the development of a vibrant value chain. The National Schools Nutrition Project is currently providing a platform for such participation in the value chain. I am confident that the strategy of the agency will bear fruits in the short to medium term.

Mkhuze Regional Airport Development has also gained momentum, the environmental impact assessment record of decision has been issued and the PDA application have been commenced in earnest. A number of national airlines have confirmed their interest in Mkhuze to be their new destination. We are now working around the clock to make this a reality. Fencing of the airport precinct with state of the art fence has been completed. Through the partnership we have with

EDTEA, we have also commenced the process for the rehabilitation of the runway. We are also fast tracking the implementation of the Jozini Hydro Project, a consultant has been appointed to deal with planning, technical designs, funding and implementation. These are capital intensive projects but are also catalytic in nature. We continue to implement our fundraising drive and I am also confident that we will finally see the airport delivered to the people of the district.

The Provincial Growth and Development Strategy also acknowledges the need to develop sector specific strategies to ensure effective implementation of the strategy, particularly, in terms of addressing the triple challenges of unemployment, poverty, inequality and more importantly integrating youth into the mainstream of the economy.

During the year under review we had both the CEO and CFO occupying their positions, this has provided stability in the organization, with less than significant staff turnover. I have instructed management that they must work on delivering a clean audit in the next financial year.

We are building an agency that will create jobs, create economic opportunities and address poverty and inequality. If we fail to do the above, we would have failed our people, since we are the guardians of economic development in our district. I promise that through the Economic Development revolution in the district, as driven by UMDA, the challenges of unemployment, poverty and inequality will be addressed. Our interventions have already created a number of jobs and we are working hard to create even more jobs in the near future.

I thank you

Russell P. Tembe

Chairman of the Board of Directors

1.2 FOREWORD FROM THE CEO

This year has been both an exciting and challenging year for the UMDA. It was the third year whereby the current CEO has spent a full year with the agency, the second full year for the CFO and also the fourth year for the board. The relationship between the board and the parent municipality deteriorated to an all-time low. Finally, the organization continues to implement a strategy that will not only change the face of UMDA, but that will also change the way agencies have been doing business in the country.

The legislative framework relating to municipal entities came into effect through amendments to the Municipal Systems Act (MSA) and the enactment of the Municipal Finance Management Act (MFMA). The MSA defines three types of entities that may be established by a municipality with effect from 1 August 2004; private company, service utility or multi-jurisdictional service utility.

Prior to the MSA and MFMA requirements taking effect, municipalities used various arrangements to deliver services and manage the functions they performed. These included formation of trusts, section 21 companies and private companies. It was a requirement for municipalities to review these structures in view of the amended legislative framework and either convert them to an entity as per the amended legal framework or disestablish them, if they are no longer required. A review would cover such aspects as objectives of the entity, purpose for its establishment, activities being performed in an efficient and effective manner, providing value for money, sustainable budgets and viable funding, self-sustainability, appropriateness of governance structures to provide effective municipal oversight, accountability, transparency and reporting.

After the review, the previous council of uMkhanyakude district municipality concluded to establish a municipal entity as a local economic development agency. The main responsibility of the agency is to stimulate economic growth through implementation of catalytic projects. Whilst the powers accorded to the agency are broad, the mandate is limited and focuses on the implementation of economic catalytic projects. We have now separated the LED function of the municipality to that of the agency. The agency has specific large catalytic projects to implement whilst the LED sections will be responsible for policy, social projects and small economic development projects. In order to manage this separation of powers effectively, we have concluded that the agency should be a technical and professional organization but not an LED practitioners' organization. We continue to employ experts in the fields of agribusiness, tourism development, infrastructure and urban development to assist the agency to implement its mandate effectively.

During the previous financial year the agency obtained an unqualified audit opinion. As a result of hard work from our finance department and prudent financial management from our management as a whole, we managed to improve our audit opinion. As a result we managed to improve to an unqualified audit opinion. Management since took a number of resolutions towards improving the audit opinion to that of clean audit. We are still committed to ensuring that the agency achieves a clean audit opinion going forward.

The organization is currently funded by the District for operational expenses and funded by other funding agencies for content cost. In this financial year we received only R5,5 million from the district for operational costs and R6 million from KZNEDTEA for the rehabilitation of the runway at Mkhuze Airport. We have also continued to implement the contract with the KZN department of Education worth R24 million per year, effective from January 2015. During the course of the year, we have managed to reduce the debtors book of the agency drastically and maintained our tax matters efficiently. The Parent Municipality continued to experience severe cash flow and financial management challenges during the year under review and these challenges have impacted negatively on the agency, to the extent that committed funding owed to the entity in the previous financial years, could not be transferred to the agency. Despite these challenges, especially encountered by the parent municipality, the agency is in a financially stable position.

I would like to thank Mr Bheki Menyuka, Fundraising Officer and Ms Brenda Njoko, Company Secretary, who resigned to pursue private interests. I will also like to thank Ms Joyce Biyela who retired as a result of age, for her selfless dedication and commitment to the course of the agency. We have a stable workforce with an opportunity for the agency to grow, to craft and implement new projects and to appoint better qualified personnel who are up to the task of taking the economic revolution of the district forward. We are now focusing on building capacity within the existing team and also appointing new team members who are specialists in their fields.

During the year we have implemented projects like the Development of Mkhuze Airport, Jozini Hydro, Hotel School, and Schools Nutrition Projects that enhances our role as a development catalyst in the district. As we move forward to the next level of our revolution, it is critical that we build and maintain strategic partnerships with our local, provincial and national stakeholders. We will strive for co-operation and better co-ordination of our efforts. The ongoing support of both local and provincial government for the UMDA is of utmost importance, this will set the wheels in motion to achieve the goals that our leadership is expecting the UMDA to achieve. The role of the

private sector is also pivotal in our interventions, as they will ensure sustainability beyond the public sector investment.

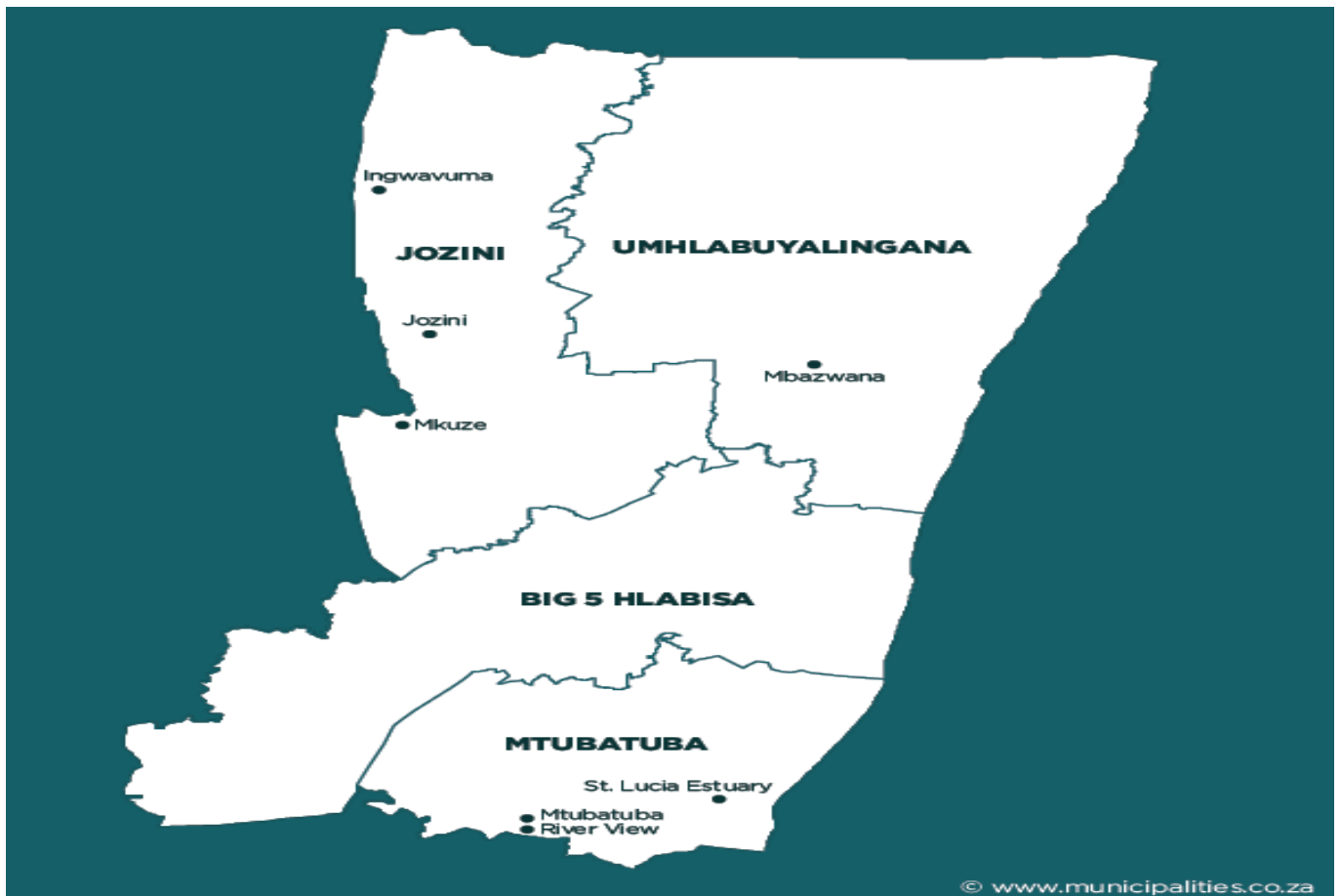
During this year under review we performed excellently against all odds and met most of our performance targets. We have reviewed our performance targets and aligned them to our capacity and mandate. I would like to thank all my staff members for their great work, commitment and dedication. Your contribution will never go unnoticed. To my board, you are an example of selfless dedication, commitment and vision. I cherish your contribution to the development of the district and her people.

Thank you.

Mandla Ntuli
Chief Executive Officer

1.3 OVERVIEW OF THE AGENCY

The district is located in the north-eastern corner of the province and shares a national border with Mozambique in the North, with Swaziland in the Northwest and is bounded to the east by the iSimangaliso world heritage site. The UMkhanyakude District Municipality abuts the municipal districts of uThungulu (to the south) and Zululand (to the west). The district forms the southern portion of the Maputaland Coastal Plain, which extends southwards from East Africa, through Mozambique and into northern KwaZulu Natal.



The district is named after the UMkhanyakude Tree (*Acacia Xanthophyllous*, Fever Tree which translated to English means “the light in the distance”). The district covers an area of approximately 12 818 km² and has a population of some 625 846 persons. The district is largely rural with only one formal town, namely Mtubatuba in the south. There are several towns in the area that are experiencing rapid growth including Mkuze, Hluhluwe, Jozini, Emanguzi and Mbazwana. The center of Jozini, in particular, has experienced considerable growth in investment and is fast becoming one of the strategic development nodes within the district.

Primary access to the district is by road mainly via the national N2 route (which links the southern and northern parts of the KwaZulu Natal province), and via the coastal SDI route (MR439), which upon completion, will link the national N2 route, with the city of Maputo, in Mozambique. The district is strategically linked to the provincial markets of KwaZulu Natal and Mpumalanga and to the neighboring market of Swaziland, via the N2 route. In terms of international trade links, the district's has access to global markets through the provincial ports of Durban and Richards Bay. Upon completion of the LSDI route between Hluhluwe and Maputo, the district will have a direct link to the Port of Maputo, in Mozambique.

UMkhanyakude has outstanding potential for agriculture and tourism development, with the district having a wealth of natural beauty and outstanding landscapes, as well as a favorable climate and fertile soils for major agricultural production. The district is closely associated with the iSimangaliso, "Maputaland", the Makhathini Flats and the Pongola-Poort/Jozini Dam (constructed in the 1970's with the intention of unleashing the agricultural potential of the area).

Several initiatives have been taken in the post-apartheid period, in an effort to boost economic activity in the sub region, including:

1. The recognition of the iSimangaliso as a UNESCO World Heritage Site, in 1999.
2. The rollout of the Lebombo Spatial Development Initiative (LSDI), a joint program by South Africa, Swaziland and Mozambique that aims to unlock economic development potential of the wider Lubombo sub-region within the framework of the South African Development Community (SADC).
3. Tripartite Conservation Agreements with the two neighboring SADC countries of Swaziland and Mozambique focused on the future establishment of a Trans-Frontier Conservation Area (TFCA), to boost social and economic interchange, and tourism in the region.

Notwithstanding the aims and objectives associated with the abovementioned initiatives, the district currently remains an area characterized by extreme poverty and a pronounced lack of development across vast areas of the jurisdiction. It is for this reason amongst others that UMDA was established as a municipal entity dedicated to promoting economic development through the facilitation and implementation of economic catalytic projects.

The UMkhanyakude District Municipality's Integrated Development Plan; 3rd Generation 2014/15 (2015:88) described the UMDA's mandate as: **UMhlosinga Development Agency (UMDA)-**

In response to the challenges regarding Economic Development, the UMkhanyakude District Council decided to establish a Special Purpose Vehicle to drive Economic Development in the District. The UMhlosinga Development Agency was established by Council resolution in 2006. With financial assistance from the Local Economic Development Agency program of the Industrial Development Corporation, the agency started Operations on the 1st of January 2008.

The UMDA speaks to 5 major Key objectives of the IDP

1. Financial Viability
2. Economic Development
3. Corporate Governance
4. Institutional Development
5. Job Creation

The UMDA functions as a Local Economic Development Agency (LEDA) spearheading growth and development in the sub region. The District Municipality has formally mandated the agency, to be responsible for the planning and implementation of a program of sustainable economic that acts as an agent, for and on behalf of the UMkhanyakude District Municipality, for the purposes of implementing an integrated and sustainable program of economic development in the area.

CHAPTER 2

G OVERNANCE

SECTION A: GOVERNANCE STRUCTURES

2.1 BOARD GOVERNANCE

The UMDA's Board of Directors (non-executive) were appointed by the UMkhanyakude District Municipality in accordance with Section 86H of the Local Government Municipal Systems Act; 2000; as amended. The Board consist of seven members; five non-executive and two executive members. The Board focuses on providing strategic direction and monitoring the performance of the organisation. The Board is implementing the 2014-2019 Strategy which was adopted in May 2013. The development of the 2014-2019 Strategic Plan is directly aligned to the contextual District Municipality's Growth and Development Plan, Provincial Growth and Development Strategy and the National Strategic Plan. As part of strategy implementation the Board approved the 2015-2018 Business Plan which forms the bases for this annual report.

The Board then monitors and reports performance against agreed standards; targets. The Board's monitoring of the UMDA's performance during the financial year was through four board meetings. The Board as supported by the Audit Committee and Internal Audit. In all board meetings the board has ensured that the following is addressed:

- a) Performance Management;
- b) Financial Management and Viability;
- c) Risk Management; and
- d) Stakeholder Management.



Board Committees:

BOARD MEMBER	CAPACITY	BOARD COMMITTEE	RACE	GENDER
Mr. Russell Tembe	Non-executive	Board Chairman	African	Male
Mr. Sibusiso Gumbi	Non-executive	Deputy Chair	African	Male
Mr. Zwelisha Ndwandwe	Non-executive	Member	African	Male
Mr. Sipho Nyawo	Non-executive	Member	African	Male
Mr. Mfundo Thango	Non-executive	Member	African	Male
Mr. Mandla Ntuli	Executive	Chief Executive Officer	African	Male
Mrs. Qhamu Mntambo	Executive	Chief Financial Officer	African	Female

Board Meetings:

BOARD MEMBER	BOARD MEETINGS			
	No. Meetings	Attendance	Apology	Absent
Mr. Russell Tembe	4	3	1	0
Mr. Sibusiso Gumbi	4	4	0	0
Mr. Zwelisha Ndwandwe	4	4	0	0
Mr. Sipho Nyawo	4	2	2	0
Mr. Mfundo Thango	4	1	3	0
Mr. Mandla Ntuli	4	4	0	0
Mrs. Qhamu Mntambo	4	4	0	0

Board Engagements:**BOARD MEMBER****BOARD ENGAGEMENTS**

	UMkhanyakude District Municipality		Sector Departments	Investors
	Council	EXCO		
	<i>Mr. Russell Tembe</i>	✓	✓	✓
<i>Mr. Sibusiso Gumbi</i>	✓	✓	✓	x
<i>Mr. Zwelisha Ndwandwe</i>	✓	✓	✓	x
<i>Mr. Sipho Nyawo</i>	✓	✓	✓	✓
<i>Mr. Mfundo Thango</i>	✓	✓	✓	x
<i>Mr. Mandla Ntuli</i>	✓	✓	✓	✓
<i>Mrs. Qhamu Mntambo</i>	✓	✓	✓	✓

2.2 AUDIT COMMITTEE

Report of the Audit Committee

File Reference:

Author: Mrs. Charmaine Jugnarayan

Report Number: Designation:

Chairperson of the Audit Committee

CONFIDENTIAL

The Chair of the Board

SUBJECT: AUDIT COMMITTEE REPORT FOR THE 2016/17 FINANCIAL YEAR

DATE: 09 NOVEMBER 2017

1. INTRODUCTION

The Audit Committee of the Umhlosinga Development Agency has pleasure in submitting its report to the Board for the above period for consideration.

2. PURPOSE

The purpose of this report is to apprise Umhlosinga Development Agency Board of the outcome of the work done by the Audit Committee during the 2016/17 Financial Period.

3. LEGISLATIVE PROVISIONS

3.1 In terms of Section 165 of the Municipal Finance Management Act, Act 56 of 2003 (“the MFMA”), Internal Audit Unit is directly accountable functionally to the Audit Committee. This accountability applies despite the administrative location of the Internal Audit Unit which is under the Office of the Chief Executive Officer.

3.2 Internal Audit Unit is responsible to the Accounting Officer to ensure that it gives assurance as to the effectiveness and efficiency of the systems of internal controls, governance and risk management at Umhlosinga Development Agency. This should not, however, be

construed as channelling the Internal Audit's direct responsibility to the Accounting Officer as this function reports to the Audit Committee as laid out in International Standards for the Professional Practice of Internal Audit (ISPPA) issued by the Institute of Internal Auditors of South Africa (IIA).

- 3.3 ISPPA requires that matters which arise in the course of the internal audit activities are confidential and primary discussion is restricted to management and Accounting Officer. Discussion with management is necessary when the draft audit report has been prepared for management comments and action plan developed for consideration by the Audit Committee, Executive Committee and Board. This is an essential feature of the good relationship between the internal auditors, management and the Board.
- 3.4 The report records the outcome of the work done by the Audit Committee. The committee from time to time made recommendations as preventative or corrective measures to the weaknesses identified by the Internal Audit Unit in the Agency based on reports and information, financial reports in terms of Section 52, 66, 71 and 72 of the MFMA supplied to the Audit Committee.
- 3.5 The recommendations or advice in this report have been made based on certain information at a point in time and supplied to the Audit Committee and are subject to change after due consideration of new information received as well as subsequent deliberation with the Agency.

4. MEMBERS

The Audit Committee consist of the members listed hereunder and meets as a minimum, four times a year as per the approved Audit Committee Charter. The composition of the committee is minimum of three members as per section 166 (4) (a) of the MFMA.

The Audit Committee was operational for the period under review. Two members of the Audit Committee resigned on 31 January 2017 and the Audit Committee members of the Umkhanyakude District Municipality were appointed as members for the Agency Audit Committee on 01 April 2017. The appointment was ratified by the Board on 15th August 2017. The Audit Committee consists of 3 members.

Name of Member	Number of Meetings Attended
Mrs. C Jugnarayan (Chairperson) - Appointed 01 April 2017	1
Mr. V Tembe	3
Mr. DD Mncwabe - Appointed 01 April 2017	-
Mr. B Menyuka (Chairperson) - Resigned 31 January 2017	2
Mr. S Vilakazi - Resigned 31 January	1

An additional meeting was held on 25 August 2017.

5. AUDIT COMMITTEE RESPONSIBILITIES

The Audit Committee has complied with its responsibilities arising from section 166 of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) and clause 14(2) (a) of the Municipal Planning and Performance Management Regulations of 2001. The Audit Committees' work was guided and regulated by an Audit Committee Charter and has discharged all its responsibility as contained therein.

5.1 Institutionalisation of Internal Audit Function

Internal Audit Unit and Audit Committee operate within the mandate of the approved charters adopted by the Audit Committee, Board of the Agency and the Council of the Umkhanyakude District Municipality respectively.

5.2 Internal Audit Function

- (a) The work of the Internal Audit Activity is regulated by Section 165 MFMA, ISPPIA & Internal Audit Charter.
- (b) In terms of S165 (1) each Municipality is required to have an internal audit, S165 (3) allows the municipality to co-source the internal audit function if the Municipality requires assistance to develop its internal capacity. The internal audit services were out-sourced to Ngubane & Company for the 2015/16 financial year

and Ubuntu Business Advisory and Consulting (UBAC) were appointed in February 2017. The Internal Audit Unit operates on the annual audit coverage plan which was approved by the Audit Committee in May 2017.

- (c) Internal audit reports were presented and discussed with management before they were tabled at the Audit Committee meetings. Issues that were raised were, deliberated upon and recommendations made to Board including the findings raised by the Auditor-General in their audit report for 2015/16 financial year.
- (d) The following progress against the internal audit plan for 2016/17 was reported in the June 2017 meeting: The period of audit coverage was 1 July 2016 to 30 April 2017

No.	Audit Area	Status
1	Risk management review	Completed & reported
2	Review of the annual financial statements	Completed & reported
3	Performance management information	Completed & reported

- (e) The Audit Committee continues to monitor the progress against the implementation of the annual audit plan. The internal audit coverage plan included six more audits to be performed for the 2016/17 financial year. These audits have been completed and will be tabled at the next audit committee meeting in December.

5.3 System of Internal Control

5.3.1 The system of internal controls are designed to provide reasonable assurance that the assets are safeguarded and the liabilities and working capital are effectively and efficiently managed.

5.3.2 The tabled reports highlighted the following summary of findings:

Audit Area	Finding Risk rating: High	Finding Risk rating: Medium	Finding Risk rating: Low	Total audit findings
Risk Management	2	3	2	7
Financial statement review	n/a	n/a	n/a	n/a
PMS for the year	4	3	1	8
Total	6	6	3	15

Of concern to the Audit Committee is the significant number of findings relating to the performance management review, as well as the fact that 40% of the total findings are rated high and require immediate attention. Management is required to implement appropriate systems of internal controls and/or corrective action to address the identified weaknesses and possible irregularities. Although there are controls in place, the existing systems and procedures require enhancement and continued monitoring.

5.3.3 To further enhance the processes in place, the Internal Audit Unit conducts follow up audits on previously reported internal audit findings and reports progress to senior management and the Audit Committee.

No follow up audits were conducted during the period under review due to the late appointment of internal audit.

5.3.4 The Audit Committee recommends that the internal audit reports include the overall internal audit conclusions on the rating of the effectiveness of internal controls and indicate whether the control framework is operating as designed.

5.4 Performance management

The Audit Committee also serves as the performance Audit Committee for Umhlosinga Development Agency. The legal responsibilities of the Audit Committee in this regard are set out in terms of the Local Government: Municipal Planning and Performance Management Regulations 2001 (Section 14) (Regulations).

The Audit Committee noted the internal audit report on the performance management system. The overall conclusion on the report was rated satisfactory, indicating that the control system is somewhat effective but there is room for improvement in the critical processes in respect of adequacy and efficiency. Areas of concern continue to be the smartness of the performance targets and lack of action plan on quarterly reports.

In the meeting held on 30th August, the Audit Committee considered the PMS report and the internal audit report on the PMS for the period under review.. The report also noted that although the achievement is favourable, there are areas that need attention and severe corrective measures be implemented to achieve set targets. This is in line with the findings of Internal Audit.

5.5 External Audit by Auditor-General

5.5.1 The Audit Committee has reviewed the External Audit scope to ensure the critical areas within the Agency are being addressed. In addition, the committee considered the audit strategy. The audit engagement letter was tabled to management in September 2017 for signature.

5.5.2 Based on processes followed and assurances received from the Auditor-General, nothing has come to the committee's attention with regard to any matter concerning the independence of External Auditors.

5.5.3 The dashboard report compiled by Auditor-General was discussed at the meetings held in May & August 2017 and progress thereof noted for quarter 3 of 2016/17 financial year. The dashboard report for Quarter 4 will form part of the report to management on the external audit.

5.6 Review of financial statements and accounting policies

The Audit Committee, during its review of the financial statements for the year ended 30 June 2017, considered the appropriateness, adoption and consistent application of the South African Statement of Generally Recognised Accounting Practices (GRAP).

The Audit Committee is satisfied that they comply in all material respects with the relevant provisions of the Municipal Finance Management Act and GRAP and, pending certain adjustments be made has approved the annual financial statements for submission to the Auditor-General.

At year end, the Agency was lagging behind on the implementation of MSCOA, this was as a result of waiting for the District Municipality approval. The Agency is currently working with the District Municipality on the implementation of MSCOA.

5.7 Risk Management

The Agency has appointed a risk officer and a risk register is in place. No risk workshops were held during the period under review. Internal Audit carried out a review of the risk management process and noted the overall conclusion on the Agency's compliance with legislation was weak and the adequacy of the risk management processes within the Agency was unsatisfactory.

It should also be noted that improvements in risk management include:

- The risk policy to be aligned to current legislation and practice;
- The drafting of a standard operating procedure document with document risk identification processes, in line with the risk policy and best practice;
- Training to staff on the standard operating procedures, in particular, risk identification and risk management;
- The ongoing updating of the risk register and annual risk workshop;
- Senior management to regularly review the risk register and manage implementation of controls;
- The formal structuring and sitting of the risk committee;
- The appointment of the risk committee chairperson; and
- The tabling of risk committee minutes for the Audit Committee

5.8 Information and Communication Technology

IT Governance Framework and Strategy is an engine of any organisation and should be developed and implemented urgently. Management have been actively addressing the concerns raised by the AG.

5.9 Overall Positive Improvement

The Audit Committee was pleased with the improvements but was of the view that there more room for further improvements as effort was still required in a number of areas as highlighted in this report where there was slow progress in clearing issues raised by Internal Audit Unit and Auditor General.

5.10 Recommendations

- (a) The Board should ensure that there is support for the internal audit function;
- (b) The Board should ensure prioritisation of risk management in terms of capacity & skills;
- (c) The Board should ensure that the formal risk management committee minutes are tabled to the Audit Committee on a quarterly basis;
- (d) The Board together with management should foster good relations and improve communication with the District Municipality;
- (e) The Board and management need to further enhance internal controls over revenue management and SCM processes;
- (f) Management should interact with the external auditors for interim audits with a view to identify and address shortcomings timely.
- (g) Management should ensure that accurate, reliable and complete financial and performance information is submitted quarterly for review by the Committee;

5.11 Conclusion

The Audit Committee is of the opinion that in addition to the recommendations to the Board, Management is required to implement appropriate systems of internal controls and/or corrective action to address the agreed concerns as identified by both Internal Audit, the Auditor General and Senior Management. The status of implementation of corrective measures is to be reported at every meeting of the Audit Committee to enable monitoring. Overall the Audit Committee has noted a positive improvement in the functioning of the Agency and will seek to monitor the implementation of resolutions quarterly

On behalf of the Audit Committee

Mrs. Charmaine Jugnarayan

Chairperson

Umhlosinga Development Agency Audit Committee

2.2 MANAGEMENT GOVERNANCE



SECTION B: INTERGOVERNMENTAL RELATIONS

RELATIONSHIP WITH AMAKHOSI

Inkosi Mabhdu Israel Tembe. The UMDA engages Amakhosi in all projects as they are custodians of land in most of the areas of the district. The relationship with Amakhosi is cordial but is also strengthened by the fact that the Board Chairman is a prince of the Tembe Royal family, Mr Nyawo, a board member is also a prince of the Nyawo Royal Family and Mr Gumbi, the Deputy Chairperson in the iNduna for His Majesty, King Goodwill Zwelithini Zulu. This has strengthened the relationship with Amakhosi who are always positive on UMDA initiatives. The UMDA engages with Amakhosi at different project level to ensure that the relationship is maintained.

- When a project is identified in the area, the project is introduced to the local traditional authority;
- Meeting with the traditional house to discuss the project in detail;
- A request for the use of the identified site is thereafter made;
- Draft memorandum of understanding (MOU) is submitted and discussed;
- When agreement has been signed, processes towards applying for the land through Ingonyama Trust commence;
- Continuous engagements with the traditional authority is made; and
- Lastly once investment into the project is received, the Inkosi is a critical role player to ensure that the community benefits as per MoU.

During the 2016/17 FY the UMDA engaged Amakhosi on the following projects:

- Leader of the UMkhanyakude Traditional House of Leaders, Inkosi Tembe for the UMhlabuyalingana Node and Investment Seminar;
- Inkosi Mngomezulu for Jozini Cecil Marks Pass;
- Inkosi Hlabisa for the Hlabisa Tourism Node; and
- Induna of Ndumo for the Construction of Ndumo Market Stalls

LOCAL MUNICIPALITIES

The local municipalities (LM) are the main beneficiaries of all UMDA projects. The UMDA continues to engage with LMs for local economic development (LED). The UMDA presents projects of a locality to the LM and participates in the following platforms as chaired by the UMkhanyakude District Municipality to maintain relationships:

- LED forums;
- Tourism forums;
- IDP Representative Forums; and
- The UMDA also ensures that the LMs full participates in project through project steering committee meetings (PSC).

During the 2016/17 FY the UMDA implemented the following projects in the municipalities:

MUNICIPALITY	INDUSTRY	PROJECT
Jozini Municipality	Small Town Rehabilitation	Construction of Ndumo Market Stall
		Mkhuze Market Stalls
	Tourism Development	Jozini Mountain Top
		Jozini Cecil Marks Pass
		Fresh Produce Market
	Agribusiness Development	Food Security Estate
		Hydroponic Tunnels
		Bhambanana Abettor
		Mkhuze Airport
	Infrastructure Development	Jozini Hydro
		Mkhuze Industrial Park
	Industrial Development	

MUNICIPALITY	INDUSTRY	PROJECTS
UMhlabuyalingana Municipality	Industry Development	Manguzi Industrial Park
	Tourism Development	Umhlabuyalingana Node
	Agribusiness Development	Marula Processing
The Big 5 Hlabisa Municipality	Tourism Development	Hlabisa Node
Mtubatuba Municipality	Tourism Development	Hotel School Development
	Small Town Rehabilitation	Mtubatuba Interchange
UMkhanyakude District Municipality (district wide projects)	Agribusiness Development	National Schools Nutrition Project
	Agribusiness Development	Farmer Support
	Small Town Rehabilitation	Regeneration Plan
	Infrastructure Development	Broadband Connectivity

RELATIONSHIP WITH STAKEHOLDERS

As the UMDA is funded by the UKDM for operational expenses, this leaves a gap for capital budget requirement. The mandate of the UMDA could never be realised through operational funding alone, therefore the Board has taken an aggressive approach to ensuring that they engage with stakeholders for technical and financial support towards project implementation.

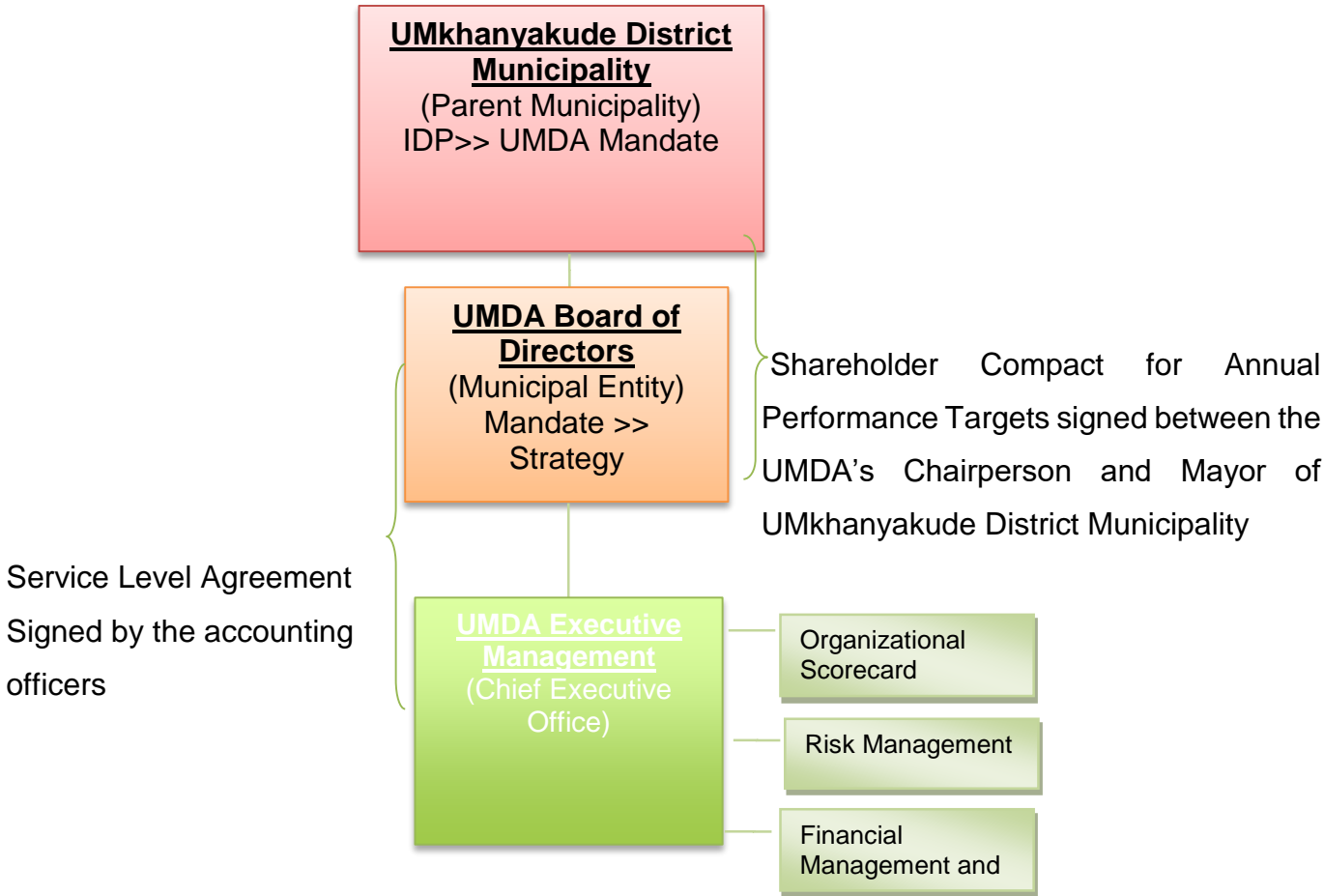
The relationship with stakeholders is therefore very important. In the past financial year, the UMDA has had much support from the Department of Corporative Governance and Traditional Affairs; the Department of Education and the Department of Economic Development, Tourism and Environmental Affairs. This relationship has boosted the UMDA financial position and has made the UMDA to be visible to local communities.

The UMDA has engaged the following stakeholders in the FY:

STAKEHOLDER	PURPOSE / PROJECT	TECHNICAL SUPPORT / FUNDING
The Industrial Development Coorporation (IDC)	- Broadband Connectivity project	- Technical support
The KwaZulu Natal Coorporative Governance and Traditional Affairs	- Construction of Ndumo Market Stalls	- Funding
The KwaZulu Natal Department of Economic Development, Tourism and Traditional Affairs	- Mkhuze Airport Development ✓ Fencing and ✓ Runway Rehabilitation	- Funding
The KwaZulu Natal Department of Education	- National School Nutrition Project	- Funding
Tiger Plant	- Mkhuze Airport	- Technical support
National Empowerment Funding	- Funding opportunities in UMkhanyakude District	- Technical support
Tlakula B.E	- Funding opportunities	- Technical support
Trade and Investment KZN	- Investment Seminar	- Funding

SECTION C: ACCOUNTABILITY

2.4 RELATIONSHIP BETWEEN THE UMHLOSINGA DEVELOPMENT AGENCY AND UMKHANYAKUDE DISTRICT MUNICIPALITY



RELATIONSHIP WITH UMKHANYAKUDE DISTRICT MUNICIPALITY

The relationship between the UMDA and the UKDM is governed by the Municipal Systems Act; Municipal Finance Management Act and Companies Act. Over the years the relationship between the two has evolved. Whilst the relationship is highly regulated, both parties have made attempts to ensuring that good governance and transparency between the two remains through a relationship of trust.

SHAREHOLDER AND MANAGEMENT

The relationship between the accounting officers of both institution is critical to the success of the local economic development mandate that is given to the UMDA. The UMDA engages the office of the municipal manager for both compliance and relationship requirements. The challenges which are facing the office of the municipal manager have a direct impact on the UMDA. For the 2016/17 FY the UMDA has spent most of the FY with building the relation with the office of municipal manager. One main challenge has been that of not having a permanent municipal manager. We hope in the coming financial year there would be stability in that office.

SHAREHOLDER AND THE BOARD

The current political leadership came into office in August 2016. The new leadership combined what used to be the Community Services and the Planning and Economic Development and thus introduced the Community, Planning and Economic Development Portfolio (CPED), which is chaired by Cllr. Ngcobo. As a new committee the Board has engaged the CPED on the agency and its mandate. The CPED committee requested a workshop between itself and the Board the purpose of this workshop was:

- To understand the purpose and mandate of the UMDA,
- To unpack the UMDA's 2014-19 Strategy and milestones achieved to date, and
- To recommend the signing of the Shareholder Compact to the Executive Committee.

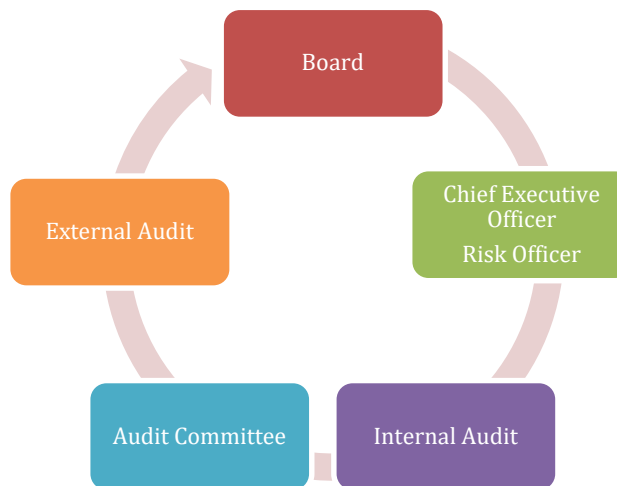
Management prepared for this workshop by putting together reports and document relating to the UMDA's establishment to projects and staff. Despite efforts made in planning this meeting, the meeting did not take place. To maintain the relationship, the Board submits quarterly reports to the committee and has delegated the Chief Executive Officer to attend the committee meetings. The UMDA Board as per Council resolution invites the committee to all board meeting.

The new council in the 2016/17 FY has brought much attention to the UMDA, amongst itself and stakeholders. The UMDA has spent majority of this FY with reporting and engaging requesting meetings with the new council. Management and the Board have been trying to manage the situation as a result of a council resolution relating to the UMDA. This friction between the shareholder and the UMDA has resulting in an unsigned Shareholder Compact for the FY. In attempts to stabilize the relationship, a meeting was thereafter held between the Board and the EXCO on the 16th of March 2017.

2.5 RISK MANAGEMENT

In accordance with the requirements of the MFMA, the Systems Act, the Company's Act, and principles outlined in the King Code report, the Board has the responsibility to manage the risk of the agency. The Board adopted the Risk Policy in the 2016/17 FY and has delegated the responsibility of risk management to the Chief Executive Officer.

The management of risk is conducted through a Risk Register which is audited by the internal audit unit on a quarterly bases. The key role players in risk management for the UMDA are as follows:



The Board selected 5 critical risks from the risk register and they are:

No	Risk	Risk Descriptions	Current Controls
1.	Business Sustainability	- Instability of UMhlosinga Development Agency	- Business plans and action plan. Monthly reports.
2.	Supply Chain Management	- Delays in Supply chain management processes and project implementation.	- UMDA Board of Directors has adopted an SCM Policy
3.	Expenditure Management	- Insufficient management of expenditure	- Credit Control. (Monthly reconciliation) Finance Policy. Procurement Plans
4.	Information Technology	- Crash of IT systems. Loss of electronic information. Virus on computers.	- ADSL contract with M-Web for uninterrupted internet access. I.T recovery plan in place.
5.	Asset Management	- Inaccurate asset register	- Asset Policy; Asset register. Quarterly Monitoring by Chief Financial Officer.

2.6 POLICIES

The UMDA has organizational policies which are to guide internal processes and adhere to principles of good governance. Every financial year the UMDA reviews all policies to ensure applicability and relevance of the policy. Whenever there is policy change, legislative amendments, increase in inflation and tariffs; the board amends the policies to ensure that they align with the country's state at the time.

From management, policies are submitted to the internal audit unit, the audit committee and the Board for final approval. In this financial year under review the following policies were amended:

Policy	Existing Policy	New Policy
Contractor Performance Management Policy	x	✓
Substance and Travel Policy	✓	x
Risk Management Policy	✓	x
Human Resources Management Policy	✓	x
Performance Management Systems Policy	✓	x
Petty Cash Policy	✓	x
Leave Policy	✓	x
Budget Policy	✓	x
Virement Policy	✓	x
Budget; Cash Management and Investment	✓	x
Written-Off Policy	✓	x
Finance Policy	✓	x
Fixed Asset	✓	x
Supply Chain Management Policy	✓	x
Information Technology and Security Policy	✓	x
Anti-Fraud and Corruption Strategy and Prevision Plan	✓	x

UMDA's website is: www.umda.org.za

CHAPTER 3

SERVICE DELIVERY AND PERFORMANCE HIGHLIGHTS

SECTION A: INVESTMENT PROMOTION

The UMDA hosted its first investment seminar on the 10th of February 2017. In the third year of the 2014-2019 Strategy implementation, UMDA has internally packaged most strategic objectives and programmes outlined in the strategy document. In the aim of widening the stakeholder investment pool, moving from purely public funding to investment partnerships, the investment seminar is the new approach that the UMDA will be using to market investment opportunities which are in the UMkhanyakude District.

The UMDA, as supported by Trade and Investment KZN (TIKZN) hosted the Investment Seminar and Networking Session which was linked to the UMthayi/Marula Festival. The seminar achieved its purpose which is to market the region of uMkhanyakude to potential investors. Among potential investors who attended were National Empowerment Fund (NEF), Industrial Development Corporation (IDC), Ithala Bank, Mondi Zimele and private investors.



The theme of the seminar was “Exploring Investment Opportunities in UMkhanyakude district”.

Network Session



The Networking Session gala dinner was attended by more than 140 people. The evening session was addressed by MEC Sihle Zikalala and was attended by various stakeholders from the district, KZN province and other provinces as well as Swaziland and Mozambique. The turn-out was good, however, we could have done better could the date of UMthayi/Marula Festival been communicated earlier to allow ample time for preparation.

The UMDA plans to host this event annually with a purpose of linking it with UMthayi/Marula Festival.

SECTION B: AGRIBUSINESS DEVELOPMENT

The potential for economic development in the district is what drives UMDA to the agribusiness development space. With its strategic objective of sustainable agribusiness industry development, UMDA focused on the development of programmes that will transform the agribusiness space of the district with a balance between primary agriculture and agro-processing strategies and plans, in the 2016/17 Financial Year. In the year under review the UMDA continued with some projects from the previous financial year and also introduced new programmes and projects, such as the Food Security Estate, and Farmer Support.

As a continuation from last financial year, the Fresh Produce Market business plan has been concluded. The fresh produce market concept aims to establish a virtual fresh produce market in the uMkhanyakude District to provide farmers in the district with access to markets. The UMDA increased its target for local produce for the National Schools Nutrition Project (NSNP) from 10% to 50%. This target provides local farmers with a stable market for their produce at a weekly bases as per the Coastal school calendar. To ensure that farmers are able to access the market and provide the required commodities, a new programme of farmer support has been established.

The main challenge when implementing any developmental programme is always the access to suitable land for the development. Majority of the work in the Agribusiness Unit was around the development of business plans and engagement for land for the Food Security project which also includes the Hydroponic Tunnels and the Bhambanana Abattoir. Engagements with the Ntenga Community Trust could soon be concluded which will unlock this challenge.



SECTION C: TOURISM PROMOTION AND DEVELOPMENT

For the past few years, a lot has been happening behind the scenes regarding Route 22 Elephant Coast. While it serves as a marketing tool for the district, it also aims to address the issue of industry transformation. A lot of efforts and resources have been put to position the route to the market while taking cognizance of the existing brand, Elephant Coast.

Tourism Indaba: Route 22 Elephant Coast was fully represented at Tourism Indaba 2017 on 16 – 18 May 2017 at The Durban Exhibition Centre under Jozini Municipality stand. From the engagements with tour operators, they were looking for unique experiences and they showed a lot of interest on the planned Adventure Activities at Ingwavuma. Mkhuze Airport Development received a lot of attention from guests who visited the stand as they think it would shorten distance from various major tourism destinations and neighbouring countries.

Tourist Map: New tourist map has been developed and distributed at Tourism Indaba, major Visitor Information Centres, tourism products and border posts.

Lilizela Awards: For the first time, Route 22 Elephant Coast entered Lilizela Awards under Visitor Experience.



Mkhuze Airport



The Mkhuze Airport Development has enjoyed numerous successes during the 2016/17 financial year. The Mkhuze Airport, with the financial backing of the Department of Economic Development, Tourism and Environmental Affairs, has completed its priority project, the fencing of the entire aviation side of the Mkhuze Airport. Together with EDTEA we were also able to get the Runway Rehabilitation project underway and is anticipated to be commenced within the 2017/18 financial year.

The development of the non-aviation commercial precinct concept for the Mkhuze Airport received a massive boost when UMDA was awarded environmental authorisation. The authorisation enables UMDA to now construct Non-Aviation commercial precinct and is a key instrument when searching for investment for further development.

The Mkhuze Airport has also been receiving increased spotlight this financial year with 2 requests to utilise the site/runway to host events. In December, the airport played host to the World of Motorsport community and held a drag racing time trial event, which saw over 50 contestants arrive on the day. A request from the South African Air Force to utilise the Mkhuze Airport for a training exercise was also received and accepted by UMDA. This event will see over 100 soldiers stationed at the Airport for over a month in the early months of the 2017/18 financial year.

Going forward into the 2017/18 financial year, the Mkhuze Airport project will continue to strive to achieve its targets and fulfil its catalytic potential and change the economic landscape of the Umkhanyakude District.

Jozini Hydro

An implementing company has been appointed for the Jozini Hydro project. The appointment was made for the purposes of reviewing the feasibility study and the initiation of all applications as required for the hydro to be fully functional. The review will provide revised requirements and costing for the project.

Small Town Rehabilitation

The Small Town Rehabilitation Programme which is funded by the KwaZulu Natal Department Corporate Governance and Traditional Affairs is directed at assisting in planning and beautification of small towns. In the previous financial year two of the three projects were completed and close out reports submitted to the department. The only project from this funding which was being implemented this financial year was the Construction Ndumo Market Stalls. The project is almost complete with the following:

- Construction of 68 market stalls,
- ablution block which accommodate disable traders,
- septic tank with Jojo tank, and
- a minibus/van rank with six shelters.

The UMDA further developed a business plan for the construction of Mkuze Market Stalls which thereafter submitted with drawings and tender document to COGTA and the Jozini Municipality. The UMDA has engaged both public and private investors for the development of UMkhanyakude's small towns. A proposal which will be used to source funds has been developed.

SECTION F: ANNUAL PERFORMANCE REPORT



*“Opportunity
through Development”*

ANNUAL PERFORMANCE REPORT 2016/17

KEY PERFORMANCE AREA no. 1

GOOD GOVERNANCE

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
To ensure compliance with legislation applicable to municipal entities and principals outlined in the Kind III Report	1.1	Checklist reviewed by Audit Committee (AC) and adopted by the Board (BoD)	Checklist reviewed on 28 June 2016 and adopted on 29 June 2016	2 Comprehensive Compliance checklist reviewed by AC and adopted by the BoD	2 Comprehensive Checklist reports the AC and adopted by the BoD	Achieved	None	n/a
	1.2	Organisational policies reviews by Audit Committee and adopted by Board	14 policies reviewed on 28 June 2016 and adopted on 29 June 2016	20 policies reviewed by the AC and adopted by the BoD by 30 June 2017	6 policies adopted by the BoD on 09 December 2016 10 policies reviewed by AC on 15 May 2017	Partly Achieved	AC advised that policies need to be reviewed by the internal auditor before adoption by the BoD	Policies will be submitted to the internal auditors before submission to AC for review and adoption by the BoD in the 2017/18 FY.

KEY PERFORMANCE AREA no. 1

GOOD GOVERNANCE

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
To ensure compliance with legislation applicable to municipal entities and principals outlined in the Kind III Report	1.2.1	Shareholder Compact and Annual Performance Targets signed by the UMDA Chairperson of the Board and UKDM Mayor	Shareholder Compact and Annual Performance Plan signed between UMDA Chairperson and UKDM Mayor on 31 March 2016	Signed Shareholder Compact and 2016/17 Organisational Scorecard signed by 30 June 2017	Shareholder Compact not signed at 30 June 2017	Not Achieved	A resolution taken by Council to suspend all transaction with the UMDA and engagements between the BoD and Council were unsuccessful which led to the deviation.	There is a planned meeting between the BoD and Council for the 05 th of September 2017 to deal with the Council rescission resolution.
	1.2.2	Quarterly reports submitted to UKDM	4 reports submitted by 30 June 2016	4 reports submitted to UKDM by 30 June 2017	4 reports submitted at 30 June 2017	Achieved	None	n/a
	1.3	Quarterly Board meetings	4 Board meetings held by 30 June 2016	4 Board meetings by 30 June 2017	4 Board meetings held at 30 June 2017	Achieved	None	n/a
	1.4	Quarterly Audit Committee meeting	3 Audit Committee meetings held by 30 June 2016	4 Audit Committee meetings by 30 June 2016	3 Audit Committee meetings at 30 June 2016	Partly Achieved	UKDM officials advised the AC not to perform audit committee functions for the UMDA.	BoD consider adopting the AC of the UKDM for the 2017/18 FY.

KEY PERFORMANCE AREA no. 2

LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
To ensure compliance with legislation applicable to municipal entities and principals outlined in the Kind III Report	1.5.1	Quarterly Internal Audit assessment reports	New target	4 Internal Audit Assessment report	Risk, SCM and Financials audited at 30 June 2017	Partly Achieved	Internal audit unit appointment delayed due to UKDM failing to take a resolution in time that the two entities would share the internal audit unit and SCM processes led to the deviation	An internal audit firm has been appointed for a period of three years and the internal audit action plan will be developed in the first quarter of 2017/18 FY to ensure that projected target is met.
	1.5.2	Accurate and Audited PoEs	New target	4 PoE reports by 30 June 2017	PoE reports for Q1, Q2 and Q3 conducted audited at 30 June 2017	Partly Achieved		
To create partnerships that encourage investment into UMkhanyakude	2.1.1	Investment promotion dialog	New target	Investment committee by 30 June 2017	Investment profile, seminar and committee established at 30 June 2017	Achieved	None	n/a
	2.1.2	Stakeholder engagements for capital project support	10 engagements made and 2 agreements signed by 30 June 2016	16 engagements with stakeholders for capital project support by 30 June 2017	22 engagements and 2 agreements signed with stakeholders for capital project support at 30 June 2017.	Exceeded	None	n/a

KEY PERFORMANCE AREA no. 2

LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
To develop world class tourism products	2.2.1	Prefeasibility Study for Hlabisa Node	Engagements with Mpembeni Traditional Council for the purposes of signing an MoU	Prefeasibility Report for Hlabisa Node by 30 June 2017	Prefeasibility Report for Hlabisa Node at 30 June 2017	Achieved	None	n/a
	2.2.2	Feasibility study for Jozini Node	Engagements Memorandum of Understanding signed by 30 June 2016	Feasibility Report for Jozini Node by 30 June 2017	Feasibility Report for Jozini Node at 30 June 2017	Achieved	None	n/a
	2.2.3	Prefeasibility Study for the Jozini Mountain Top Development	New target	Prefeasibility Study for Jozini Mountain Top by 30 June 2017	Prefeasibility Study for Jozini Mountain Top at 30 June 2017	Achieved	None	n/a
	2.2.4	Prefeasibility Study for the UMhlabuyalingana Node	New target	Prefeasibility Study for UMhlabuyalingana Node by 30 June 2017	Prefeasibility Study for UMhlabuyalingana Node at 30 June 2017	Achieved	None	n/a

KEY PERFORMANCE AREA no. 2

LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
To develop world class tourism products	2.2.5	Implementation of Phase A	Business Plan approved by the Board	Implementation of Phase A by 30 June 2017	Application for accreditation and engagements for training facilities	Not Achieved	Implementation of Phase A has not been completed due to limited resources.	An application for funding has been submitted are awaiting response on the application from Cathsseta a follow-up meeting is scheduled for the first quarter of the 2017/18 FY.
	2.2.6	Marketing of Route 22	New target	Marketing of Route 22 by 30 June 2017	Marketing of Route 22 at 30 June 2017	Achieved	None	n/a
To develop sustainable commercialisation of Agriculture and Agribusiness industries in the UMkhanyakude District	2.3.1.1	Board Approved Business Plan	New target	Business Plan for Fresh Produce Market by 30 June 2017	Business Plan approved at 30 June 2017	Achieved	None	n/a
	2.3.1.2	Food Security Estate	New target	Project Packaging by 30 June 2017	Projects under the Food Security Estate packaged at 30 June 2017	Achieved	None	n/a
	2.3.2	Securing of land for the hydroponic tunnels	Business Plan approved by the Board	Land for hydroponics tunnels by 30 June 2017	Engagements for land conducted, hydroponic drawings and cost estimates	Not Achieved	Negotiations and engagement delayed which led to the deviation.	The trust which is responsible for the land have agreed to sign a lease agreement. The agreement will be concluded in the first quarter of the 2017/18 FY.

KEY PERFORMANCE AREA no. 2

LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
To develop sustainable commercialisation of Agriculture and Agribusiness industries in UMkhanyakude	2.3.3.1	Sustainable supply of produce received from local farmers	10% of local produce received	50% of locally produced fruits and vegetables supplied to 533 schools weekly	45.1% on average of local produce at 30 June 2017	Partly achieved	Farmers' plantation varied as some months farmers oversupplied the NSNP market and at times did not plant the required produce.	Agreement on planting schedules are to be finalised through the farmer support programme. This will assist in ensuring that farmers plant all the required produce in order to meet the target in the 2017/18 FY.
	2.3.3.2	Supply of fruits and vegetables to 533 schools	Delivery less than 533 school per week	Delivery to all 533 schools per week by 30 June 2017	Delivery at 491 schools on average per week as at 30 June 2017	Partly Achieved	Delivery to some schools in particularly raining weather was challenging. Whilst some weeks delivery was at 100%, but an annual average of the 49 weeks delivery was at average of 491 throughout the year.	An action plan will be created in the first quarter of the 2017/18 FY to ensure that all schools are accessed and delivered to on a weekly basis and logistical challenges for delivery to schools are addressed
	2.3.3.3	Farmer support	New target	Farmer support for UMkhanyakude Farmers	Farmer support implemented	Achieved	None	n/a

KEY PERFORMANCE AREA no. 2

LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
To develop world class catalytic infrastructure that promotes economic development	2.4.1	Development of a town rehabilitation plan	New target	Rehabilitation and regeneration plan by 30 June 2017	Proposal for rehabilitation plan done at 30 June 2017	Partly Achieved	There was limited resources to conduct the plan.	Implementing agent appointed to assist with plan in the 2017/18.
	2.4.2	Engagement with investors	New target	Engagement with investors by 30 June 2017	Engagements made at 30 June 2017	Achieved	None	n/a
	2.4.3	Business Plan for project identified in the Mkhuze Regeneration Plan	Mkhuze Regeneration Plan approved by the Board	2 business plan by 30 June 2017	2 business plans developed at 30 June 2017	Achieved	None	n/a
	2.4.4	Construction of Ndumo Market Stalls	Tender process initiated for the appointment of a contractor	Handover of Ndumo Market Stalls by 30 June 2017	Construction of Ndumo Market Stalls at 30 June 2017	Partly Achieved	Additional works which were necessary but not in the Bill of Quantities were added to the scope of works which led to the deviation.	Project will be completed and handed over in the first quarter of the 2017/18 FY.

KEY PERFORMANCE AREA no. 2

LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
To develop settlements that promote urbanisation and industrialisation	2.4.5	Application for funding	Mkhuze Market Stalls Designs approved	Application for funding by 30 June 2017	Application for funding made at 30 June 2017	Achieved	None	n/a
	2.5.1	Project Packaging	Two sites identified for Special Economic Zone	Project packaging by 30 June 2017	Project packaged at 30 June 2017	Achieved	None	n/a
	2.5.2	Application for funding		Application for funding by 30 June 2017	Application for funding made at 30 June 2017	Achieved	None	n/a
	2.6.1	Technical studies		EIA submitted for public comments	Completion of outstanding studies by 30 June 2017	Record of Decision obtained at 30 June 2017	Exceeded	None
	2.6.2	Fencing	New target	Fencing the airport by 30 June 2017	Fence completed	Achieved	None	n/a
	2.6.3	Runway rehabilitation	New target	Commencement of runway rehabilitation by 30 June 2017	Tender phase for the appointment of contractor initiated	Not Achieved	Delay in confirmation and transfer of funds caused the delay.	SCM process to be completed in the first quarter of the 2017/18 FY.

KEY PERFORMANCE AREA no. 2

LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
To develop world class infrastructure that promotes economic development	2.6.4	PDA Application	PDA Application forms completed	PDA Application by 30 June 2017	Terms of Reference for the appointment of service provider at 30 June 2017	Not Achieved	PDA application required inputs from a land surveyor and a town planner. The SCM process of appointing delayed which led to the deviation.	Land surveyor and town planner will be appointed in order to submit the PDA application before the midterm of the 2017/18 FY.
	2.6.5	Sign airline contract	Airline contract signed	Sign airline contract by 30 June 2017	Airline operators engaged and expressed intension to sign with the agency at 30 June 2017	Not Achieved	Airline operators were engaged but required an upgraded runway, terminal building and fire truck. Lack of funds delayed the signing of an airline contract.	Funds for the runway rehabilitation has been confirmed, stakeholders will be engaged for the terminal building and fire extinguisher. Airliners will be requested to commit on the airport during the first quarter of 2017/18 FY.
	2.6.6	Maintenance of airport	New target	4 reports by 30 June 2017	4 report at 30 June 2017	Achieved	None	n/a
	2.7	Engaging IDC	Feasibility Study conducted	Engage IDC	IDC engaged	Achieved	None	n/a
	2.8	Obtain authorisations	Project funding proposal developed	Obtain authorisations by 30 June 2017	Letters requesting authorisation submitted and one authorisation received at 30 June 2017	Partly Achieved	Letters to Dept. Energy and the Dept. of Water and Sanitation. Dept. of Water and Sanitation has approved with regulatory conditions.	A follow-up will be made with the Dept. Energy in the first quarter of the 2017/18 FY.

KEY PERFORMANCE AREA no. 2

LOCAL ECONOMIC DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
To develop world class catalytic infrastructure that promotes economic development	2.9	Project packaging	New target	Project packaging for Solar Electricity Generation by 30 June 2017	Project not packaged at 30 June 2017	Not Achieved	National Government is currently not supporting renewable energy projects	Project will be placed on hold in order to align with current government's direction with energy.
	2.10	Project packaging	New target	Project packaging for Manzengwenya Biomass Project 30 June 2017	Project not packaged at 30 June 2017	Not Achieved	National Government is currently not supporting renewable energy projects	Project will be placed on hold in order to align with current government's direction with energy.
	2.11	Project packaging	New target	Project packaging for Wind Energy 30 June 2017	Project not packaged at 30 June 2017	Not Achieved	National Government is currently not supporting renewable energy projects	Project will be placed on hold in order to align with current government's direction with energy.
	2.12	Project packaging	New target	Project packaging for Waste Management Programme 30 June 2017	Project packaged at 30 June 2017	Achieved	None	n/a
	2.13	Project packaging	New target	Project packaging for Sewer Management Programme	Project not packaged	Not Achieved	National Government is currently not supporting renewable energy projects	Project will be placed on hold in order to align with current government's direction with energy.

KEY PERFORMANCE AREA no. 3

INSTITUTIONAL DEVELOPMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
Implement Performance Management	3.1	Employee Performance Management	2 performance reviews conducted done for managers reporting to the CEO	2 written performance reviews for all employees by 30 June 2017	06 of the 17 had their performance reviews conducted at 30 June 2017	2 Partly Achieved	A quorum for the evaluating committee was not reached for the evaluation of the CEO and CFO and the other employees were not applicable as per PMS policy which then led to the deviation.	A calendar for Board, AC and Evaluating committee will be set in order to achieve the target by the first quarter of the 2017/18 FY
To improve the capacity of staff for service delivery	3.2	Employee skills audit	Skills audit conducted	25% of employees trained by 30 June 2017	40% of employees trained at 30 June 2017	Achieved	None	n/a

KEY PERFORMANCE AREA no. 4

FINANCIAL VIABILITY AND MANAGEMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
Sound financial planning and reporting	4.1.1	Adoption of draft annual report adopted by Board	Draft Annual Report adopted by the Board	Draft Annual report adopted by 31 August 2016	Draft Annual Report adopted on the 26 th of August 2016	Achieved	None	n/a
	4.1.2	Annual Report adopted by Board	Annual Report adopted by Board	Annual Report adopted by Board by 20 Jan. 2017	Annual Report adopted by Board on the 09 th of Dec. 2016	Achieved	None	n/a
	4.2.1	Adjusted Budget approved by Board	Adjusted Budget approved by Board	Adjusted Budget approved by Board by 20 Jan. 2017	Adj. Budget approved by Board on the 20 th of January 2017	Achieved	None	n/a
	4.2.2	Draft Budget approved by Board	Draft Budget approved by Board	Draft Budget approved by Board by 20 Jan. 2017	Draft Budget approved by Board on the 20 th of January 2017	Achieved	None	n/a
	4.2.3	Budget approved by Board	2015/16 Budget approved by Board	2016/17 Budget approved by Board by 30 May 2017	2016/17 Budget approved by Board on the 30 th of May 2017	Achieved	None	n/a

KEY PERFORMANCE AREA no. 4

FINANCIAL VIABILITY AND MANAGEMENT

Strategic Objective	KPI no.	Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Rating	Reasons for Deviation	Corrective Measures for Deviation
Sound financial planning and reporting	4.3.1	S87(11) Reports	S87 (11) Reports submitted to MM	12 S87(11) Reports submitted to MM by 30 June 2017	12 S87(11) Reports submitted to MM at 30 June 2017	Achieved	None	n/a
	4.3.2	Prepare Interim AFS	Interim AFS submitted to the Board	Interim AFS submitted to the board by 20 Jan. 2017	Interim AFS submitted to the Board at 20 Jan. 2017	Achieved	None	n/a
	4.3.3	Preparation of MFMA S88 Reports	MFMA S88 Reports submitted to the Board and UKDM	Midterm budget and performance assessment reports submitted to the Board and UKDM by 20 Jan. 2017	Midterm assessment reports submitted to the Board at 20 Jan. 2017	Achieved	None	n/a
	4.3.4	Preparation of MFMA S122 Statements	2014/15 AFS submitted to AG	2015/16 AFS submitted to AG by 31 August 2016	2014/15 AFS submitted to AG 31 August 2016	Achieved	None	n/a

The following presents planned targets and indicators not that were adjudged during the midterm assessment period.

This in line with:

National Treasury annual report guide for the presentation of the annual report and FMPPI chapter 5 requires: -

- 1) Reasons for variances between planned and actual performance be disclosed;
- 2) Reasons for variances are supported by corroborating source documentation.

Notes on Annual Performance Plan Adjustments at Midterm

Planned indicators before adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: Adherence to the MFMA, MSA and the Company's Act 1.1				
Compliance Checklist reviewed by Audit Committee and adopted by the BoD.	Compliance Checklist reviewed by Audit Committee and adopted by the BoD	4 Comprehensive Compliance Checklists reviewed by AC and adopted by the BoD	2 Comprehensive Compliance Checklists reviewed by AC and adopted by the BoD	<ul style="list-style-type: none"> - Company Secretary appointed in November 2016. - Company Secretary tasked with firstly, the review and updating of the checklist for approval by the Board before population of reports.
Strategic Objective: Relationship with the Parent Municipality				
Shareholder Compact and Annual Performance Targets signed by the UMDA's Chairperson of the Board and the Parent Municipality's Mayor.	Shareholder Compact and Annual Performance Targets signed by the UMDA's Chairperson of the Board and the Parent Municipality's Mayor.	Signed Shareholder Compact and 2016/17 Organisational Scorecard by 30 September 2016	Signed Shareholder Compact and 2016/17 Organisational Scorecard by 30 June 2017	<ul style="list-style-type: none"> - The change in political leadership in August 2016 resulted in the delay. - UMDA had to engage the new management and council on the importance of signing the Shareholder Compact.

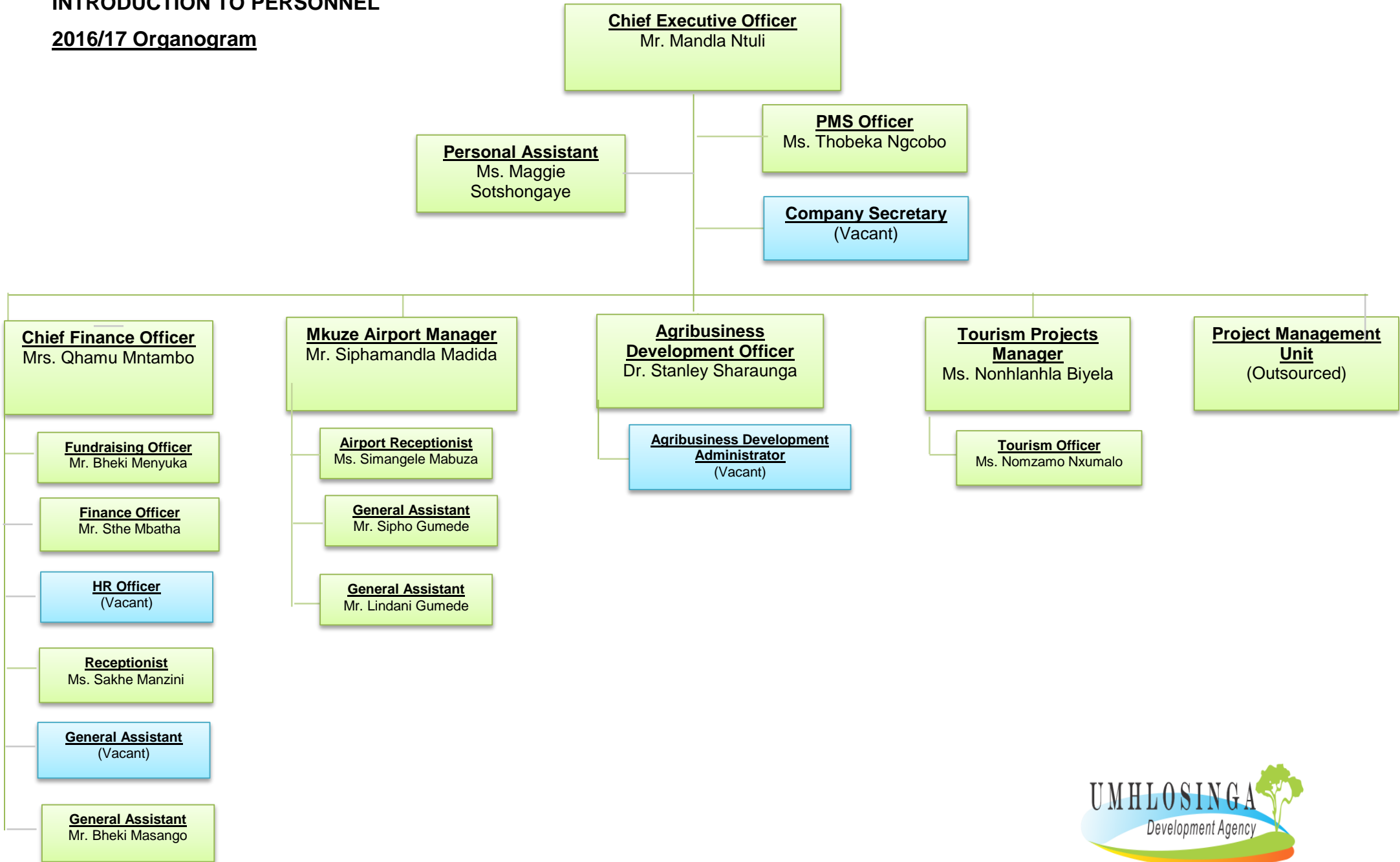
Planned indicators before adjustment	Adjusted indicators	Planned targets before adjustment	Planned targets after adjustment	Reasons for adjustment
Strategic Objective: Small Town Rehabilitation: 2.4.5 Mkhuze Market Stalls				
Construction of Mkhuze Market Stalls	Application for funding	Construction of Mkhuze Market Stalls	Application for funding by 30 June 2017	- Establishment Phase of the project was completed only in October 2016, the construction would not be feasible given the delays in by the service provider in the first six months of the financial year.
Strategic Objective: District Broadband Rollout 2.7				
Feasibility Report	Engaging IDC	Feasibility report	Engage IDC	- The service providers for the Broadband Feasibility Study were appointed by the IDC to develop the study. The UMDA needed to engage with the IDC as the service provider has not made any communication regarding the completion of the feasibility study the first six months of the project.
Strategic Objective 2.8 Jozini Hydro				
Obtain authorisations	Obtain authorisations	Application for authorisations	Obtain authorisations by 30 June 2017	- Initial approach changed as potential investors through engagements made with potential investors.

CHAPTER 4

ORGANISATIONAL DEVELOPMENT PERFORMANCE

INTRODUCTION TO PERSONNEL

2016/17 Organogram



4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Description	2015/16			2016/17		
	Approved Posts	Filled	Vacancies	Approved Posts	Filled	Vacancies
Executive Managers	0	0	0	0	0	0
Senior Managers	1	0	1	0	1	0
Project Managers	0	0	0	2	2	0
Officers/Admin/Coordinators	0	0	0	2	1	1
Receptionist	0	0	0	0	0	0
General workers	0	0	0	3	0	3
Total	1	0	1	7	4	4

TURNOVER RATE

Details	Total appointment as of beginning of financial year No.	Terminations durations during the Financial Year No.	Turn-over Rate.
2015/16	4	1	7.5%
2016/17	3	2	4.25%

SECTION B: MANAGING THE MUNICIPAL ENTITY EMPLOYEE WORKFORCE

4.2 POLICIES

The table overleaf provides a summary of the HR policies:

HR Policies and Plans				
No.	Policy	Completed %	Date Reviewed	Date approved
1	Human Resources Policy	100%	28.06.16	29.06.16
2	Training and Development Policy	100%		
3	Performance Management Policy	100%		
4	Leave Policy	100%		

- ✓ The policies were approved in the previous financial year and there were no legislative, or policy changes in the country which required the policies to be amended.

4.3 EMPLOYMENT EQUITY

The organisation implements a vibrant employment equity policy. To ensure the highest standard of compliance with the employment equity act and the Board of Directors also provide regular input to the strategies and initiatives regarding EE and its implementation in the organisation.

The Employment Equity Statistics are sourced to provide progress and provide direction regarding progress in the implementation of the employment equity plan.

Employment Equity Demographics Status for 2016/17

Staff Movement

Staff Movements	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Appointments	-	-	-	-	-	-	-	-	0
Resignations	-	1	-	-	-	-	-	-	1
Dismissals	-	-	-	-	-	-	-	-	-
Retirement	-	1	-	-	-	-	-	-	1
Absenteeism	-	-	-	-	-	-	-	-	-
Termination	-	-	-	-	-	-	-	-	-
Total	0	2	0	0	0	0	0	0	2

Employment Equity Status

(Demographics) 2016/17

LEVELS	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Executive	1	-	-	-	-	-	-	-	1
Senior Managers	-	1	-	-	-	-	-	-	1
Project Managers	1	1	-	-	-	-	-	-	2
Officers/Co-coordinators	3	3	-	-	-	-	-	-	6
Receptionist	-	2	-	-	-	-	-	-	2
General workers	3	-	-	-	-	-	-	-	3
Total	8	7	-	-	-	-	-	-	15
% of Total	53%	47%	0%	0%	0%	0%	0%	0%	100%

Management Level Demographics

Levels	Total	African		Coloured		Indians		White	
		Male	Female	Male	Female	Male	Female	Male	Female
Executive	1	1	-	-	-	-	-	-	-
Management	3	1	2	-	-	-	-	-	-
Total	4	2	2	-	-	-	-	-	-
%of Total	100%	50%	50%	0	0	0	0	0	-

Staff Turnover

The UMDA has 100% Black employees, which exceeds the target of 80% provided in the Employment Equity Plan; 47% of which are female and 50% is in Senior Management.

Employee Pension Fund

The UMDA's employees have been registered as members of Bokamoso Pension Fund.

Other benefits provided to UMDA's employees are:

- Medical Aid offered by Bonitas,
- Travel allowance and
- Telephone allowance.

Performance Management and Bonus System

The performance management system (PMS) is designed to ensure that the UMDA's business strategy is translated into measurable key performance areas and indicators (KPAs and KPIs) for employees. The UMDA's performance management is guided by the principals outlined in the Framework for Managing Programme Performance Information provided by the National Treasury as published in May 2007. During the year under review the UMDA developed a Performance Management Policy which was adopted by the Board.

SECTION C: CAPACITATING THE MUNICIPAL ENTITY WORKFORCE

The UMDA continues to train employees in various methods in an effort to capacitate them and ensure that they are able to perform their respective duties. Methods which have been used to capacitate employees are:

- On-the-job training;
- Workshops;
- Trainings; and
- Formal education

The following trainings and workshops have been attended:

<i>Employee</i>	Capacity building training/workshop
<i>PMS Officer</i>	- Post-grad in Local Economic Development
<i>PA to CEO</i>	- Bachelor Degree in Commerce
<i>Tourism Officer</i>	- Bachelor Degree in Marketing
<i>Airport Manager</i>	- Aviation Workshop
<i>Finance Officer</i>	- Bachelor in Supply Chain Management
<i>Receptionist</i>	- Honours in Public Management

CHAPTER 5

FINANCIAL PERFORMANCE

Umhlosinga Development Agency (Proprietary) Limited
(Registration No. 2004/016608/07)
Annual Financial Statements
for the year ended 30 June 2017

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

General Information

Country of Incorporation and domicile	Republic of South Africa
Category of local authority	A municipal entity of Umkhanyakude District Municipality
Nature of business and principle activities	Local economic development to facilitate the implementation of economic catalytic projects including the promotion of investments in the district.
Board of Directors	Mr. RP Tembe (Chairperson) Mr. SL Gumbi (Deputy Chairperson) Mr. ZJ Ndwandwe (Member) Mr. S Nyawo (Member) Mr. MW Thango (Member)
Chief Executive Officer	Mr. M Ntuli (B.Proc. Uni.KZN)
Chief Financial Officer	Mrs. SQ Mntambo (Bcom Acc, AIMFO, MFMP)
Registered office	21 Klebe Street Mkhuze KwaZulu Natal 3965
Business address	Lot 308 Ebony Crescent Mtubatuba 3935
Postal address	PO Box 367 St Lucia 3936
Bankers	Nedbank Limited
Auditors	Auditor-General of South Africa
Company secretary	Venns Nemeth & Hart Inc. (Appointed May 2017) Advocate of the High Court of South Africa LLB (Wits), LLM (UKZN) Ms. B.T Njoko (Resigned 30 April 2017)

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the annual financial statements presented to the parent entity:

Index	Page
General information	
Directors Responsibilities and Approval	
Auditor General Report	
Chief Executive Officer's Report	
Directors Report	
Company Secretary's Certification	
Statement of Financial Position	
Statement of Financial Performance	
Statement of Changes in Net Assets	
Cash Flow Statement	
Statement of Comparison of Budget and Actual Amounts	
Accounting Policies	
Notes to the Annual Financial Statements	

Directors Responsibilities and Approval

In terms of Generally Recognised Accounting Practice (GRAP) and the South African Companies Act No 71 of 2008, the directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with GRAP. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the Standards of GRAP and are based on appropriate accounting policies which have been consistently applied in previous years and are supported by reasonable, prudent judgements and estimates.

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

The directors have reviewed the company's cash flow forecast for the year to 30 June 2018. In the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 4 to 5.

The annual financial statements set out on pages 9 to 42 have been prepared on the going concern basis and were approved by the Board of Directors and the Chief Executive Officer on 28 August 2017.

Umhloosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Chief Executive Officer's Report

Umhloosinga Development Agency is situated in 308 Ebony Crescent, Mtubatuba, is a municipal entity of Umkhanyakude District Municipality established in terms of Section 12(1) of the Municipal Structures Act, 1998(Act No. 117 of 1998).

I am responsible for the preparation of the annual financial statements which are set out on pages 9 to 42 in terms of section 126 (2) of the Municipal Finance Management Act No. 56 of 2003 which I have signed on behalf of the municipal entity.

As required by Section 45 of the Municipal Systems Act and Section 121(4)(a) and (b) of the Municipal Finance Management Act, the annual financial statements were submitted to the Auditor General South Africa (AGSA) on 31 August 2017.



Accounting Officer

MM Ntuli (B Proc)

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Directors Report

The board of directors has pleasure in presenting their report for the year ended 30 June 2017.

1 Incorporation

The company was incorporated on and received its certificate to commence business on 17 June 2004.

The company was originally incorporated under the name of Maxitrade 42 General Trading (Proprietary) Limited and changed its name on 04 July 2006 to uMhlosinga Development Agency (Proprietary) Limited. It remained dormant until 01 January 2008 when the establishment phase commenced. Upon the coming into operation of the new Companies Act 71 of 2008, section 11(3) (c) provides that the Agency's name is to contain the expression "SOC Ltd" at the end. The amendments registration were effective as at 19 April 2017.

2 Review of activities

The company acts as an agent for and on behalf of uMkhanyakude District Municipality for the purpose of soliciting and implementing economic development activities and all the business allied thereto in order to ensure the development of the uMkhanyakude District Municipality and its surrounding areas.

The net surplus of the company for the year under review as disclosed in the Statement of Financial Performance was R5 127 303.

3 Going concern concept

The annual financial statements have been prepared based on 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, dependant on the receiving of grant allocations. On 27 March 2017, the shareholder, uMkhanyakude District Municipality, resolved to suspend all activities with the agency. Subsequent meetings were held with stakeholders to address the suspension. The result of which a meeting will be held with the council of the district to rescind the suspension on 5 September 2017. The board of directors are confident that the entity will continue as going concern.

4 Share capital

Authorised

The authorised share capital comprises
of 1000 Ordinary shares of R1 each

2017

2016

1 000

1 000

Issued

The issued share capital comprises
of 100 Ordinary shares of R1 each

100

100

5 Directorate

The board of directors are as follows as at 30 June 2017:

	Date of appointment
RP Tembe	26-Mar-13
SL Gumbi	26-Mar-13
ZJ Ndwandwe	26-Mar-13
S Nyawo	26-Mar-13
MW Thango	26-Mar-13

6 Holding municipality

UMkhanyakude District Municipality is the company's parent holding municipality.

7 Auditors

In accordance with section 4 (1) (e) of the Public Audit Act No. 25 of 2004, the Auditor-General of South Africa are the auditors of the company.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Company Secretary's Certification

In terms of section 88(2)(e) of the Companies Act (2008) of South Africa, I certify that, to the best of my knowledge and belief, the Umhlosinga Development Agency has lodged with the Registrar of Companies for the financial year ended 30 June 2017 all such returns as are required in terms of the Companies Act, No. 71 of 2008, and that such returns are true, correct and up to date. I certify that for the financial year ended 30 June 2017, the Umhlosinga Development Agency has lodged with the Umkhanyakude District Municipality the financial statements in respect of the preceding financial year.

Venns Nemeth & Hart Inc.

Mr. T Brown (attorney)

31-Aug-17

Date

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 R
Assets			
Current Assets			
Trade and other receivables from exchange transactions	3	7 933 061	7 348 486
Trade and other receivables from non-exchange transactions	4	5 030 158	5 030 158
Cash and cash equivalents	5	2 171 964	5 208 269
VAT Receivable	6	903 935	513 725
		16 039 118	18 100 638
Non-Current Assets			
Property plant and equipment	7	6 896 305	617 292
		6 896 305	617 292
Total Assets		22 935 423	18 717 930
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	8	6 496 761	5 540 418
Unspent conditional grants and receipts	9	8 419 710	10 283 437
Provisions	10	283 072	183 065
		15 199 543	16 006 920
Total Liabilities		15 199 543	16 006 920
Total Assets		22 935 423	18 717 930
Total Liabilities		(15 199 543)	(16 006 920)
Net Assets		7 735 880	2 711 010
Ordinary Shares	33	100	100
Accumulated surplus		7 735 780	2 710 910

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

	Note(s)	2017 R	2016 R
Revenue			
Revenue from exchange transactions			
Interest earned - external investments	11	189 806	108 820
Other income	12	197 144	174 873
Total revenue from exchange transactions		386 950	283 693
Revenue from non-exchange transactions			
Service in kind	33	146 421	136 842
Government grants & subsidies	13	36 619 237	26 200 177
Total revenue from non-exchange transactions		36 765 658	26 337 019
Total revenue		37 152 609	26 620 712
Expenditure			
Depreciation expense	7	160 104	167 597
Employee related costs	14	6 229 524	5 278 136
Directors Emoluments	15	409 771	106 189
Repairs and maintenance	16	691	3 363
Contracted services	17	23 083 901	17 539 891
Grants and subsidies paid	17	365 253	767 910
General expenses	18	1 691 232	1 114 075
Finance costs	19	84 830	126 425
Total expenditure		(32 025 306)	(25 103 586)
Operating surplus for the period before tax		5 127 303	1 517 126
Taxation		-	(44 035)
Surplus for the period		5 127 303	1 473 091

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

	Notes	Ordinary Shares	Accumulated surplus / (deficit)	Total Net Assets
Balance at 01 July 2015		100	1 237 820	1 237 920
Surplus for the year		-	1 473 091	1 473 091
Total changes		-	1 473 091	1 473 091
Balance at 30 June 2016		100	2 710 910	2 711 010
Correction of prior period errors	31		(102 435)	(102 435)
Restated balance at 30 June 2016				
Surplus for the year		-	5 127 303	5 127 303
Total changes		-	5 024 868	5 024 868
Balance at 30 June 2017		100	7 735 780	7 735 880

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

	Note(s)	2017 R	2016 R
Cash flows from operating activities			
Receipts			
Receipts from consumers and other		(777 642)	932 986
Service in kind	33	146 421	136 842
Interest income	11	189 805	108 820
Grants	13	36 619 237	26 200 177
		<u>36 177 821</u>	<u>27 378 825</u>
Payments			
Employee costs	14	(6 639 295)	(5 384 325)
Suppliers		(26 050 889)	(17 441 200)
Finance costs	20	(84 830)	(126 425)
		<u>(32 775 014)</u>	<u>(22 951 950)</u>
Net cash flows from operating activities	21	<u>3 402 808</u>	<u>4 426 874</u>
Cash flows from investing activities			
Payment for property plant and equipment		(6 439 116)	(326 924)
Net cash flows used in investing activities	7	<u>(6 439 116)</u>	<u>(326 924)</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	5	5 208 269	1 108 319
Cash and cash equivalents at the end of the year		<u>2 171 964</u>	<u>5 208 269</u>

Umhlosinga Development Agency SOC Limited
 (Registration No.
 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Reference	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference	
Statement of Financial Performance								
Revenue								
Grants								
DOE	24 884 608	(0)			24 884 608	23 197 440	(1 687 168)	IS 1
COGTA	-	11 500 000	IS 15		11 500 000	-	(11 500 000)	IS 2
DC 27	5 558 077	-			5 558 077	5 558 077	-	IS 3
EDTEA		6 000 000	IS 16		6 000 000	902 657	(5 097 343)	IS 4
		-						
Other Income								
Interest on investment	78 827	49 820			128 647	189 806	61 158	IS 5
Landing Fees	145 385	(43 695)			101 690	88 811	(12 879)	IS 6
Other Income	47 543	(35 210)			12 333	108 333	96 000	IS 7

	30 714 440	17 470 915		48 185 356	30 045 123	(18 140 232)	
Expenditure							
Employee related costs	7 211 866	304 405		6 907 461	6 229 524	677 937	IS 8
Depreciation and amortisation expense	200 000	-		200 000	160 104	39 896	IS 9
Repairs and maintenance	50 000	-		50 000	691	49 309	IS 10
Contracted services	22 272 617	(16 925 000)	IS 17	39 197 617	23 083 901	16 113 716	IS 11
Grants and subsidies paid	-	-		-	365 253	(365 253)	IS 12
General expenses	1 895 144	(412 300)		2 307 444	1 691 232	616 212	IS 13
Finance costs	-	-		-	84 830	(84 830)	IS 14
	<u>31 629 627</u>	<u>(17 032 895)</u>		<u>48 662 522</u>	<u>31 615 534</u>	<u>17 046 988</u>	

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget and Actual amount variances

Reference	Reason for variance
IS 1	The variance is due to the fact that not all schools in the district were supplied with fruits and vegetables on a weekly basis and therefore not all budgeted revenue could be recognised.
IS 2	The variance is due to failure to transfer the grant by the Department of Cooperative Governance and Traditional Affairs on the grounds that the company was registered as a proprietary limited instead of state owned company limited, at the time.
IS 3	Parent municipality has met the obligation for the current year.
IS 4	The variance is the result of under spending in grant funded projects and therefore revenue could not be recognised due to conditions not being met.
IS 5	The variance is due to the increase in surplus funds available for investments during the year.
IS 6	The variance is due to less than anticipated flight landings at the Mkhuze Regional Airport.
IS 7	The positive variance is due to a donation received from Trade and Investment KwaZulu natal which was not planned.
IS 8	These increases are in line with inflation rate and spending of the company.
IS 9	The variance in depreciation is due to property plant and equipment that was not purchased as anticipated.
IS 10	These increases are in line with inflation rate and spending of the company.
IS 11	The variance is due to not delivery in all schools in the district being supplied with fruits and vegetables on a weekly basis and the underspending on a grant from the Department of Cooperative Governance and Traditional Affairs which had not been transferred to the company by year end.
IS 12	The variance is due to project operational expenditure which were budgeted in the previous years for conditional grant.
IS 13	The variance is due to savings made on expenses.
IS 14	The variance is due to interest on overdue account for SARS and Auditor General accounts which were not anticipated.

Approved Budget and Adjusted Budget amount variances

IS 15	The variance is due to confirmation of grant funding received from the KwaZulu Natal Department of Cooperative Governance and Traditional Affairs after the budget was approved by the board of directors.
IS 16	The variance is due to confirmation of grant funding received the KwaZulu Natal Department of Economic Development, Tourism and Environmental Affairs after the budget was approved by the board of directors.
IS 17	The variance is due to confirmation of grant funding received from both the KwaZulu Natal Department of Cooperative Governance and Traditional Affairs and the of Economic Development, Tourism and Environmental Affairs after the budget was approved by the Board of Directors.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act No. 56 of 2003 and the requirements of the Companies Act No.71 of 2008.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand and the figures in the statements have been rounded to the nearest rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

1.1 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:

1.1.1 Provisions

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions is included in note 10.

1.1.2 Useful lives of property, plant, equipment

As described in accounting policies 1.6 the agency depreciates its property, plant and equipment over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and are reviewed annually.

1.1.3 Revenue recognition

Accounting policy 1.9 on Revenue from Exchange Transactions and accounting policy 1.10 on Revenue from Non - Exchange Transactions describes the conditions under which revenue is recorded by the management of the agency.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, whether the service has been rendered. The management of the agency is satisfied that recognition of the revenue in the current year is appropriate.

1.1.4 Income tax

As a registered company the agency is registered for income tax. However due to the entity being a municipal entity it is exempt for paying income tax on grant income.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.1.5 Effective interest rate

The entity uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The entity used the following in arriving at the effective interest rate used:

Nedbank Limited which yields monthly interest of 5.25% per annum.

1.2 New standards and interpretations

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy. In such cases, the agency shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The following new GRAP standards have been issued but are not yet effective as the minister has not signed the effective date. Furthermore, that UMDA has not early adopted.

GRAP 32 - Service concession arrangements: Grantor

This standard of GRAP is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity. A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time and the operator is compensated for its services over the period of the service concession arrangement. Although unlikely at this stage, the standard is only expected to have an impact on the agency in the event of any future arrangements of this nature.

GRAP 108 - Statutory receivables

This standard deals with the prescribed accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables and the effect thereof.

GRAP 109 - Accounting by principals and agents

This standard deals with the prescribed accounting requirements for transactions in a principal and agent relationship.

1.3 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.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Financial instruments (Continued)

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.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the agency have transferred its right to receive cash flows from the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

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

A financial asset is:

- > cash;
- > a contractual right to:

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Financial instruments (Continued)

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grant	Financial liability measured at amortised cost

Initial measurement of financial assets and financial liabilities

The agency measures a financial asset and financial liability initially at its fair value that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are added to financial instruments carried at amortised cost or cost.

Subsequent measurement of financial assets and financial liabilities

The agency measures all financial assets and financial liabilities after initial recognition using the following category:

- > Financial instruments at amortised cost.

Impairment and uncollectibility of financial assets

The agency 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 the 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.

1.4 Employee benefits

Short-term employee benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Employee benefits (Continued)

Post-employment benefits

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Defined benefit plans

Pursuant to the entity's obligation to fund the post-employment benefits provided through a defined benefit plan, the entity recognises a defined benefit obligation or asset with reference to the fund's financial position. To the extent that the future benefits payable under the fund exceeds the value assets held to finance those benefits, the entity recognises as defined benefit obligation. To the extent that the value of plan assets exceeds the future benefits payable by the fund the entity recognises as defined benefit asset. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the entity nor can they be paid directly to the entity.

The plan liabilities are measured at the present value of the future benefits payable. This present value of the plan liabilities is determined through actuarial valuation techniques.

Actuarial valuations are conducted on an annual basis by independent actuaries for each plan.

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

1.5 Provisions

Provisions are recognised when:

- > the agency has a present legal and constructive 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.

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

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

The liability for leave pay is based on the total accrued leave days at year end and is shown as provision in the Statement of Financial Position.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for administrative purposes, and are expected to be used during more than one financial period.

Initial recognition

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 agency; and
- > the cost of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the assets at acquisition date.

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 the agency. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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 the asset are recognised in the carrying amount of the related asset if the recognition criteria are met. 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 the agency.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity for future economic benefits associated with the asset.

Where the agency replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Property, plant and equipment (Continued)

Subsequent measurement of all property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The agency does not recognise in the carrying amount of an item of property, plant and equipment the cost of day to day servicing of the item.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when compensation becomes receivable.

Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. 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 agency. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

Item	Depreciation Method	Average useful life
<i>Motor Vehicle</i>	Straight line	5 years
<i>Office Equipment</i>	Straight line	5 years
<i>Furniture & Fittings</i>	Straight line	5 years
<i>Computer Equipment</i>	Straight line	5 years
<i>Plant, Machinery & Agricultural Equipment</i>	Straight line	6 years

Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition is included in surplus or deficit when the item is derecognised.

Gains or losses, calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds, are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

1.7 Leases

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

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Leases (Continued)

1.7.1 Finance leases - The agency as a lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the future minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

1.7.2 Operating leases - The agency as a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight line basis over the period of the lease.

1.8 Taxation

Current tax

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities / (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rate that applies to the period when the asset is realised or liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial date. Deferred tax assets are recognised to the extent that it is probable that taxable benefits will be available against which deductible temporary differences can be utilised on an annual basis.

Value added tax

The entity accounts for Value Added Tax on the invoice basis.

1.9 Revenue from exchange transactions

An exchange transaction is one in which the agency 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 rebates.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Revenue from exchange transactions (Continued)

Rendering of services

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

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

Tender deposits

Income from tender deposits are recognised as income when they are received.

Finance income

Finance income earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

1.10 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the agency can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an agency either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting agency.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Government grants are recognised as revenue when :

- > it is probable that the economic benefits or service potential associated with the transaction will flow to the agency;
- > the amount of the revenue can be measured reliably; and
- > to the extent that there has been compliance with any conditions associated with the grant.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.10 Revenue from non-exchange transactions (Continued)

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the agency has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Revenue from public contributions is recognised when all conditions associated with the contribution has been met or where the contribution is to finance property plant and equipment, when such items are brought into use. Where public contributions have been received but the agency has not met the conditions, a liability is recognised.

Measurement

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

When, as a result of a non-exchange transaction, the agency 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. When 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.

1.11 Budget information

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

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

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.

1.12 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, agency or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (No. 56 of 2003). All unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 Fruitless and wasteful expenditure

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

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 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. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Commitments

Items are classified as commitments where the agency commits itself to future transactions that will result in the future outflow of resources. Project commitments are not recognised in the statement of Financial Position as a liability but are included in the disclosure note 25, for approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

1.16 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. The agency applies GRAP 25 for related parties.

1.17 Comparative figures

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

1.18 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.19 Going concern assumption

These annual financial statements have been prepared based on the expectation that the agency will continue to operate as a going concern for at least the next 12 months.

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

Umhlosinga Development Agency (Proprietary) Limited

(Registration No.

2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.20 Events after reporting date (Continued)

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

1.21 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

2 New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The agency has not applied the following standards and interpretations, which have been published and are mandatory for the agency's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Years beginning on or after	Expected impact:
> GRAP 32: Service Concession Arrangements: Grantor	No effective date has been determined by the Minister of Finance.	Although unlikely at this stage, the standard is only expected to have an impact on the agency in the event of any future such arrangements.
> GRAP 108: Statutory Receivables	No effective date has been determined by the Minister of Finance.	No impact is foreseeable currently.
> IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No effective date has been determined by the Minister of Finance.	Although unlikely at this stage, the standard is only expected to have an impact on the agency in the event of any future such arrangements.
> GRAP 109: Accounting by Principals and Agents	No effective date has been determined by the Minister of Finance.	No significant impact is currently expected

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017	2016
	R	R
3 Trade and other receivable from exchange transactions		
Gross balances		
Department of Education	7 933 061	7 348 486
	7 933 061	7 348 486
Provision for Doubtful Debts		
Department of Education	-	-
	-	-
Net Balance		
Department of Education	7 933 061	7 348 486
	7 933 061	7 348 486

Summary of Debtors by Customer Classification

Department of Education

Current (0 – 30 days)	2 840 280	2 443 874
31 - 60 Days	2 334 030	2 460 461
61 - 90 Days	530 929	2 444 151
91 - 120 Days	2 227 823	-
121 + Days	-	-
Less: Allowance for impairment	-	-
	7 933 061	7 348 486

Outstanding amount that is older than 91 days is fully recoverable from the department based on historical evidence.

4 Trade and other receivables from non-exchange transactions

Gross balances

Umkhanyakude District Municipality	5 030 158	5 030 158
	5 030 158	5 030 158

Provision for Doubtful Debts

Umkhanyakude District Municipality	-	-
	-	-

Net Balance

Umkhanyakude District Municipality	5 030 158	5 030 158
	5 030 158	5 030 158

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
4		
Trade and other receivables from non-exchange transactions (Continued)		
Summary of Debtors by Customer Classification		
<u>Umkhanyakude District Municipality</u>		
Current (0 – 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
121 + Days	5 030 158	5 030 158
Less: Allowance for impairment	-	-
	<u>5 030 158</u>	<u>5 030 158</u>

Outstanding amount that is older than 91 days is fully recoverable from the department based on historical evidence.

5 Cash and cash equivalents

Cash and cash equivalents consist of the following:

Cash on hand	1 005	961
Cash at bank : Primary Bank account	2 163 794	200 528
Call investments : 49865324 & 36990525	7 163	5 006 781
	<u>2 171 963</u>	<u>5 208 269</u>

The entity has the travel card with account number 5526 7600 0018 5838

The entity has the following bank accounts: -

Bank statement balances

- Primary Bank : Richards Bay Account number 1029736839	2 163 794	200 528
- Investment call accounts Account number 49865324 & 36990525	7 163	5 006 781
	<u>2 170 958</u>	<u>5 207 308</u>

6 VAT Receivable

VAT Receivable	<u>903 935</u>	<u>513 725</u>
----------------	----------------	----------------

Umhlosinga Development Agency (Proprietary) Limited

(Registration No. 2004/016608/07)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

7 Property, plant and equipment

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Vehicles	414 618	(325 030)	89 588	414 618	(231 970)	182 648
Capital work in progress (Infrastructure Projects)	6 651 555	-	6 651 555	325 790	-	325 790
Furniture and fittings	106 018	(43 046)	62 972	69 738	(26 698)	43 040
Plant, machinery and equipment	223 554	(184 684)	38 870	214 455	(148 655)	65 800
Computer equipment	78 752	(25 431)	53 321	10 779	(10 765)	15
	7 474 496	(578 191)	6 896 305	1 035 380	(418 088)	617 292

Reconciliation of property, plant and equipment - 2017

	Carrying Value Opening Balance	Additions	Depreciation	Total
Vehicles	182 648	-	(93 060)	89 588
Capital work in progress (Infrastructure Projects)	325 790	6 325 765	-	6 651 555
Furniture and fittings	43 038	36 280	(16 348)	62 970
Plant, machinery and equipment	65 800	9 099	(36 029)	38 870
Computer equipment	15	67 973	(14 666)	53 321
	617 291	6 439 116	(160 104)	6 896 305

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

7 Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment - 2016

	Carrying Value Opening Balance	Additions	Depreciation	Total
Vehicles	295 358	-	(112 710)	182 648
Capital work in progress (Infrastructure Projects)	-	325 790	-	325 790
Furniture and fittings	57 577	1 134	(15 673)	43 038
Plant, machinery and equipment	101 550	-	(35 750)	65 800
Computer equipment	3 479	-	(3 464)	15
	457 964	326 924	(167 597)	617 291

A register containing the information required by section 96 (2) (b) of the Municipal Finance Management Act (No. 56 of 2003) is available for inspection at the registered office of the entity.

No assets have been pledged as security nor have any restrictions been placed on any assets under the control of the entity.

Other information	2017	2016
	R	R
Carrying value of idle property, plant and equipment	-	-
Gross carrying amounts of depreciated property, plant and equipment still in use.	384 620	108 589
Property, plant and equipment retired from active use, but not classified as held for sale	-	-
	384 620	108 589

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017	2016
	R	R
8 Trade and other payables from exchange transactions		
Trade creditors	6 496 761	5 496 383
Tax payable	-	44 035
Cash at bank : Travel card 5526 7600 0018 5838	-	-
	<u>6 496 761</u>	<u>5 540 418</u>
9 Unspent conditional grants and receipts		Restated
Ndumo Market Stalls : COGTA	277 310	2 992 861
Mkhuze Regeneration Framework	309 096	446 289
Mkhuze Market Stalls	116 280	400 500
IDC Grant	700 135	700 873
National Treasury : ILO	212 173	212 173
MTN Grant	515 703	515 703
Mkhuze Fencing and Runaway grant : EDTEA	6 289 012	5 015 037
	<u>8 419 710</u>	<u>10 283 437</u>

10 Provision for leave

Opening Balance	183 065	135 800
Provisions Raised	100 007	47 265
Closing Balance	<u>283 072</u>	<u>183 065</u>

11 Interest earned - external investments

Interest earned by bank account	<u>189 805</u>	<u>108 820</u>
---------------------------------	----------------	----------------

12 Other income

Airport Fees	69 513	118 948
Tender monies	27 632	31 491
Donation : TIKZN	100 000	-
Sundry Income	-	24 433
	<u>197 144</u>	<u>174 873</u>

13 Government grants & subsidies*Reconciliation of Movement in Grant: Other Government Grants and Subsidies*

Balance unspent at beginning of year	10 283 437	6 158 037
Current year receipts	18 075 653	30 325 577
Conditions met - transferred to revenue	<u>(36 619 237)</u>	<u>(26 200 177)</u>
Conditions still to be met - remain liabilities	<u>8 419 710</u>	<u>10 283 437</u>

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017	2016
	R	R
		Restated
13 Government grants & subsidies (Continues)		
13.1 Ndumo Market Stalls: COGTA		
Balance unspent at beginning of year	2 992 861	-
Current year receipts	-	3 000 000
Conditions met - transferred to revenue	(2 715 551)	(7 139)
Conditions still to be met - remain liabilities	<u>277 310</u>	<u>2 992 861</u>
13.2 Mkhuze Regeneration Framework		
Balance unspent at beginning of year	446 289	-
Current year receipts	-	1 029 288
Conditions met - transferred to revenue	(137 193)	(582 999)
Conditions still to be met - remain liabilities	<u>309 096</u>	<u>446 289</u>

13.3 Mkhuze Market Stalls

Balance unspent at beginning of year	400 500	-
Current year receipts	-	700 000
Conditions met - transferred to revenue	<u>(284 220)</u>	<u>(299 500)</u>
Conditions still to be met - remain liabilities	<u>116 280</u>	<u>400 500</u>

13.4 IDC Grant

Balance unspent at beginning of year	700 873	700 873
Current year receipts	-	-
Conditions met - transferred to revenue	<u>(738)</u>	<u>-</u>
Conditions still to be met - remain liabilities	<u>700 135</u>	<u>700 873</u>

13.5 National Treasury : ILO

Balance unspent at beginning of year	212 173	212 173
Current year receipts	-	-
Conditions met - transferred to revenue	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities	<u>212 173</u>	<u>212 173</u>

13.6 MTN Grant

Balance unspent at beginning of year	515 703	515 703
Current year receipts	-	-
Conditions met - transferred to revenue	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities	<u>515 703</u>	<u>515 703</u>

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017	2016
	R	R
13 Government grants & subsidies (Continues)		
Mkhuze Fencing and Runaway grant :		
13.7 EDTEA		
Balance unspent at beginning of year	5 015 037	-
Current year receipts	6 000 000	5 461 000
Conditions met - transferred to revenue	<u>(4 726 025)</u>	<u>(445 963)</u>
Conditions still to be met - remain liabilities	<u>6 289 012</u>	<u>5 015 037</u>
13.8 Umkhanyakude District Municipality Grant		
Balance unspent at beginning of year	-	-
Current year receipts	5 558 077	3 000 000
Conditions met - transferred to revenue	<u>(5 558 077)</u>	<u>(3 000 000)</u>
Conditions still to be met - remain liabilities/ assets	<u>-</u>	<u>-</u>

13.9 National School Nutrition Programme Grant

Balance unspent at beginning of year	-	-
Current year receipts	23 197 434	21 864 577
Conditions met - transferred to revenue	<u>(23 197 434)</u>	<u>(21 864 577)</u>
Conditions still to be met - remain liabilities	<u>-</u>	<u>-</u>

14 Employee related costs

Salaries and Wages	2 759 130	2 296 057
Contributions for UIF, pensions and medical aids	600 707	327 313
Total	<u>3 359 837</u>	<u>2 623 370</u>

The agency contribute on accredited medical aid scheme which is Bonitas for all employees, also the agency makes defined contributions to Bokamoso for pension funds. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

Remuneration of the Chief Executive Officer

Annual Remuneration	1 054 100	963 000
Travel, motor car, accommodation, subsistence and other allowances	343 470	321 000
Contributions to UIF, Medical and Pension Funds	<u>256 160</u>	<u>239 445</u>
Total	<u>1 653 730</u>	<u>1 523 445</u>

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017	2016
	R	R
14 Employee related costs (Continued)		
Remuneration of the Chief Finance Officer		
Annual Remuneration	425	250
Travel, motor car, accommodation, subsistence and other allowances	257 603	240 750
Contributions to UIF, Medical and Pension Funds	179 930	168 321
Total	1 215 957	1 131 321
15 Directors Emoluments		
Mr. RP Tembe	145 906	8 723
Mr. SL Gumbi	92 233	39 268
Mr. ZJ Ndwandwe	92 382	30 260
Mr. S Nyawo	-	-
Mr. MW Thango	79 249	27 938
Total	409 771	106 189

Fees and travel costs as non-executive directors. Mr. S Nyawo has not been paid because he volunteers his time to the agency.

16 Repairs and maintenance

Repairs and maintenance for the year	<u>691</u>	<u>3 363</u>
	<u>691</u>	<u>3 363</u>

17 Contracted services

Contracted services for School nutrition programme	<u>23 083 901</u>	<u>17 539 891</u>
	<u>23 083 901</u>	<u>17 539 891</u>

18 Grants and subsidies paid

Grants and subsidies paid	<u>365 253</u>	<u>767 910</u>
	<u>365 253</u>	<u>767 910</u>

19 General expenses

Advertising	318 591	10 784
Accounting /Admin fees	24 221	23 277
External Audit fees	415 687	410 877
Bank charges	19 907	15 372
Cleaning	2 985	3 951
Rental for land and building	-	136 842
Conferences and delegations	31 274	10 338
Internal audit and audit committee fees	197 481	227 099
Internet fees/ Consumables	65 045	15 992
Electricity and Water	166 765	-
Fuel and oil	81	732
Insurance	31 933	37 612
Postage	399	661

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017	2016
	R	R
19		
General expenses (Continued)		
Printing and stationery	21 512	15 245
Professional fees	76 968	49 651
Rental of office equipment	78 353	64 473
Security costs	4 703	4 942
Telephone cost	33 784	10 724
Training	50 526	-
Travel and subsistence - Local	144 210	70 638
Uniforms & overalls	1 322	-
Other	5 486	4 864
	<u>1 691 232</u>	<u>1 114 075</u>
20		
Finance Costs		
Trade and other payable	<u>84 830</u>	<u>126 425</u>
	<u>84 830</u>	<u>126 425</u>

21 Cash generated from operations

Surplus / (deficit) for the year	5 127 303	1 473 091
Adjustments for:		
Depreciation	160 104	167 597
Movement in provision	<u>100 007</u>	<u>47 265</u>
Operating surplus / (deficit) before changes in working capital:	5 387 413	1 687 953
Changes in working capital:		
(Increase) / Decrease in trade and other receivables	(584 578)	969 932
(Increase) / Decrease in VAT receivable	(390 210)	(211 819)
Increase / (Decrease) in Tax Payable	(44 035)	44 035
Increase / (Decrease) in unspent conditional grants and receipts	(1 863 727)	4 125 399
Increase / Decrease in trade and other payables	<u>897 944</u>	<u>(2 188 624)</u>
	<u>3 402 809</u>	<u>4 426 874</u>

22 Related parties

Related party relationship

Umhlosinga Development Agency is a subsidiary wholly owned by uMkhanyakude District Municipality to spearhead the local economic development within the district.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017	2016
	R	R
22 Related parties (Continued)		
Related party transactions		
<i>Income received from related parties</i>		
Grant received from Umkhanyakude District Municipality	5 558 077	3 000 000
Grant received from Department of Education (KZN)	22 792 858	22 834 509
Grant received from Department of KZN Economic Development & Tourism	6 000 000	5 461 000
	34 350 935	31 295 509
Approved budget for Umkhanyakude District Municipality	5 558 077	3 000 000
Related party balances		
<i>Balances outstanding from related parties</i>		
Transfer outstanding from Umkhanyakude District Municipality	5 030 158	5 030 158
Transfer outstanding from Department of Education (KZN)	7 933 061	7 348 486
	12 963 219	12 378 644

Directors emoluments are disclosed in note 15.

23 Unauthorised, Fruitless and Wasteful and Irregular expenditure

Unauthorised expenditure	<u>-</u>	<u>-</u>
Fruitless and Wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	126 425	-
Fruitless and wasteful expenditure current year	84 830	126 425
Written off by Board	<u>-</u>	<u>-</u>
Fruitless and wasteful expenditure awaiting condonement	<u>211 255</u>	<u>126 425</u>

Fruitless and Wasteful expenditure relates to South African Revenue Services and Auditor General penalty, interest on overdue account due to late payments.

Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	6 098 888	7 509 148
Irregular expenditure current year	213 636	249 092
Written off by Board	<u>-</u>	<u>(1 659 352)</u>
Irregular expenditure awaiting condonement	<u>6 312 524</u>	<u>6 098 888</u>

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017
R

2016
R

Irregular expenditure (Continues)

Incident	Disciplinary steps / Criminal proceedings	Amount
Expenditure incurred as result non-compliance with SCM (register available)	Has been investigated by the board awaiting for the parent municipality to write off.	536 476
Awards made to the persons in the service state	No further procurement be made to this suppliers, awaiting for the board write off.	49 841
Expenditure incurred as result non-compliance with SCM (register available)	Waiting for the board still to investigated expenditure. Committee has been constituted.	5 726 207
		6 312 524

24 Taxation

Normal income tax	-	44 035
	-	44 035

The was no normal income tax provided for 2016/17 financial year,since income was less than expenses

25 Additional disclosure in terms of Municipal Finance Management Act

Audit fees (Auditor General)

Opening balance	34 753	40 190
Current year audit fee	415 687	637 976
Amount paid - current year	<u>(477 601)</u>	<u>(643 413)</u>
Balance unpaid (included in receivables/ payables)	<u>(27 162)</u>	<u>34 753</u>

The balance unpaid represents invoices for audit fees that were not sent to UMDA on timeously.

PAYE and UIF

Opening balance	710 547	116 818
Current year payroll deductions	1 188 046	977 843
Amount paid - current year	(2 218 936)	(267 296)
Amount paid - previous years	<u>267 296</u>	<u>(116 818)</u>
	<u>(53 047)</u>	<u>710 547</u>

The balance represents PAYE, SDL and UIF deducted from the 30 June 2017 payroll. These amounts were paid during 31 July 2017. The current expense was not paid over due to the delay on operational grant transfer from the parent municipality.

Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions	1 483 555	1 313 969
Amount paid - current year	<u>(1 483 555)</u>	<u>(1 313 969)</u>
	<u>-</u>	<u>-</u>

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017	2016
	R	R
26 Additional disclosure in terms of Municipal Finance Management Act (Continued)		
Value added tax		
Vat Receivable	903 935	513 725
VAT input receivables and VAT output payables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.		
Non-Compliance with Chapter 11 of the Municipal Finance Management Act		
The entity has an approved a supply chain management policy all deviation is recorded on the deviation register. There was one major supplier (Inomusa Suppliers Trading Enterprise (PTY) Ltd) where a deviation was recorded for the transportation and procuring of vegetables and fruits for the school's nutrition programme.		
	-	14 998 954
Material Losses		
No material losses were recorded.		

**Project
commitments**

Commitments in respect of capital expenditure

Amounts budgeted and committed

Airport establishment	-	4 000 000
School nutrition project	10 629 754	22 000 000
	10 629 754	26 000 000

This expenditure will be financed from:

Department of Economic Development, Tourism and Environmental Affairs	-	4 000 000
Department of Education	10 629 754	22 000 000
	10 629 754	26 000 000

***Operating leases - as lessee
(expense)***

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Minimum lease payments due

- within one year	48 903	48 903
- in second to fifth year inclusive	48 903	48 903
	97 806	97 806

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the agency for photocopying machine. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

28 Risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of cash and cash equivalents disclosed in note 3 and equity as disclosed in the statement of financial position.

Due to the largely non-trading nature of activities and the way in which they are financed, municipal entities are not exposed to the degree of financial risk faced by business entities. The entity's financial services function monitors and manages the financial risks relating to the operation of the entity. These risks include credit risk and liquidity risk.

Liquidity risk

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. The entity's liquidity risk pertains to whether funds are available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit obligations.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Current Assets	16 039 118	18 100 638
Current Liabilities	15 199 543	16 006 920
Liquidity ratio	1,06:1	1,13 : 1

Interest rate risk

The entity limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting for fixed interest rates rather than variable rates.

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. Debtors comprise of mainly outstanding invoices from National School Nutrition Programme, outstanding transfer from parent municipality and former staff debt. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by demand for payment or which ever procedure is applicable in terms of board of directors' credit control and debt collection system.

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

Financial instrument

Investments	7 163	5 006 781
Cash and cash equivalents	2 164 800	201 488
Accounts receivable from exchange and non-exchange transaction	12 963 219	12 378 644

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017	2016
	R	R
29	Going concern	
	<p>We draw attention to the fact that at 30 June 2017, the entity had accumulated surplus of R7 735 780 and that the entity's total assets exceed its total liabilities by R7 735 780.</p>	
	<p>The annual financial statements have been prepared based on 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, dependant on the receiving of grant allocations.</p>	
30	Events after the reporting date	
	<p>No events after the reporting that has been recorded between the date of the financial year end and the date of submission which will have any material effect on the presentation made.</p>	
31	Prior period errors	
31.1	Expenses	
	<p>Expenses amounting to R 194 583.91 invoice were not recorded in the correct accounting period, services were rendered in the 2014/15 financial year also the VAT was accounted in incorrect period R25 096.92.</p>	

Furthermore, during the year we receive the credit note amounting to R92 000 for the expenses incurred in the 2015/16 financial year in relation to airport establishment.

The effect of the correction of an error results is as follows:

Statement of Financial Position

Trade and other payables from exchange		102 435
	<hr/>	<hr/>
Accumulated surplus	-	102 435
	<hr/>	<hr/>

Umhlosinga Development Agency SOC Limited

(Registration No. 2004/016608/30)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017	2016
	R	R
32		
Income Tax paid / (Refund)		
Balance at the beginning of the year	44 035	-
Current tax for the year recognised in surplus / (deficit)	-	(44 035)
Balance at the end of the year	-	44 035
	<u>(44 035)</u>	<u>-</u>
33		
Share capital / contributed capital		
Authorised		
1000 Ordinary shares of R1 each	<u>1 000</u>	<u>1 000</u>
Issued		
100 Ordinary shares R1 each	<u>100</u>	<u>100</u>
34		
Service in Kind		
34.1		
Rental Income (Service in Kind)	<u>146 421</u>	<u>136 842</u>

The entity receives service in-kind from the parent municipality. UMkhanyakude district municipality has provided Umhlosinga Development Agency with the free use of land and building Water consumption are also being paid by the parent municipality but considered to insignificant as amount paid to date is R6 134.56 for 2016/17 and R2 807.22 for 2015/16 respectively.

Electricity consumption also being paid by the parent municipality but has been considered as insignificant; UMDA use electricity for light and connection to our computer equipment. Umhlosinga development agency has a free use of land and building belonging to UMkhanyakude district municipality, further to this; water and electricity used by the entity is being paid for by UMkhanyakude district municipality, these are effectively classified as service in kind in terms of GRAP 23. The fair value of free use for land and buildings has been estimated and recognised in terms of GRAP 23. Free use of water and electricity is not considered by the municipality to be significant to the operations of the entity and is therefore not recognised.

34.2 Property Plant and Equipment (Service in Kind)

The asset's useful lives have been reviewed at the reporting date and our expectations from the previous estimates have not changed. The parent municipality has provided PPE to the carrying value of R 6 296.30 to be used by the entity.

CHAPTER 6

AUDITOR GENERAL FINDINGS

Auditor-General of South Africa

Umhloosinga Development Agency
Soc Ltd - audit report 2016-17

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on the Umhlosinga Development Agency Soc Ltd.

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Umhlosinga Development Agency Soc Ltd set out on pages 68 to 137, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umhlosinga Development Agency Soc Ltd as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA).

Basis for opinion

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

Other matter

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

Unaudited disclosure notes

7. In terms of section 125(2) (e) of the MFMA the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting officer is responsible for assessing the Umhloosinga Development Agency'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 intention is to liquidate the municipal entity or cease operations, or there is no realistic alternative but to do so.

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

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

11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priority presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the local economic development priority on pages 45-52, presented in the annual performance report of the municipal entity for the year ended 30 June 2017.
15. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected development priority.

Other matters

17. I draw attention to the matters below.

Achievement of planned targets

18. The annual performance report on pages 42 to 58; includes information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets.

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of local economic development. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipal entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

21. The material findings on compliance with specific matters in key legislations are as follows:

Expenditure management

22. Money owed by the municipal entity was not always paid within 30 days as required by section 99(2) (b) of the MFMA.

23. Effective steps were not taken to prevent irregular expenditure amounting to R213 636 as disclosed in note 23 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by awards made without following the SCM procedures. Irregular expenditure amounting to R 71 490 was incurred due to procuring goods from Game stores without following the SCM processes in the current year.
24. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R84 830, as disclosed in note 23 to the annual financial statements, in contravention of section 95(d) of the MFMA.

Other information

25. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act, 2008 (Act No. 71 of 2008). The other information does not include the financial statements, the auditor's report and the selected development priority presented in the annual performance report that has been specifically reported in the auditor's report.
26. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priority presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
28. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

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

Leadership

31. Compliance with laws and regulations was not effectively monitored throughout the financial year. In this regard, the accounting authority did not ensure the policies and procedures are appropriately implemented to support the achievement of compliance with legislative requirements.

Financial and Performance management

32. Management did not adequately and regularly review the financial and performance information to ensure that the information is valid, accurate and complete. This was due to management not fully understanding the requirements of the financial and performance reporting frameworks and not fully implementing policies and procedures.

Pietermaritzburg
30 November 2017

Section B: Action Plan to Address Audit Queries



ACTION PLAN ON THE AUDIT REPORT FOR 30 JUNE 2017

DATE ISSUED: 04 DECEMBER 2017

Paragraph No	Finings	Reasons	Action Required	Responsible Official	Due Date	Status as at 04 December 2017
<u>Report on the audit of compliance with legislation</u>						
Compliance with laws and regulations						
<u>Expenditure management</u>						
22	Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2) (b) of the MFMA	<ul style="list-style-type: none"> - This is due to cash flow challenges and delays in transferring money from the parent municipality. - Also due to non-payment and delays 	<ul style="list-style-type: none"> - Signing of bidding shareholders compact agreement with transfer schedule - Investigate the possibilities of revolving credit as a bridging facility - The entity is implementing strict 	Chief Executive Officer, Mr. Mandla Ntuli	30 June 2018	<ul style="list-style-type: none"> - The accounting officer is in discussion with the district MM whether some revolving or grants be paid in full in the beginning of

		from the KZN Department of Education.	<p>adherence to policies and procedures</p> <ul style="list-style-type: none"> - The entity will continue implementing internal controls on receiving invoices (Suppliers has been informed that invoices should be submitted only to the designated email address and to the reception) 			<p>the financial year.</p> <ul style="list-style-type: none"> - As invoices are received by the finance officer; they are stamped and monthly reconciliation is prepared by the FO and reviewed by the CFO.
--	--	---------------------------------------	---	--	--	--

Paragraph no.	Findings	Reasons	Action Required	Responsible Officials	Due Date	Status as at 04 Dec. 2017
<u>Expenditure management</u>						
23	Effective steps were not taken to prevent irregular expenditure amounting to R213 636 as disclosed in note 23 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by awards made without following the SCM procedures. Irregular expenditure amounting to R 71 490 was incurred due to procuring goods from Game stores without following the SCM processes in the current year.	<ul style="list-style-type: none"> - This expenditure incurred relates to agreements which were signed by the previous management - For the purchase of the laptops, management was trying to save costs. 	<ul style="list-style-type: none"> - Start the SCM for acquiring this services. Strict adherence to the SCM Policy has been put in place to avoid irregular expenditure as a result the irregular expenditure has reduced drastically. - This will be regularly monitored. - Quarterly SCM report has been prepared and submitted for review by management to the Audit committee and to Board of directors for oversight. 	Chief Executive Officer, Mr. Mandla Ntuli	30 June 2018	Quarterly SCM report are sent for the MANCO and Board. The board sub-committee has been appointed to deal with irregular expenditure.

Paragraph no	Findings	Reasons	Action Required	Responsible Official	Due Date	Status as at 04 Dec 2017
<u>Expenditure management</u>						
24	Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R84 830, as disclosed in note 23 to the annual financial statements, in contravention of section 95(d) of the MFMA.	<ul style="list-style-type: none"> - This is due to late payments to auditor general and SARS who then charged interest. - The district municipality did not transfer operational grant on time. 	<ul style="list-style-type: none"> - Signing of bidding shareholders agreement with transfer schedule - Investigate the possibilities of revolving credits as bridging facilities - The entity is implementing strict adherence to policies and procedures - The entity will continue implementing internal controls on receiving invoices (Suppliers has been informed that invoices should be submitted only to the designated email address and to the reception) 	Chief Executive Officer, Mr. Mandla Ntuli	30 June 2018	<ul style="list-style-type: none"> - Quarterly SCM report are sent for the MANCO and Board. - The board subcommittee has been appointed to deal with fruitless and wasteful expenditure.

Paragraph no	Findings	Reasons	Action Required	Responsible Official	Due Date	Status as at 04 Dec 2017
<u>Internal Control:</u>						
<u>Leadership:</u>						
31	Compliance with laws and regulations was not effectively monitored throughout the financial year. In this regard, the accounting authority did not ensure the policies and procedures are appropriately implemented to support the achievement of compliance with legislative requirements	<ul style="list-style-type: none"> - The non-compliance with laws and regulations relates to the above 3 reasons with the same reasons - Company secretary resigned during the financial year. 	<ul style="list-style-type: none"> - The Compliance checklist will be submitted to the board for review on quarterly basis. 	Chief Executive Officer, Mr. Mandla Ntuli	30 June 2018	<ul style="list-style-type: none"> - Board is monitoring compliance laws and regulations with compliance checklist. - Accounting officer is monitoring all quarterly report and signing them; which are also reviewed by the internal auditors.

Paragraph no.	Findings	Reasons	Action Required	Responsible Officials	Due Date	Status as at 04 Dec. 2017
<u>Expenditure management</u>						
32	Management did not adequately and regularly review the financial and performance information to ensure that the information is valid, accurate and complete. This was due to management not fully understanding the requirements of the financial and performance reporting frameworks and not fully implementing policies and procedures.	- The internal auditors were appointed late in the year.	- Align the performance target of our internal auditors, audit committee and management to the audit, if there are no findings, the AFS & APR review cost will then be paid.	Chief Executive Officer, Mr. Mandla Ntuli	30 June 2018	<ul style="list-style-type: none"> - Currently the Finance Officer has been trained by the CFO to prepare financial statements on monthly basis. - The internal auditors have been appointment to review the APR & AFS. - The implementation plan is being signed with the internal auditors.