# UGU SOUTH COAST DEVELOPMENT AGENCY DRAFT ANNUAL REPORT

## 2017/2018 FINANCIAL PERIOD

SCDA
USCDA
04 Berea Road, Port Shepstone

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# INTRODUCTION

## 1. Chairperson's Report

The year under review provided a quantum leap from the establishment phase of the Ugu South Coast Development Agency (USCDA) to graduate to a fully-fledged entity no longer cushioned with the excuse of establishment processes and the blurred mandate. Ugu District Municipality (UDM) and the family of municipalities within the district have collectively given us an unequivocal mandate of altering the prevailing and unacceptable levels of poverty within the district which tend to manifest themselves along special and racial lines. Tangible measurable outcomes are expected on initiatives aimed at broadening the ownership patterns and reversing the spatial manifestation of the exclusionary policies of the past. It is no wonder then that the high-level measurable outputs are encapsulated in terms of:

- New property development initiatives in traditional / Amakhosi areas in an attempt to bridge the urban – rural divide characteristic of our district.
- Number of viable businesses particularly by the designated groups brought into the economic landscape
- Percentage increase in economic activity within the district in terms of value of building plans, rezoning and business applications approved by the various municipalities
- Amount of inward investment attracted towards Ugu as a result of robust marketing drive undertaken by USCDA.

All the above-mentioned aspects are clear indicators that time for excuses has since lapsed in favour of tangible outputs that give true meaning to political freedom. People are eager for results emanating from the sense of urgency ushered by President Ramaphosa in implementing the National Development Path as well as the Provincial Growth and Development Plan. USCDA has therefore been put at the coalface in tackling the triple challenges of poverty, unemployment and joblessness head-on. In this regard, it is fitting to express my gratitude for support received from UDM as well as my fellow Board members all of whom I have been privileged to lead. Although there will always be room for improvement, I am pleased to report back that USCDA managed to achieve more that 60 percent of the annual targets that were set for the period under review. This is no mean fit considering that the bulk of work we do and projects implemented is a culmination of leveraging resources from other stakeholders, particularly government and the private sector. This in turn has its own dynamics, challenges and risks as it revolves around massaging personalities to nourish strategic partnerships for ultimately allocation of funding to sponsor our initiatives. With insight gained on strategic stakeholder engagement more would be achieved during the next reporting period.
On a parting shot I wish to express my gratitude to the entire staff complement on the commitment, dedication and loyalty displayed in translating the mandate into tangible programmes, which we are privileged to present to our stakeholders, as a report back. It is in the nature of a dynamic work environment when there are urgent matters to be achieved incongruent with resources at hand that there will always be an insatiable appetite for excellence. This would also not have been achieved without stewardship of the Audit Committee, under the capable hands of Mr Paul Watson for their independence and robustness when engaging on issues. The glue that binds us indeed is quest for excellence in propelling Ugu and her people to greater heights in the implementation of the Government's ground breaking Radical Agrarian Socio-Economic Transformation (RASET) programme.

I thank you most sincerely and indeed it has been an honour and a rare privilege to serve with you.

**DR SIPHO NZIMANDE**
**CHAIRPERSON**

## 2. Chief Executive Officer's Report

During the State of the Nation Address in February 2018, the President of the Republic, HE CM Ramaphosa put the Development Agencies at the forefront of spearheading the economic transformation of the country. A progressive and noble target of R100 trillion target for inward investment was set and all what remains is for the various economic special purpose vehicles to translate this into reality. This effectively means there is no luxury of time for USCDA to rest on its laurels as the hard realities of the past economic imbalances are so glaring in Ugu. The seaward side of the N2 (although with isolated pockets of poverty in informal areas and townships) remains a flagship of first world standards akin to the leafy suburbs of Europe and North America while the inland side (also with isolated pockets of commercial agriculture and upmarket tourism establishments) mainly represents underdevelopment of rural Africa. The situation has been compounded by the economic downturn facing the country and Ugu in particular based on the seasonality of economic propellers mainly tourism and agriculture. That notwithstanding USCDA has risen to the occasion confronting the challenges head-on.
During the year under review, the Agency has managed to navigate the teething problems associated with new entities in terms of:
Institutional matters

- Clearly defined mandate from the Parent, Ugu District Municipality
- Established effective governance structures
- Fully implemented MSCOA notwithstanding the size of the entity and the associated challenges brought by MSCOA
- Filling of critical vacancies, particularly that of Finance Manager
- Established internal controls and policies
- Met all statutory obligations culminating into submission of credible financial and performance information to the Auditor General
- Full implementation of the approved training plan leading to a qualitative improvement of output

Service Delivery

1. Agriculture
    - Submission of a business plan for R3million to KwaZulu Natal Department of Cooperative Governance for capacitation of community garden in readiness to supply the National School Nutrition Project
    - Submission of a business plan to the National Department of Agriculture, Forestry and Fisheries for the roll out of a pilot community-based aquaculture project in a village setting
    - Technical support and mentorship for agro-processors to meet the stringent export accreditation requirements through the SAGAP programme
    - Tea Tree cultivation at the Horseshoe Farm in rural Ezingolweni with as part of the initiative to diversify crop cultivation in villages with niche commercial crops

It is worth mentioning that the greatest limiting factor to implement the Agency's noble intentions of Radical Agrarian Socio-Economic Transformation is availability of funds as so many applications have been made but only KZN CoGTA has given an in-principle commitment for an allocation. The aquaculture project will be implemented upon successfully accessing grant funding or sponsorship but a baseline of young people in Amakhosi areas with a passion for fish farming has been established

2. Tourism

As part of diversifying the product offering of the Ugu area to ensure broader participation by the previously disadvantaged the Agency received a mandate to roll out 2 community tourism projects within Amakhosi area

2.1 Umzumbe River Trail

Business plan was developed for the development of a 74-kilometre hiking, walking, horse riding and cycling trail meandering along the Umzumbe River and traversing 7 Zulu clans. Each clan will have accommodation establishments and supporting retail infrastructure to give true meaning to tourism transformation as all these will be owned and operated by the respective clans, 7 in total. Community members are enthusiastic and looking forward to the ultimate implementation of the project in its totality. Resource mobilization for sufficient funding to implement the project is ongoing targeting both the private sector as well as the public sector.

2.2 KwaXolo Cave Adventure Centre

The intention is to create an adrenalin pumping eco adventure centre within the KwaXolo Traditional Authority and tender processes for the appointment of the contractor to link the administration building with the San caves 60 meters down the cliff could not be finalized as at the end of the 2017/2018 financial year.

3. Special projects

3.1 Property development opportunities in Amakhosi areas

- Murchisson Mixed Use Commercial Node – business plan developed and partnership with the taxi association will demystify the negative perceptions about the taxi industry. Land was identified and the Agency is assisting with technical studies as well as the sourcing of investors
- Amandawe Precint Plan – funding amounting to R600k was successfully applied for and secured from the KZN Department of Rural Development and as at the end of the financial year the study was at draft stage. The aim is to develop a design framework that will guide investment into the KwaCele traditional community.
- John Mason Park – a top end mixed use node in Twentweni area has been conceptualized and as at the end of the financial year, the Agency was finalizing land legal issues between the respective owners of the affected properties – Ray Nkonyeni and National Public Works Department. Upon conclusion of the land legal matters the preferred bidder will then be given a go-ahead for the long-term development of the property for hotel, retail, commercial and public space on a build, operate train and transfer (BOTT) model.

4. Challenges

- Reliance on grants has limited the autonomy of USCDA in crafting its desired development trajectory
- Nature of projects under implementation tend to take long based on the number of stakeholders to be consulted as well as processes involved. This tends to frustrate the clients as the pressing challenges of unemployment and poverty need immediate interventions.

On the whole the year under review ushered in a new era in terms of upping the stakes in development facilitation thereby migrating the USCDA from infancy stages to adulthood. The

projects under implementation are now more results oriented and a far cry from activity-based implementation without any tangible outcomes.
It is therefore my conviction that together with strategic partners in our helm we will propel Ugu to greater heights to the force to reckon with in the economic rejuvenation of the beautiful Ugu area.

**MR MANDLA MABECE**
**CHIEF EXECUTIVE OFFICER**

# Our Vision

**'Ugu South Coast Development Agency is a district development agency intent on becoming a leading catalyst in unlocking the growth and development potential of the Ugu district to the benefit of all'**

# Our Mission

**'Our mission is to transform the economy through integrated and sustainable job creation, investment promotion and vibrant stakeholder engagement.'**

# Our Mandate

**Carry out the promotion and implementation of high impact economic development initiatives and investment promotions in Ugu District Municipality aimed at creating sustainable jobs and poverty eradication**

## GOVERNANCE

### 1. Ownership

The Ugu South Coast Development Agency (USCDA) is wholly owned by the uGU District Municipality (UDM) and was formed in terms of the Municipal Finance Management Act S84. It is governed by the Municipal Finance Management Act 56 of 2003, Municipal Structures Act, Municipal System's Act and the Companies Act. The agency is governed by a Board of Directors, appointed in terms of section 93E of the Municipal Systems Act, 2000. The board subscribes to the values of good corporate governance and recognises the need to conduct the agency's affairs with integrity and in accordance with generally accepted corporate practices. The board has approved a Board Charter which provides guidance to the Directors when discharging their roles and responsibilities. The agency and the Board subscribe to the principles of the King II, 111 & IV Reports. The relationship between the parent municipality and the agency is governed by a Service Level Agreement signed by the two parties.
The Ugu District Municipality has effective control over USCDA and is responsible for:

- Ensuring that the annual performance objectives and indicators for the agency are established by agreement and are also included in the Agency's multi-year business plan in accordance with S87(5)(d) of the Municipal Finance Management Act, 2003;
- Monitoring and annually reviewing the Agency's budget against the agreed upon performance objectives and indicators.

## 2. Board Of Directors

The Directors are responsible for the following:

- The provision of effective, transparent and coherent corporate governance and effective oversight over the affairs of the Agency;
- Ensuring oversight on compliance with applicable legislation and agreements;
- Communicating openly and promptly with the parent municipality of the Agency;
- Dealing with the parent municipality in good faith.

The board of directors are:

| Name | Qualifications | Experience |
|---|---|---|
| Dr S. Nzimande | Ph.D. | An academic of note having climbed the corporate ladder from being an educator to the current position of Chief Director – TVET Colleges. Has been a Board member for two terms with a Clean Audit |
| Mr L Shezi | | A pragmatic result driven individual and marine specialist with a passion for community development. |
| Mr S Dlomo | LLB, Unisa | Self-employed attorney and a property developer with interest in construction. Serving as Chairperson of the Corporate Services and Finance Committee and passionate about community development in impoverished areas, contributing inordinate amount of time in such initiatives. |
| Ms B Zulu – Resigned on 30 June 2018 | | Attorney and corporate governance specialist is private practice |
| Mr V Naidoo | | |
| Mrs J Crutchfield | B.Comm Accounting and Real Estate | An accomplished property professional with impeccable track record in prestigious and iconic developments, notably the Pavilion Shopping Centre, Westville, Durban. An active community member passionate about the development agenda of the previously disadvantaged persons forging strategic partnerships for various community upliftment programmes. |
| Mrs Z Mthuli | | A retired educator with extensive experience on nourishing talent and skills development. Served various role in non-profit organizations impacting on the poorest members of the community. |
| Dr E Zungu | | An agricultural specialist and an all-rounder in food production and rural development |

## 3. Board Sub-Committees

The Board of directors decided to form sub-committees that would deal with issues affecting the agency at a more hands-on approach. The following committees were then formed:

- Corporate Services and Finance Committee; and
- Projects Development Committee

**Corporate Services and Finance Committee**

The primary objective of the Corporate Services and Finance Committee is to assist the board in discharging effective human resources management by reviewing the effectiveness of the USCDA's human resources management systems, practices and procedures, and providing recommendations for improvement, and also ensuring compliance to legislation. The Committee is also responsible for the preparation of Budget, monitoring expenditure and submission of financial reports to Treasury and other stakeholders, as well as IT and corporate branding.

**Chairperson** **:** Mr. S. Dlomo
**Members** **:** Mrs. J Crutchfield, Mr V K Naidoo, Ms Bongekile Zulu, and Mrs Zonke Mthuli

**Project Development Committee (PDC)**

The primary objective of the PDC is to ensure the proper implementation of mandated projects and management of the investment and trade activities

**Chairperson** **:** Mr. L. Shezi
**Members** **:** Mrs J Crutchfield, Mr S. Dlomo, Dr E Zungu and MR VK Naidoo

**The Audit Committee – Shared Service with Ugu District Municipality**

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

**Chairperson** **:** Mr Paul Preston
**Members** **:** Ms. C. Elliot, Ms. B. Jojo and Mr. B. Dladla

**BOARD AND SUB-COMMITTEE MEETINGS**

The following table shows the board meetings that have been convened for the period of the 2017/18 financial period and the attendance thereof.

| | | BOARD | BOARD | BOARD | STRATEGIC PLANNING SESSION | SPECIAL BOARD | SPECIAL BOARD | BOARD |
|---|---|---|---|---|---|---|---|---|
| **BOARD MEMBERS** | | **24.8.2017** | **23.11.2017** | **22.2.2018** | **22 -23.3.2018** | **20.4.2018** | **10.5.2018** | **25.5.2018** |
| 1 | Dr. Sipho J. Nzimande | ✓ | Apol | Apol | ✓ | ✓ | ✓ | Apol |
| 2 | Joy Crutchfield | ✓ | ✓ | ✓ | ✓ | Apol | ✓ | ✓ |
| 3 | Sandile Dlomo | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4 | Vijay Naidoo | ✓ | Apol | Apol | ✓ | ✓ | ✓ | ✓ |
| 5 | Lindelani Shezi | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 6 | Bongekile Zulu | Apol | ✓ | Apol | Apol | Apol | ✓ | Apol |
| 7 | Dr. Ephraim Zungu | ✓ | ✓ | ✓ | ✓ | ✓ | Apol | ✓ |
| 8 | Zonke Mthuli | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 9 | Inkosi Machi | a | ✓ | a | a | a | a | Apol |
| | | | | | | | | |
| **OBSERVERS** | | | | | | | | |
| 1 | Cllr. Chiliza | a | a | a | a | a | a | a |
| 2 | Cllr. Ian Mavundla | a | a | | | | | |
| 3 | Zakithi Mbonane | ✓ | ✓ | a | a | | | |
| 4 | Sipho Khuzwayo | a | ✓ | | | | | |
| | | | | | | | | |
| **INVITED** | | | | | | | | |
| 1 | Paul Preston | Apol | ✓ | Apol | Apol | Apol | Apol | Apol |
| 2 | Bongeka Jojo | | | | | | ✓ | ✓ |
| 3 | Zevile Dlamini | Apol | Apol | Apol | Apol | Apol | Apol | Apol |
| | | | | | | | | |
| **IN ATTENDANCE** | | | | | | | | |
| 1 | CEO | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2 | Ntando Duma | ✓ | | | | | | |
| 3 | Ashney Naidoo | | ✓ | ✓ | N/A | ✓ | ✓ | ✓ |
| 4 | Buhle Fikeni | | | | ✓ | | | ✓ |
| 5 | Nkululeko Hlongwane | | | | | | | ✓ |

**REMUNERATION OF BOARD MEMBERS**

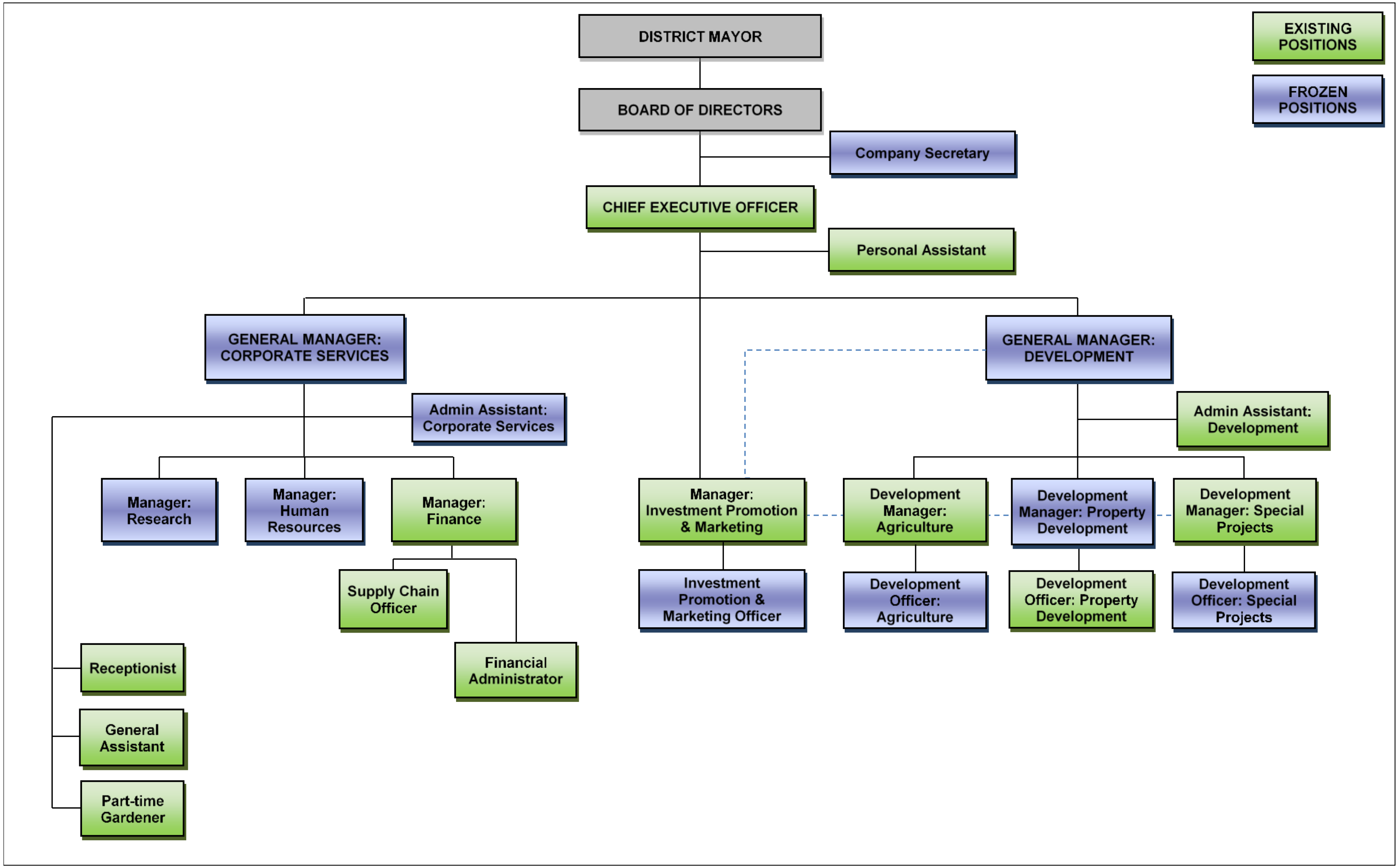
| Name | Fees for Services | Salary | Other | Total |
|---|---|---|---|---|
| Dr. SJ Nzimande | 48 870.00 | 44 864.00 | - | 93 734.00 |
| Mr. SD Dlomo | 48 870.00 | 116 049.25 | - | 164 919.25 |
| Mrs. EJ Crutchfield | 29 652.96 | 75 586.00 | 15 233.62 | 120 472.58 |
| Mr. VK Naidoo | 29 652.96 | 58 295.46 | - | 87 948.42 |
| Ms. ZP Mthuli | 29 652.96 | 61 892.63 | 9 073.80 | 100 619.39 |
| Mr. LG Shezi | 48 870.00 | 85 809.40 | 16 997.40 | 151 676.80 |
| Dr. EM Zungu | 29 652.96 | 31 803.00 | 12 638.00 | 74 093.96 |
| Ms. B Zulu | 29 652.96 | 17 708.00 | 5 759.80 | 53 120.76 |
| | | | | 846 585.16 |

# 4. Administrative Governance Structure

**THE ORGANISATIONAL STRUCTURE**

The USCDA utilised an organisational structure approved by the board for the 2017/18 financial period. The following is the structure as approved:

APPROVED BY BOARD 25-8-2016



**THE FINANCIAL MANAGEMENT SYSTEM**

The agency utilizes the Pastel Evolution Accounting and VIP Payroll Systems as its accounting and payroll software. The agency is responsible for its own monthly financial processing and reporting.
It is important to note that the IT system, especially the accounting systems are hosted by the Parent municipality, and they have been responsible for the associated costs and processing of back-ups for this information.

**OPERATING POLICIES AND PROCEDURES**

The agency has a Delegation of Authority for the CEO developed and approved by the Board. The purpose of these guidelines is to issue general provisions concerning delegations of authority in USCDA from the Board to management.
Policies approved by the Board during the period under review are listed under policies from the website – www.uscda.org.za. The following policies have been approved and were in use for the period under review:

| |
|---|
| **HR POLICIES** |
| 1. Recruitment & Selection |
| 2. Training |
| 3. Acting |
| 4. Remuneration |
| 5. Cellphone & 3G Data |
| 6. Disciplinary Code & Procedure |
| 7. Leave |
| 8. Resettlement |
| 9. Termination & Exit |
| 10. Individual Performance Management System |
| 11. Ethics & Conduct |
| 12. Business Continuity & Disaster Recovery Plan |
| |
| **FINANCE POLICIES** |
| 1. Petty Cash |
| 2. Asset Management |
| 3. Bank & Cash Management |
| 4. Declaration of Interest |
| 5. Supply Chain Management |
| 6. Delegation of Authority by the Board |
| 7. Procurement & Payment Systems |
| 8. Subsistence & Travel |
| 9. Organisational Performance Management |
| 10. Creditors' |
| 11. Fraud Prevention |
| 12. Budget Policy |
| 13. Virements Policy |
| 14. Enterprise Risk Management |
| |
| **IT POLICIES** |
| 1. IT & Organisational |
| |

# PERFORMANCE INFORMATION

The detail of the performance of the agency is annexed at the end of the report, which details the performance of the 2016/17 information, as well as the 2017/18 information, for the year under review.

## 1. Agriculture

The Agriculture unit reports to the development sub-committee of the Board. The financial year 2017/20118 have been progressive for the sector, from the objectives that were set and targeted to the results that were obtain. The approach has only been to facilitate high impact projects in the sector for the entire agri-food value chain. Comparing the present year with other financial year, the focus was more on enriching the targeted agricultural projects to another level, in terms of growth and development. The Agency assisted various irrigation schemes that are within the district with production inputs, technical support and further attracted other stakeholders for their programmes. These schemes were targeted for government markets that have been made available through radical transformation programmes of government i.e. National Schools Nutrition Programme/Radical Agrarian Socio- Economic Transformation. The Agency managed to secure R3M as a start-up grant for programmes, that will be investing on the empowering local emerging farmers for greater opportunities. The primary production of agriculture has been impressive for the year.
The success of it had subsequently elevated agro–processors that are progressive, from basic foundation assistance that the Agency have been investing past years, they are currently entering the entrepreneurial space seriously, through marketing or exhibition in the district, provincially and nationally. The involvement of the Agency with Agri-Park also assisted in aligning the farmers with developments that are planned for the district. The organisation has had it short comings that were highlighted as unachieved, they were acknowledged and again extracted out lessons out of them for future plans. The Aqua-related projects, were attempted for facilitation however that entity learnt that investing more on scouting for funding is the starting point, so to have a clear indication in terms of such projects being feasible for our district.

## 2. Property Development

The Development Agency appointed a service provider to undertake a hinterland development study, which resulted in the identification of opportunities with potential in some of the rural areas within Ugu District. The study cut across the four Local Municipalities of Ugu District Municipality, at least two opportunities were identified and packaged per local municipality. Engagements with the key stakeholders, which include the Local Municipalities and Traditional Authorities have started to be rolled out. To give highlights of the identified opportunities per Municipality, at Umuziwabantu LM, the following opportunities were identified Business Process Park and two Fresh Fish Farming projects. At Umdoni LM, the study identified Dududu Trading Centre, Dumisa Trading Centre, Emalangeni Commercial Farming, Umdoni Wedding & Conference Venue. Under Umzumbe LM, these projects are identified Mehlomnyama Agribusiness, Phungashe Medium Trading Centre and Mthwalume /Emjahweni Tourism Centre. The following opportunities were identified at Ray Nkonyeni Municipality, Nyandezulu Waterfall, Murchison Trading Centre and Gcilima Medium Trading Centre. The details on these investment leads are contained in the final project report.
John Manson Park (JMP) is one the developments that Agency has ear marked as one of the catalytic projects in the South Coast. In the year 2017 – 2018 there has been healthy engagements with the potential developer, Mtentweni communities/ forum. The developer demonstrated the interest to empower local businesses as their team of professionals included substantial quantity of local businesses. On the other hand, legal transfers of land are being sorted between Ray Nkonyeni Municipality and USCDA. Once, all proper channels have been followed, RNM Council will pass the resolution to hand over the right to negotiate the lease agreement with the developer.
The prime development land, which is approximately 2-3km away from N2 towards Hibberdene, was

identified for the Hibberdene Mix Use project. This piece of land was presented to potential developers, so that they will come up with business viable concept and secure tenants where possible. Once the SCM processes are finalized, the appointment of the developer will be concluded.

## 3. Tourism Product Development

The main purpose of this portfolio is to encourage the development of rural based tourism. The South Coast is well known of the Tourists attraction points along the coast.
**KwaXolo Caves** - “The hidden treasure of the South Coast”. The KwaXolo Community, located 18 kilometres inland of Southbroom, has been assisted by the Agency in packaging adrenalin pumping activities by linking the main building that was built by the erstwhile Hibiscus Coast with the main attraction, the rock art san paintings located at the caves at the foot of a cliff.

**Umzumbe River Trails (URT)** is a guided multi trail that includes walking, hiking, riding and cycling. One of the objectives of this project is to bring tourists to the hinterland, URT is about 74 km from the coast of the Indian Ocean to Phungashe Dam inland via Umzumbe and Mhlabatshane rivers. The tourists will be welcomed and entertained by seven Zulu clans along the way. The project was presented and accepted by the following keys stakeholders Umzumbe LM, Ray Nkonyeni Municipality, Seven Traditional Councils along the two rivers and Ingonyama Trust. URT was presented and welcomed by the MEC for KZNEDTEA (Mr. Zikalala) who has shown great support for this project. This project has been presented to other government departments and private sector with the aim to source funding. The Development Agency made relationships with the already existing tourism sites in the South Coast such as Crocodile farm and Oribi Gorge. The contribution of these people is valuable as they are already in the tourism space and have been dealing with tourists for years.
The local community are looking forward to accept tourists in these areas, as they understand the role of tourism in creating employment and local economic growth. The two sister entities (South Coast Tourism (SCT) and USCDA) have worked together to engage and presenting this project to the local people and traditional authorities. The local people play a critical role in terms of understanding the history and routes of these areas, where trail routes pass through. They play critical role in guiding the tourists.

## 4. SMME Support and Internship

During this financial year, eighty- five (85) SMMEs were assisted with CIPC services, mainly company registration, change of directors, change of postal/physical addresses and Annual Returns. The Agency has created good working relationships with the key stakeholders such as Ugu Association of Business (UAB), this is SMMEs structure within Ugu. There are other stakeholders like South Coast Chamber of Commerce and Industry (SCCCI), which represents some of the commercial businesses around Port Shepstone. To mention few other stakeholders that the Agency work with, include SEDA, HWSETA, Services SETA; CIDB; TIKZN; SCT; Agri SETA and others. The main purpose for such working relationships, they benefit SMMEs that we all about. The Development Agency assisted three youth owned SMMEs with business plans, the three businesses were the winners of Ugu Youth Business Expose.
Skills development is one of the key economic drivers that were identified by Ugu Growth and Development Strategy (UGDS), the Agency made some great strives to ensure that young people receive the skills. The coordination of internship has proved to successful, even though it was faced with the lack of resources to grow this support. The four (4) interns who received extension of six (6) months, their contract came to end in June 2018. The partnership with UAB and SCCCI continue to benefit some learners, even though USCDA was not in position to pay for stipends, at least eleven (11) learners were taken for workplace experience, in order to fulfil the requirement of their diploma at ESayidi TVET College. The MoU was signed with Mangosuthu University of Technology (MUT) and still enjoy god relationship with Port Shepstone Artisan Centre.

## 5. Renewable Energy Project

Last September, SEFA approved a $990,000 (R14M) grant to eThala Management Services to support development of a 10-MW biomass power plant in Harding, Umuziwabantu LM**.** The project is expected to deliver economic empowerment, and boost socioeconomic development in the community. Furthermore, it will help diversify South Africa's coal-dominated power generation while demonstrating the viability of bioenergy, and help showcase corporate power purchase agreements as an important anchor for biomass power generation. The eThala Management Services is a holding company with 4 subsidiaries: eThala Agriculture, a rotational crop-farming entity and biomass provider to sister subsidiaries; eThala Biofuels & eThala BioLubes, biomass and sugar-juice-to-chemicals biorefining entities; and eThala Power Systems, a company focused on power generation from gasification of crop residues.

## 6. Marketing & Investment Promotion

USCDA has managed to draw attention of provincial government entities that are critical in ensuring committing new investments into Ugu. This is more evident by the recent partnership with Trade & Investment KZN. As a result of these interactions and commitment TIKZN recently hosted a Business Retention and Expansion Session at Margate Hotel held in September 2017. A strategic partnership has been formed with Trade and Investment KZN for a survey that will come up with recommendations on key issues stifling growth and expansion of businesses in Ugu and the sample area has been chosen as Marburg. The closure of the Coca-Cola factory has been a worrying factor that prompted USCDA to engage TIKZN to sponsor the research.

On 4- 5 May 2018 USCDA attended the Japan- Africa Trade Forum held in Sandton. There was tremendous interest shown by Japanese companies on Ugu following from aggressive marketing at be Forum. Follow up engagements are continuing with the Japanese External Trade Organization (JETRO) and the facilitation role played by Executive Management Invest SA is highly commendable.

In addition, USCDA promotional brochures have been distributed to ten selected priority markets/investing countries. The markets as SA's major priority markets such as BRICS countries and others as well as the US through the Embassy and His Excellency Ambassador M Mahlangu. The ambassador committed that when addressing investors to come to RSA, he will have ensured that he makes mention of Ugu District as USCDA is the only entity that has directly approached the SA embassy based in the US, circulating the brochures.

Investment Incentives by local Municipalities is also one of the focus areas of the Municipality. Ray Nkonyeni Municipality has taken a bold step of developing an Investment Protocol as well as updating their investment incentive document. In the previous financial year USCDA embarked on a benchmark exercise using three selected municipalities namely Nelson Mandela Bay, eThekwini Municipality and Tshwane Municipality. The purpose of this exercise was to have a document that would be presented to Municipalities within Ugu for them to see what other municipalities are using as investment attraction tools. So far, the document has been circulated to Mayor's Forum and Council Meetings.

# THE AUDIT REPORT

## Report of the auditor-general to KwaZulu-Natal Provincial Legislature and the council on the Ugu South Coast Development Agency

| Report on the audit of the financial statements |
|---|

### Opinion

1. I have audited the financial statements of the Ugu South Coast Development Agency set out on pages … to …, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in equity, and the 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 Ugu South Coast Development Agency as at 30 June 2018, 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) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's 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 matters

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

#### *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.

### *Unaudited supplementary schedules*

8. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon

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

9. 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 Companies Act, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the financial statements, the accounting officer is responsible for assessing the Ugu South Coast 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 appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

11. 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.

12. 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

13. 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 objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators 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.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 30 June 2018:

| Objectives | Pages in the annual performance report |
|---|---|
| Objective 4- agriculture: to promote small scale farming in the Ugu District | x – x |
| Objective 5- manufacturing: to facilitate skill development and training for small business development and entrepreneurship | x – x |
| Objective 8: facilitate catalytic projects within the Ugu district | x – x |

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

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for these objectives.

### Other matters

18. I draw attention to the matters below.

### Achievement of planned targets

19. Refer to the annual performance report on pages … to … for information on the achievement of planned targets for the year.

### Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Agriculture: To promote small scale farming in the Ugu District. 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

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters

in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

### Annual financial statements

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

### Procurement and contract management

24. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c).

### Expenditure management

25. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R141 200 as disclosed in note 32 to the annual financial statements, in contravention of section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by late payment for VAT and PAYE returns.

## Other information

26. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the board chairperson's report, the chief executive officer's report and the audit committee's report as required by the MFMA. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

27. 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.

28. 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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

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

### Leadership

31. The leadership did not exercise adequate oversight over the preparation of the financial statements that are free material mistatements and compliance with legislation

### Financial management

32. Material misstatements were identified due to poor record management processes and inadequate reconciliation between the financial statements and the underlying records.

Pietermaritzburg
30 November 2018

AUDITOR-GENERAL
SOUTH AFRICA

*Auditing to build public confidence*

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

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

## Financial statements

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

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

## Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

## THE ANNUAL FINANCIAL STATEMENTS

Ugu South Coast Development Agency
(Registration number 2016/158371/30)
Annual Financial statements
for the year ended 30 June 2018

# General Information

| | |
|---|---|
| **Legal form of entity** | Municipal entity |
| **Directors** | |
| | Dr Sipho J Nzimande<br>Joy Crutchfield<br>Sandile Dlomo<br>Vijay Naidoo<br>Lindelani Shezi<br>Bongekile Zulu<br>Dr Ephraim Zungu<br>Zonke Mthuli |
| **Chief Executive Officer** | Mr M Mabece |
| **Finance Manager** | Mr BS Fikeni |
| **Postal address** | P.O. Box 144<br>Port Shepstone<br>4240 |
| **Physical address** | 4 Berea Road<br>Port Shepstone<br>4241 |
| **Bankers** | Absa Bank |
| **Auditors** | Auditor-General |
| **Website** | www.uscda.org.za |

# Index

# Chief Executive Officer's Certificate

### 1. Chief Executive Officer's Certificate

I am responsible for the preparation of these annual financial statements in terms of Section 124(1) of the Municipal Finance Management Act (Act No 56 of 2003), and which I have signed on behalf of the municipal entity.

I certify that the salaries, allowances and benefits of directors as disclosed in note16 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

**Mr M Mabece**
**Chief Executive Officer**

# Directors' Report

The directors present their report, which forms part of the audited annual financial statements of the Ugu South Coast Development Agency for the year ended 30 June 2018.

## 1. Review of activities

**Main business and operations**

Ugu South Coast Development Agency (USCDA) is a municpal entity of the Ugu District Municipality, mandated to implement the Growth and Development.

The operating results and the state of affairs of the company are fully set out in the financial statements and do not, in our opinion, require any further comment.

## 2. Events after the reporting period

The directors are not aware of any material matter or circumstance arising since the end of the financial year that requires attention.

## 3. Directors

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

| | Board meetings | Special meetings | Strategy meetings | No. of meetings attended |
|---|---|---|---|---|
| Dr Sipho J Nzimande | 1 | 2 | 1 | 4 |
| Joy Crutchfield | 4 | 1 | 1 | 6 |
| Sandile Dlomo | 4 | 2 | 1 | 7 |
| Vijay Naidoo | 2 | 2 | 1 | 5 |
| Lindelani Shezi | 4 | 2 | 1 | 7 |
| Bongekile Zulu (Resigned 30 June 2018) | 1 | 1 | - | 2 |
| Dr Ephraim Zungu | 4 | 1 | 1 | 6 |
| Zonke Mthuli | 4 | 2 | 1 | 7 |

## 4. Secretary

The company had no secretary during the year.

## 5. Auditors

Auditor-General will continue in office in accordance with section 90 of the Companies Act 71 of 2008.

## 6. Expression of appreciation

We are grateful to the directors and the Audit Committee for their the support extended during the financial year. A special word of thanks to all staff who assisted with the collation of year-end information necessary for the compilation of these annual financial statements.

## 7. Approval of the financial statements

The annual financial statements set out on pages 5 to 41, which have been prepared on the going concern basis, were approved by the board of directors, and are signed on their behalf by:

**Chairperson**

## Statement of Financial Position

| Figures in Rand | Note(s) | 2018 | 2017 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Investment property | 2 | 9 349 310 | 9 349 310 |
| Property, plant and equipment | 3 | 308 250 | 325 385 |
| Intangible assets | 4 | 15 575 | 18 450 |
| | | **9 673 135** | **9 693 145** |
| **Current Assets** | | | |
| Receivables from non exchange transactions | 5 | 832 296 | 1 190 021 |
| Cash and cash equivalents | 6 | 2 754 246 | 1 246 770 |
| | | **3 586 542** | **2 436 791** |
| **Total Assets** | | **13 259 677** | **12 129 936** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Accumulated surplus | | 4 067 716 | 6 175 694 |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Operating lease liability | 10 | 30 878 | 33 152 |
| Interest bearing borrowings | 9 | - | 4 138 607 |
| | | **30 878** | **4 171 759** |
| **Current Liabilities** | | | |
| Interest bearing borrowings | 9 | 4 194 548 | - |
| Unspent conditional grants and receipts | 8 | 4 000 000 | 1 000 000 |
| Provisions | 7 | 864 288 | 565 353 |
| Payables from exchange transactions | 11 | 99 973 | 214 855 |
| Operating lease liabilities | 10 | 2 274 | 2 275 |
| | | **9 161 083** | **1 782 483** |
| **Total Liabilities** | | **9 191 961** | **5 954 242** |
| **Total Equity and Liabilities** | | **13 259 677** | **12 129 936** |

## Statement of Financial Performance

| Figures in Rand | Note(s) | 2018 | 2017 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from non exchange transactions** | | | |
| Government grants and subsidies | 13 | 7 363 125 | 11 846 186 |
| | | **7 363 125** | **11 846 186** |
| **Revenue from exchange transactions** | | | |
| Rental income | 12 | 146 724 | - |
| Other income | | 2 581 | 72 359 |
| Interest received | | 125 678 | 263 564 |
| | | **274 983** | **335 923** |
| **Operating expenses** | | | |
| Assets impairment | | 10 031 | 6 664 |
| Depreciation, amortisation and impairments | 3,4 | 55 148 | 54 379 |
| Directors' fees | 16 | 846 585 | 909 282 |
| Employee costs | 17 | 5 431 467 | 4 440 659 |
| General expenses | 18 | 2 894 674 | 3 655 023 |
| Repairs and maintenance | | 16 136 | 36 543 |
| | | **9 254 041** | **9 102 550** |
| **Operating (loss) profit** | | **(1 615 933)** | **3 079 559** |
| Finance costs | 14 | (296 130) | (140 690) |
| **Surplus (Deficit) for the year** | | **(1 912 063)** | **2 938 869** |

## Statement of Changes in Equity

| Figures in Rand | Note(s) | Accumulated surplus | Total equity |
|---|---|---|---|
| **Balance at 1 July 2016** | | **3 202 179** | **3 202 179** |
| Changes in equity | | | |
| Total surplus for the year | | 2 938 869 | 2 938 869 |
| Prior year adjustment | 24 | 34 646 | 34 646 |
| Total changes | | 2 973 515 | 2 973 515 |
| Opening balance as previously reported | | 6 175 694 | 6 175 694 |
| **Balance at 1 July 2017 as restated** | | **6 175 694** | **6 175 694** |
| Changes in equity | | | |
| Total deficit for the year | | (1 919 572) | (1 919 572) |
| Correction of error | | (17 444) | (17 444) |
| Prior year adjustment | | (170 962) | (170 962) |
| Total changes | | (2 107 978) | (2 107 978) |
| **Balance at 30 June 2018** | | **4 067 716** | **4 067 716** |

Note(s)

## Statement of Cash Flows

| Figures in Rand | Note(s) | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 7 687 219 | 10 889 793 |
| Cash paid to suppliers and employees | | (9 014 593) | (8 403 085) |
| Cash (used in) generated from operations | 19 | (1 327 374) | 2 486 708 |
| Interest income | | 125 678 | 263 564 |
| Finance costs | | (296 130) | (140 690) |
| **Net cash from operating activities** | | **(1 497 826)** | **2 609 582** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (45 170) | (83 014) |
| Purchase of investment property | 2 | - | (9 349 310) |
| Sale of other assets | | 106 554 | - |
| **Net cash from investing activities** | | **61 384** | **(9 432 324)** |
| **Cash flows from financing activities** | | | |
| Movement in conditional grants and receipts | | 3 000 000 | - |
| Movement in non interest bearing borrowings | | (56 082) | 4 000 000 |
| **Net cash from financing activities** | | **2 943 918** | **4 000 000** |
| **Total cash movement for the year** | | **1 507 476** | **(2 822 742)** |
| Cash at the beginning of the year | | 1 246 770 | 4 061 248 |
| **Total cash at end of the year** | 6 | **2 754 246** | **1 238 506** |

# Accounting Policies

## 1. Presentation of Annual Financial Statements

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003), and the standards and pronouncements that form the GRAP Reporting Framework Issued by the Accounting Standards Board (ASB), as updated.

These 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.

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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

The Accounting Framework of the municipal entity is as follows (Listed below are only the relevant GRAP standards):

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 21 Impairment of Non cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 102 Intangible Assets
- GRAP 104 Financial Instruments

The following GRAP standards were approved by the Accounting Standards Board (APB) but are not yet effective. The entity has not early adopted any of the standards.

- GRAP 20 Related Party Disclosures
- GRAP 32 Service Concession Arrangements: Grantor
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

*Trade receivables*

The economic entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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

*Fair value estimation*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The economic entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments at end of the reporting period.The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity for similar financial instruments.

*Impairment testing*

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred for each group of assets.

*Provisions*

Provisions were raised and management determined an estimate based on the information available.

*Useful lives of property, plant and equipment*

The economic entity's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

*Effective interest rate*

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

### Impairment testing

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

The municipal entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is only tested for impairment when there is an indicator of impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

### 1.2 Going concern assumption

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

### 1.3 Offsetting

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

### 1.4 Investment property

Investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

Investment property is initially recognised at cost.

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

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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.

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

# Accounting Policies

### Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in net assets related to a specific items of property, plant and equipment is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

The residual value, the useful life and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the statement of financial performance.

The economic entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the statement of financial performance.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the net disposal proceeds, if any, and the carrying amount of an item.

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

| **Item** | **Average useful life** |
|---|---|
| Furniture and fittings | 6 - 15 years |
| Computer equipment | 3 - 8 years |
| Office equipment | 5 - 10 years |

### 1.6 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the economic entity or from other rights and obligations.

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

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

### Intangible assets (continued)

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

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

| Item | Useful life |
|---|---|
| Computer software | 2 - 5 years |

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

# Accounting Policies

## 1.7 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

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 residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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 past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fai value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

*Classification*

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

| **Class** | **Category** |
|---|---|
| Trade receivables from exchange transactions | Financial asset measured at fair value |
| Trade receivables from non-exchange transactions | Financial asset measured at fair value |
| Bank, cash and cash equivalents | Financial asset measured at amortised cost |
| Long-term receivables | Financial asset measured at fair value |
| Current portion of long-term receivables | Financial asset measured at fair value |

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

| **Class** | **Category** |
|---|---|
| Trade payables from exchange transactions | Financial liability measured at fair value |
| Trade payables from non-exchange transactions | Financial liability measured at fair value |
| Consumer deposits | Financial liability measured at fair value |
| Long-term liabilities | Financial liability measured at fair value |
| Current portion of long-term liabilities | Financial liability measured at fair value |

*Initial recognition*

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

The economic entity recognises financial assets using trade date accounting.

*Initial measurement of financial assets and financial liabilities*

The economic entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

# Accounting Policies

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

*Subsequent measurement of financial assets and financial liabilities*

The economic entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

*Impairment and uncollectibility of financial assets*

The economic entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

*Financial assets measured at amortised cost:*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

*Derecognition*

*Financial assets*

The economic entity derecognises a financial asset only when:
- the economic entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the economic entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the economic entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

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

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

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

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

*Financial liabilities*

The economic entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

### 1.8 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### Finance leases - lessor

The economic entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the economic entity’s net investment in the finance lease.

### Finance leases – 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 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 minimum lease payments is the interest rate implicit in the lease.

Minimum 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 interest on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

**Leases (continued)**

### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight - line basis.

Income for leases is disclosed under revenue in statement of financial performance.

### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight - line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight -line basis.

Any contingent rents are expensed in the period in which they are incurred.

### 1.9 Impairment of assets

The economic entity assesses at each reporting period date whether there is any indication that an asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also:

- tests goodwill, with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

### 1.10 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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

**Provisions and contingencies (continued)**

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when the economic entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised.

### 1.11 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.12 Correction of error

Correction of error are comprised of differences in the opening balances of retained income, trade and other payables and operating lease liabilities.

### 1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method

# Accounting Policies

### 1.14 Revenue from exchange transactions

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

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

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

*Measurement*

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

*Sale of goods*

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

*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;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- 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.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

*Interest*

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

## 1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the economic entity, 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 the economic entity 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.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

*Recognition*

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the economic entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

*Measurement*

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

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

*Taxes*

The economic entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the economic entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

# Accounting Policies

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The economic entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

*Transfers*

Apart from services in kind, which are not recognised, the economic entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

*Debt forgiveness and assumption of liabilities*

The economic entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

*Bequests*

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the economic entity, and the fair value of the assets can be measured reliably.

*Gifts and donations, including goods in-kind*

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

## 1.16 Trade receivables

The municipal entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

## 1.17 Value added tax

Value added tax on revenue and expenditure transactions are recorded in the books of the economic entity on the accrual basis of accounting, however South African Revenue Services has registered and permitted the economic entity to use the payment basis for determining the amounts due to or from South African Revenue Services.

The municipal entity is registered with SARS for Vat on the invoice basis in accordance with Section 15(2)(a) of the Value Added Tax Act, No. 81 of 1991.

## 1.18 Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### 1.19 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

### 1.20 Comparative figures

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

### 1.21 Commitments

The amounts of capital commitments contracted for at the reporting date and which have not been recognised as liabilities are disclosed by way of a note.

### 1.22 Budget information

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

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

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

The approved budget covers the fiscal period from 1 July 2017 to 30 June 2018.

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

The financial statements and the budget are not 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.

Comparative information is not required.

### 1.23 Change in accounting policy, estimate and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the change in accounting policy. In such a case the municipality will restate the opening balances of the assets,liabilities and net assets for the earliest period for which retrospective application is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of the change in estimates are disclosed in the notes to the annual financial statements where applicable

Correction of error that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the error. In such a case the economic entity will restate the opening balances of the assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

### 1.24 Events after reporting dates

Events after the reporting date are classified as adjusting events are accounted for in the financial statements and events after the reporting dates that are classified as non-adjusting events are disclosed in the notes to the financial statements.

# Accounting Policies

### 1.25 Employee costs

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the statement of financial position. The economic entity recognises the expected cost of performance bonuses when the economic entity has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

### 1.26 Related parties

The economic entity 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 local sphere of government are considered to be related parties.

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

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

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

### 1.27 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), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality’s or municipal entities’ supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance.

### 1.28 Fruitless and wasteful expenditure

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

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

### 1.29 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to 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.

# Notes to the Annual Financial Statements

## 2. Investment property

**Details of property**

**Portion 1 of The Farm Elysium no. 15582, Registered Division ET, Province of KwaZulu Natal held under Deed of Transfer, T51929/1999, in extent 92.4433 hectares.**

| | 2018 | 2017 |
|---|---|---|
| - Purchase price: | 9 349 310 | 9 349 310 |
| - Purchase date: 9 October 2016 | | |
| | **9 349 310** | **9 349 310** |

## 3. Property, plant and equipment

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Furniture and fittings | 232 170 | (122 975) | 109 195 | 222 601 | (100 755) | 121 846 |
| Computer equipment | 243 272 | (79 954) | 163 318 | 233 198 | (77 667) | 155 531 |
| Office equipment | 78 264 | (42 527) | 35 737 | 78 264 | (30 256) | 48 008 |
| **Total** | **553 706** | **(245 456)** | **308 250** | **534 063** | **(208 678)** | **325 385** |

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

| | Opening balance | Additions | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|
| Furniture and fittings | 121 846 | 9 570 | (14 816) | (7 404) | 109 196 |
| Computer equipment | 155 531 | 35 600 | (27 813) | - | 163 318 |
| Office equipment | 48 008 | - | (9 645) | (2 627) | 35 736 |
| | **325 385** | **45 170** | **(52 274)** | **(10 031)** | **308 250** |

**Reconciliation of property, plant and equipment - 2017**

| | Opening balance | Additions | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|
| Furniture and fittings | 115 641 | 21 020 | (14 815) | - | 121 846 |
| Computer equipment | 136 016 | 61 994 | (24 816) | (17 663) | 155 531 |
| Office equipment | 57 653 | - | (9 645) | - | 48 008 |
| | **309 310** | **83 014** | **(49 276)** | **(17 663)** | **325 385** |

## 4. Intangible assets

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation | Carrying value | Cost / Valuation | Accumulated amortisation | Carrying value |
| Computer software | 52 387 | (36 812) | 15 575 | 52 387 | (33 937) | 18 450 |

**Reconciliation of intangible assets - 2018**

| | Opening balance | Amortisation | Total |
|---|---|---|---|
| Computer software | 18 450 | (2 875) | 15 575 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|---|---|

## Intangible assets (continued)

**Reconciliation of intangible assets - 2017**

| | Opening balance | Amortisation | Total |
|---|---|---|---|
| Computer software | 21 325 | (2 875) | 18 450 |

## 5. Receivables from non exchange transactions

| | 2018 | 2017 |
|---|---|---|
| **Municipalities** | | |
| Other debtors | - | 11 389 |
| Grants | 770 126 | 1 178 632 |
| Sars - Vat | 56 349 | - |
| Sars | 5 121 | - |
| CIPC | 700 | - |
| | **832 296** | **1 190 021** |

| | 2018 | 2017 |
|---|---|---|
| **Ageing** | | |
| 0 - 30 days | 65 890 | - |
| 31 - 60 days | 2 607 | - |
| 61 - 90 days | (23 513) | - |
| 91 - 120 days | 23 513 | - |
| + 120 days | 763 799 | 1 190 021 |
| | **832 296** | **1 190 021** |

| Figures in Rand | 2018 | 2017 |
| --- | --- | --- |

## 6. Cash and cash equivalents

| | | |
| --- | --- | --- |
| **Cash and cash equivalents** | | |
| Cash | 2 768 | 1 056 |
| Cash at bank | 2 422 241 | 23 904 |
| Short-term deposits | 329 237 | 1 221 810 |
| | **2 754 246** | **1 246 770** |

| | | |
| --- | --- | --- |
| **Bank accounts** | | |
| Absa Bank | 2 422 241 | 23 904 |
| Investment - Absa Bank | 329 237 | 1 221 810 |
| | **2 751 478** | **1 245 714** |

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.

The management of the entity is of the opinion that the carrying value of Cash and cash equivalents recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the entity and financial institutions.

| | | |
| --- | --- | --- |
| **Absa Bank - Account number: 408 970 4563 - Primary Bank Account** | | |
| Bank statement balance at beginning of year | 23 904 | 8 485 |
| Cash book balance at beginning of year | 23 904 | 8 485 |
| Bank statement balance at end of year | 2 422 241 | 23 904 |
| Cash book balance at end of year | 2 422 241 | 23 904 |
| **Absa Bank - Account number: 932 264 8008 - Investment account** | | |
| Bank statement balance at beginning of year | 1 221 810 | 4 050 763 |
| Cash book balance at beginning of year | 1 221 810 | 4 050 763 |
| Bank statement balance at end of year | 314 237 | 1 221 810 |
| Cash book balance at end of year | 314 237 | 1 221 810 |
| **Absa Bank - Account number: 934 088 7696 - Call account** | | |
| Bank statement balance at end of year | 15 000 | - |
| Cash book balance at end of year | 15 000 | - |
| | - | - |

For the purposes of the statement of financial position and the cash flow statement, Cash and cash equivalents include cash on hand, cash at banks and Investments in money market Instruments, net of outstanding bank overdrafts.

| Figures in Rand | 2018 | 2017 |
|---|---|---|

## 7. Provisions

| | | |
|---|---|---|
| Provision for performance bonus | 487 925 | 241 786 |
| Provision for leave | 376 362 | 323 567 |
| | **864 287** | **565 353** |

| Reconciliation of provisions - 2018 | Opening balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| Provision for performance bonuses | 241 786 | 246 139 | - | - | 487 925 |
| Provision of leave | 323 567 | 402 444 | (276 830) | (72 819) | 376 362 |
| | **565 353** | **648 583** | **(276 830)** | **(72 819)** | **864 287** |

| Reconciliation of provisions - 2017 | Opening balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| Provision for performance bonuses | - | 241 786 | - | - | 241 786 |
| Provision of leave | 107 602 | 321 479 | (105 514) | - | 323 567 |
| | **107 602** | **563 265** | **(105 514)** | **-** | **565 353** |

## 8. Unspent conditional grants and receipts

| | | |
|---|---|---|
| KZNEDTEA | 1 000 000 | 1 000 000 |
| KZNCoGTA - National School Nutrition Programme | 3 000 000 | - |
| | **4 000 000** | **1 000 000** |

## 9. Interest bearing borrowings

| | | |
|---|---|---|
| **Unsecured** | | |
| Ugu South Coast Tourism (Pty) Ltd | 4 194 548 | 4 138 607 |
| Less: Shown under current liabilities | (4 194 548) | - |
| | **-** | **4 138 607** |

This loan is unsecured and is payable upon the receipt of proceeds from KZN EDTEA. Interest is payable at a rate equal to the rate of the Agency's Absa Bank interest bearing investment.

## 10. Operating lease liabilities

Operating leases are recognised on the straightline basis as per the requirements of GRAP 13. In respect of non-cancellable operating leases the following liabilities have been recognised:

| | | |
|---|---|---|
| **Operating leases** | | |
| Balance at beginning of year | 35 427 | 2 974 |
| Operating lease expenses recorded | (531 254) | (496 499) |
| Operating lease payments - straightlined | 528 980 | 528 979 |
| | 33 152 | 35 427 |
| Amount due for settlement within 12 months (current portion) | (2 274) | (2 275) |
| | **30 878** | **33 152** |

## 11. Payables from exchange transactions

| | | |
|---|---|---|
| Trade payables | 99 973 | 212 041 |
| Vat | - | 2 814 |
| | **99 973** | **214 855** |

| Figures in Rand | 2018 | 2017 |
| --- | --- | --- |

**Payables from exchange transactions (continued)**

| | | |
| --- | --- | --- |
| **Ageing** | | |
| 0 - 30 days | 23 162 | 212 041 |
| 61 - 90 days | 75 355 | - |
| + 120 days | 1 456 | - |
| | **99 973** | **212 041** |

| | | |
| --- | --- | --- |
| **Payables from non exchange transactions** | | |
| Vat | - | 2 814 |

| | | |
| --- | --- | --- |
| **Payables** | | |
| Payables from exchange transactions | 99 973 | 212 041 |
| Payables from non exchange transactions | - | 2 814 |
| | **99 973** | **214 855** |

## 12. Income

| | | |
| --- | --- | --- |
| **Revenue from non-exchange transactions** | | |
| **Transfers** | | |
| Grants | 7 363 125 | 11 846 186 |

| | | |
| --- | --- | --- |
| **Revenue from exchange transactions** | | |
| **Sale of goods and rendering of services** | | |
| Rental income | 146 724 | - |
| Other Income | 2 581 | 72 359 |
| **Interest** | | |
| Interest received | 125 678 | 263 564 |
| | **274 983** | **335 923** |

| | | |
| --- | --- | --- |
| **Total income** | | |
| Revenue from non-exchange transactions | 7 363 125 | 11 846 186 |
| Revenue from exchange transactions | 274 983 | 335 923 |
| | **7 638 108** | **12 182 109** |

The Farm Elysium generates revenue which is represented by rental income from tenants.

## 13. Grants

| | | |
| --- | --- | --- |
| Ray Nkonyeni Municipality | 525 000 | 2 496 500 |
| Ugu District Municipality | 5 788 125 | 6 389 693 |
| Ugu South Coast Tourism | - | 1 968 257 |
| Umdoni Municipality | 525 000 | 500 000 |
| Umzumbe Municipality | 525 000 | 500 000 |
| | **7 363 125** | **11 854 450** |

## 14. Finance costs

| | | |
| --- | --- | --- |
| Ugu South Coast Tourism (Pty) Ltd | 296 130 | 140 690 |

## 15. Auditor's remuneration

| | | |
| --- | --- | --- |
| Audit fees | 537 755 | 269 350 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|---|---|
| | | |

### 16. Directors' remuneration

| | | |
|---|---|---|
| **For services as directors** | | |
| SJ Nzimande | 93 734 | 146 605 |
| SC Dlomo | 164 919 | 173 070 |
| EJ Crutchfield | 120 473 | 73 312 |
| VK Naidoo | 87 948 | 124 271 |
| ZP Mthuli | 100 619 | 105 266 |
| LG Shezi | 151 677 | 128 266 |
| EM Zungu | 74 094 | 82 153 |
| B Zulu | 53 121 | 76 340 |
| | **846 585** | **909 282** |

| Figures in Rand | 2018 | 2017 |
|---|---|---|

## 17. Employee costs

The municipal entity has 11 employees.

| | | |
|---|---|---|
| Employee related costs - Salaries and wages | 4 446 156 | 3 636 625 |
| Employee related costs - Contributions for UIF, pension funds and medical aids | 302 041 | 242 842 |
| Other allowances | 683 270 | 561 192 |
| | **5 431 467** | **4 440 659** |

Included in employee costs are the following amounts paid to s57 employee of the company:

| | | |
|---|---|---|
| **Chief Executive Officer - M Mabece** | | |
| Basic | 1 060 320 | 328 000 |
| Contributions for UIF, Pension fund and other | - | 5 046 |
| Travel, motor car, accommodation, subsistence and other allowances | 255 423 | 72 000 |
| | **1 315 743** | **405 046** |

| | | |
|---|---|---|
| **Chief Executive Officer (Acting) - EJ Crutchfield** | | |
| Basic | - | 290 000 |
| Performance bonus | 107 734 | - |
| Contributions for UIF, Pension fund and other | - | 4 449 |
| | **107 734** | **294 449** |

| | | |
|---|---|---|
| **Property Development Manager (Acting) - EJ Crutchfield** | | |
| Basic | 60 000 | - |

| | | |
|---|---|---|
| **General Manager: Finance and Human Resources - KMN Duma (Resigned 30 September 2017)** | | - |
| Basic | 131 295 | 473 882 |
| Performance bonus | 10 714 | - |
| Contributions for UIF, pensions and medical aids | - | 71 730 |
| Travel, motor car, accommodation, subsistence and other allowances | 38 261 | 137 237 |
| Leave pay | 47 298 | - |
| | **227 568** | **682 849** |

| | | |
|---|---|---|
| **General Manager: Finance and Human Resources - B Fikeni (Appointed 26 February 2018)** | | |
| Basic | 272 283 | - |
| Travel, motor car, accommodation, subsistence and other allowances | 21 250 | - |
| | **293 533** | **-** |

| | | |
|---|---|---|
| **General Manager: Development - Agriculture and Acting CEO - NZ Hlongwane** | | |
| Basic | 524 093 | 466 321 |
| Performance bonus | 9 673 | - |
| Contributions for UIF, pensions and medical aids | - | 83 344 |
| Travel and housing allowance | 168 541 | 137 237 |
| | **702 307** | **686 902** |

| | | |
|---|---|---|
| **General Manager: Development - Special Projects - TJ Bacela** | | - |
| Basic | 504 255 | 465 588 |
| Performance bonus | 5 357 | - |
| Contributions for UIF, pensions and medical aids | - | 72 401 |
| Travel and housing allowance | 183 844 | 137 237 |
| | **693 456** | **675 226** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|---|---|
| **General Manager: Marketing and Investment Promotion - N Makhaye** | | |
| Basic | 505 559 | 251 667 |
| Contributions for UIF, pensions and medical aids | - | 32 996 |
| Travel and housing allowance | 151 480 | 57 182 |
| | **657 039** | **341 845** |

## 18. General expenses

| | | |
|---|---|---|
| Accounting fees | 92 220 | 86 000 |
| Advertising | 110 929 | 258 683 |
| Audit and risk | 51 132 | 69 681 |
| Auditor's remuneration | 537 755 | 269 350 |
| Bank charges | 13 495 | 17 908 |
| Cleaning | 3 155 | 11 270 |
| Conferences and seminars | 39 730 | 35 418 |
| Consulting fees | - | 262 |
| Courier and postage | 5 954 | 4 195 |
| Electricity and water | 96 595 | 67 579 |
| Gifts and promotions | 51 865 | - |
| IT - Software / Server | 38 579 | 119 598 |
| Insurance | 27 223 | 23 804 |
| Other expenses | 1 450 | 400 |
| Printing and stationery | 141 369 | 84 135 |
| Project expenses | 346 023 | 1 733 757 |
| Provision for leave pay expense | 52 795 | - |
| Provision for performance bonus expense | 246 139 | - |
| Refreshments | 15 368 | - |
| Rent (Office) | 559 419 | 496 499 |
| Rent equipment | - | 31 590 |
| Security | 7 641 | 7 374 |
| Staff training | 14 900 | - |
| Subscriptions | - | 34 629 |
| Subsistence and travel | 358 609 | 235 829 |
| Telephone and fax | 85 329 | 67 062 |
| | **2 897 674** | **3 655 023** |

## 19. Cash (used in) generated from operations

| | | |
|---|---|---|
| Loss before taxation | (1 919 572) | 2 938 869 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 65 179 | 54 379 |
| Interest received | (125 678) | (263 564) |
| Finance costs | 296 130 | 140 690 |
| Movements in operating lease assets and accruals | (2 275) | 32 480 |
| Movements in provisions | 298 935 | 327 547 |
| **Changes in working capital:** | | |
| Receivables from exchange transactions | 174 789 | (1 028 752) |
| Payables from exchange transactions | (114 882) | 285 059 |
| | **(1 327 374)** | **2 486 708** |

## 20. Taxation

No provision for taxation is made as the company is exempt in terms of Section 10(1)(b) of the South African Income Tax Act.

## 21. Financial instruments

### Classification

*Financial assets*

In accordance with GRAP 101 the financial assets of the entity are classified as follows:

| Financial asset | Classification | 2018 | 2017 |
|---|---|---|---|
| **Receivables from non exchange transactions** | | | |
| Other debtors | Loans and receivables | 832 296 | 1 190 021 |
| **Bank, cash and cash equivalents** | | | |
| Bank balances | Available for sale | 2 422 241 | 23 904 |
| Cash floats and advances | Available for sale | 2 768 | 1 056 |
| Other cash equivalents | Available for sale | 329 237 | 1 221 810 |
| | | **3 586 542** | **2 436 791** |

| | | | |
|---|---|---|---|
| **Summary of financial assets** | | | |
| **Loans and receivables** | | | |
| Municipalities | Sundry debtors | 832 296 | 1 190 021 |
| **Available for sale** | | | |
| Bank balances and cash | Bank balances | 2 751 478 | 1 245 714 |
| Bank balances and cash | Cash floats and advances | 2 768 | 1 056 |
| | | 3 586 542 | 2 436 791 |

*Financial liabilities*

In accordance with GRAP 101 the financial liabilities of the entity are classified as follows:

| Financial liabilities | Classification | 2018 | 2017 |
|---|---|---|---|
| **Creditors** | | | |
| Payables from exchange transactions | Financial liabilities | 99 973 | 214 855 |
| Provision for leave pay | Financial liabilities | 864 288 | 565 353 |
| | | 964 261 | 780 208 |

| | | | |
|---|---|---|---|
| **Summary of financial liabilities** | | | |
| **Financial liabilities at amortised cost** | | | |
| Trade and other payables | Trade creditors | 99 973 | 214 855 |
| Provision for leave pay | Other creditors | 864 288 | 565 353 |
| | | 964 261 | 780 208 |

*Fair value*

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The management of the entity is of the opinion that the carrying value of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values. The fair value of financial assets and financial liabilities were determined after considering the standard terms and conditions of agreements entered into between the entity and other parties as well as the the current payment ratio's of the entity's debtors.

*Capital risk management*

# Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|---|---|

The entity manages its capital to ensure that the entity will be able to continue as a going concern while delivering sustainable services to customers through the optimisation of the debt and equity balance.

The capital structure of the entity consists of debt, which includes the bank, cash and cash equivalents and equity, comprising funds, reserves and accumulated surplus as disclosed in the notes and the statement of changes in net assets.

*Gearing ratio*
In terms of the entity's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,0%, reducing to 90,0%. This aggressive ratio is as a result of the development challenges faced by the entity. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

| | 2018 | 2017 |
|---|---|---|
| Payables from exchange transactions | 99 973 | 214 855 |
| Provision for leave pay | 864 288 | 565 353 |
| | **964 261** | **780 208** |
| Equity | 4 067 716 | 6 175 694 |
| Net debt to equity percentage | 23.71 % | 12.63 |

Debt is defined as long and short term liabilities, as detailed in the notes.

Equity includes all funds and reserves of the entity, disclosed as net assets in the statement of financial position.

*Financial risk management objectives*
Due to the largely non-trading nature of activities and the way in which they are financed, the municipal entity is not exposed to the degree of financial risk faced by other business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the entity in undertaking its activities.

The chief executive officer monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by management on a continuous basis, and annually by external auditors. The entity does not enter into or trade financial instruments for speculative purposes.

*Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in 1.19 the accounting policies to the financial statements.

*Market risk*

The entity's activities expose it primarily to the financial risks of changes in interest rate. No formal policy exists to hedge volatilities in the interest rate market.

*Foreign currency risk management*

The entity's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the foreign exchange market.

*Interest rate risk management*

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The entity limits its counterparty exposures from its bank and cash balances by only dealing with well-established financial institutions of high credit standing.

*Interest rate sensitivity analysis*

The entity had no floating rate long-term financial instruments at year-end requiring an interest rate sensitivity analysis.

*Effective interest rates and repricing analysis*
In accordance with IFRS 7.40 the following tables indicate the average effective interest rates of income earning financial assets and interest bearing financial liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

| 30 June 2018 | Average effective rate | 6 months or less | 6 - 60 months | More than 5 years | Total |
|---|---|---|---|---|---|
| Bank and cash resources | - | 2 754 246 | - | - | 2 754 246 |

*Other price risks*
The entity is not exposed to equity price risks arising from equity investments as the entity does not trade these investments.

*Liquidity risk management*
Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity requirements. The entity manages liquidity risk by maintaining adequate banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

*Liquidity and interest risk tables*
The entity ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. There is no credit line overdraft facility available. Interest payable is linked to the prime interest rate.

The following tables detail the entity's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both interest and principal cash flows.

| 30 June 2017 | Average effective rate | 6 months or less | 6 - 60 months | More than 5 years | Total |
|---|---|---|---|---|---|
| Non interest bearing | - | 1 782 483 | - | - | 1 782 483 |
| Variable interest rate instruments | - | - | - | - | - |
| | **-** | **1 782 483** | **-** | **-** | **1 782 483** |

The following table details the entity's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the entity anticipates that the cash flow will occur in a different period.

| 30 June 2018 | Average effective rate | 6 months or less | 6 - 60 months | More than 5 years | Total |
|---|---|---|---|---|---|
| Non interest bearing | - | 9 161 083 | - | - | 9 161 083 |
| Variable interest rate instruments | - | - | - | - | - |
| | - | 9 161 083 | - | - | 9 161 083 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|---|---|

The entity expects to meet its obligations from operating cash flows and proceeds of maturing financial assets. The entity expects to maintain current debt to equity ratio.

*Credit risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The entity has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The entity uses other publicly available financial information and its own trading records to assess its major customers. The entity's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate cash deposits at banks, accounts receivables and other debtors.

The entity limits its counterparty exposures from its cash deposit operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing.

Trade debtors comprise of a large number of customers, dispersed across different industries and geographical areas within the jurisdiction of the entity. Debtors are presented net of a provision for impairment.

Other debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The entity defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

| | 2018 | 2017 |
|---|---|---|
| Municipalities | 832 296 | 1 190 021 |
| Bank, cash and cash equivalent | 2 754 246 | 1 246 770 |
| | **3 586 542** | **2 436 791** |

*Credit quality of financial assets:*

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

**Other debtors**

| | 2018 | 2017 |
|---|---|---|
| Municipalities | 832 296 | 1 190 021 |

**Bank balances**

| | 2018 | 2017 |
|---|---|---|
| Absa Bank | 2 422 241 | 23 904 |
| Absa Bank | 329 237 | 1 221 810 |
| | 2 751 478 | 1 245 714 |

*Credit quality of grouping*

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.
Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.
Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been re-negotiated in the last year.

## 22. Risk management

*Financial risk management*

The Accounting Officer has overall responsibility for the establishment and oversight of the municipal entity's risk management framework. The municipal entity's risk management policies are established to identify and analyse the risks faced by the municipal entity, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities and municipal entities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipal entity in undertaking its activities.

The Chief Financial Officer monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipal entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

*Liquidity risk*

Liquidity risk is the risk that the municipal entity will encounter difficulty in meeting the obligations associated with its Financial liabilities that are settled by delivering cash or another financial asset. The municipal entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipal entity's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

*Credit risk*

Credit risk is the risk of financial loss to the municipal entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the municipal entity's receivables from customers and investment securities

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipal entity. The municipal entity has a sound credit control and debt collection policy and obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipal entity uses other publicly available financial information and its own trading records to assess its major customers. The municipal entity's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, shortterm investment deposits and bank and cash balances

The municipal entity establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

| Financial instrument | 2018 | 2017 |
|---|---|---|
| Receivables from non exchange transactions | 832 296 | 1 190 021 |
| Cash and cash equivalents | 2 754 246 | 1 246 770 |
| | **3 586 542** | **2 436 791** |

*Market risk*

*Interest rate risk*

Interest rate risk is defined as the risk that the fair value or future cashflows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipal entity is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipal entity limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting percentage exposure limits, which are included in the municipal entity's Investment policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the Board.

Long-term receivables and other debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable

### 23. Related parties

| | |
|---|---|
| Relationships | |
| Directors | See Directors' Report |
| Holding company | Ugu District Municipality |
| Sponsoring municipality | Ray Nkonyeni Municipality<br>Umzumbe Municipality<br>Umdoni Municipality<br>Umuziwabantu Municipality - paid through Ugu District Municipality |

**Related party balances**

| | 2018 | 2017 |
|---|---|---|
| **Loans from related parties** | | |
| Ugu South Coast Tourism | 4 194 548 | 4 138 607 |

**Related party transactions**

| | 2018 | 2017 |
|---|---|---|
| **Grants received from related parties** | | |
| Ray Nkonyeni Municipality | 525 000 | 2 496 500 |
| Umdoni Municipality | 525 000 | 500 000 |
| Umzumbe Municipality | 525 000 | 500 000 |
| **Directors' fees paid to related parties** | | |
| See note 9 | 846 585 | 909 282 |

### 24. Prior year adjustment

| | Previously stated | 2017 | Differences |
|---|---|---|---|
| Computer equipment | 162 621 | (155 531) | 7 090 |
| Office equipment | 54 606 | (48 008) | 6 598 |
| Furniture and fittings | 81 776 | (121 846) | (40 070) |
| Overstatement of rental income | - | - | (8 264) |
| | **299 003** | **(325 385)** | **(34 646)** |

## 25. Correction of error

Correction of error arising from recovered take on balances from audited financial statement.

| | Previously stated | 2018 | Differences |
|---|---|---|---|
| Accumulated surplus | 5 948 025 | 6 148 004 | (200 978) |
| Trade and other payables | 294 123 | 112 863 | 181 259 |
| Operating lease liability | 35 427 | 33 152 | 2 275 |
| | **6 277 575** | **6 294 019** | **(17 444)** |

## 26. Comparative figures

Certain comparative figures have been reclassified in order to present more meaningful and appropriate comparisons and to show balances what were not previously reflected.

## 27. Additional disclosure in terms of the Municipal Finance Management Act

Contributions to PAYE and UIF

**Heading**

| **PAYE, UIF and SDL** | **PAYE** | **UIF** | **SDL** | |
|---|---|---|---|---|
| Current year payroll deductions and company's contributions | 1 200 911 | 50 669 | 55 712 | 781 317 |
| Amount paid - current year | (1 206 032) | (50 669) | (55 712) | (781 317) |
| **Balance overpaid (included in debtors)** | **(5 121)** | **-** | **-** | **-** |

| | | |
|---|---|---|
| **Pension and medical aid deductions** | | |
| Current year payroll deductions and company's contributions | (356 114) | (334 328) |
| Amount paid - current year | 356 114 | 334 328 |
| **Balance unpaid (included in creditors)** | **-** | **-** |

| | | |
|---|---|---|
| **Audit fees** | | |
| Opening balance | - | 3 680 |
| Current year's audit fee | 537 755 | 269 350 |
| Amount paid - current year | (537 755) | (269 350) |
| Amount paid - previous year | - | (3 680) |
| **Balance unpaid (included in creditors)** | **-** | **-** |

**Vat**

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

### Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

## 28. Contingent assets

Management has not identified any contingent assets.

## 29. Contingent liabilities

Management is not aware of any pending or threatened litigations, proceedings, hearings or claims which may result in significant loss or possible recovery to the entity.Thus the entity does not have any contingent liabilities or contingent assets to disclose at year end.

# Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 |
| --- | --- | --- |

## 30. In-kind donations and assistance

The entity did not receive any in-kind donations and assistance during the year under review.

## 31. Commitments

### Commitments for expenditure

| | | |
| --- | --- | --- |
| Projects and other capital expenditure | - | 4 358 820 |
| | - | 4 358 820 |
| Due within one year | - | 3 708 770 |
| Thereafter | - | 650 050 |
| | - | 4 358 820 |

## 32. Fruitless and wasteful expenditure

To the best of management's knowledge, all instances of note indicating that fruitless and wasteful expenditure incurred during the year under review is as follows:

| | | |
| --- | --- | --- |
| **Reconciliation of fruitless and wasteful expenditure:** | | |
| Opening balance | 210 541 | - |
| Fruitless and wasteful expenditure - current year | 141 200 | 210 541 |
| Written off by the board after investigation | (1 706) | - |
| **Closing balance** | **350 035** | **210 541** |

| Incident | Disciplinary steps / criminal proceedings |
| --- | --- |
| Late cancellations | No disciplinary steps were taken. |
| Penalties and interest on late payments | Steps are taken to recover. |

## 33. Irregular expenditure

To the best of management's knowledge, all instances of note indicating irregular expenditure incurred during the year under review is as follows:

| | | |
| --- | --- | --- |
| **Reconciliation of Irregular expenditure:** | | |
| Opening balance | 11 493 855 | - |
| Irregular expenditure - current year | 73 347 | 11 493 855 |
| Written off by the board after investigation | (11 530 202) | - |
| | **37 000** | **11 493 855** |

| Incident | Disciplinary steps / criminal proceedings |
| --- | --- |
| Non - adherence to supply chain process | No disciplinary steps were taken. |

### Section 36 Deviations

| | | |
| --- | --- | --- |
| Opening balance | - | - |
| Impractical or impossible to follow the official procurement process - S36 (1)(a)(v) | 234 641 | 525 766 |
| | 234 641 | 525 766 |

Comparison of Budget and Actual Income and Expenditure Budget on Accrual basis

| Figures in Rand<br><br>Budget on Accrual basis | **Approved budget** | **Adjustments** | **Final Budget** | **Actual Amounts on comparable basis** | **Difference between final budget and Actual** | **Reference** |
|---|---|---|---|---|---|---|
| **Revenue from non exchange transactions** | | | | | | |
| Grants and subsidies | 9 588 125 | 2 475 000 | 12 063 125 | 7 715 318 | (4 347 807) | - |
| | 9 588 125 | 2 475 000 | 12 063 125 | 7 715 318 | (4 347 807) | - |
| **Revenue from exchange transactions** | | | | | | |
| Rental income | - | - | - | 152 701 | 152 701 | - |
| Other own revenue | 3 550 000 | (1 948 321) | 1 601 679 | 4 867 | (1 596 812) | - |
| Interest earned | 200 000 | (50 000) | 150 000 | 125 678 | (24 322) | - |
| | 3 750 000 | (1 998 321) | 1 751 679 | 283 246 | (1 468 433) | - |
| **Total income** | **13 338 125** | **476 679** | **13 814 804** | 7 998 564 | **(5 816 240)** | **-** |
| **Expenses** | | | | | | |
| Employee costs | 4 800 000 | (45 266) | 4 754 734 | 5 431 467 | (676 733) | - |
| Directors' fees | 855 678 | 1 | 855 679 | 846 585 | 9 094 | - |
| Depreciation and asset impairment | 65 000 | - | 65 000 | 57 003 | 7 997 | - |
| Finance charges | - | - | - | 296 130 | (296 130) | - |
| General expenses | 7 446 895 | 1 066 385 | 8 513 280 | 3 151 611 | 5 361 669 | - |
| Total expenses | 13 167 573 | 1 021 120 | 14 188 693 | 9 782 796 | 4 405 897 | - |
| **Surplus (deficit)** | **170 552** | **(544 441)** | **(373 889)** | **(1 784 232)** | | **-** |

# The Audit Action Plan

The MFMA No. 56 of 2003, section 122(i) requires that a municipal entity must prepare annual financial statements that fairly presents the state of affairs of the entity, its performance against its budget, its management of revenue, expenditure, assets, liabilities, its business activities, its financial results and its financial position as at the end of the financial year. This is what has been presented in the section of Annual Financial Statements.

The same act, section 126 requires that the annual financial statements must be submitted to the Auditor General for auditing. After the audit of the information as indicated above, the agency must then prepare corrective actions on the issues raised by the Auditor General.

The table below gives the corrective actions for the 2017/18 financial year as a response to the issues raised by the Auditor General.

| AUDIT CORRECTIVE ACTION FOR THE 2017/18 FINANCIAL PERIOD | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Corrective Action | | | | | STATUS | | | |
| | | | Responsible Person | | | | | | | |
| **No.** | **Finding** | **Required Management Action** | **Accountable Manager** | **Accountable Official** | **Start date** | **Targeted Completion Date** | **Resolved (Yes/No/ In Progress)** | **Comments by Responsible Manager** | **Evidence required** | **Evidence avialable Y/N** |
| **ANNEXURE A: MATTERS AFFECTING THE AUDIT REPORT** | | | | | | | | | | |
| 1 | Grant income was received and recognised in excess of the amount per the signed SLA | Ensure that revenue is recognised as per the signed agreement | Finance Manager | Financial Administrator | 01-Jul-18 | Monthly | Yes and In Progress | Review the invoices raised to ensure compliance with the signed agreements | SLA's and Invoices raised | Y |
| 2 | Not all receivable balances could be supported with verifiable supporting evidence and documentation. | Review all transactions/balances in the general ledger to ensure that they are supported by evidence | Finance Manager | Financial Administrator | 01-Jul-18 | Monthly | Yes and In Progress | Ensure accurate filing of all documents that support balances disclosed | Supporting Documents | Y |
| 3 | Reason for deviation from the SCM Process not justifiable | Ensure that SCM processes are applied as provided for in the legislation, policies and regulations | Finance Manager | SCM Officer | 01-Jul-18 | Monthly | No | The identified instance of irregular expenditure must be investigated and the decision must be taken by the Board | Board Resolution and current year's scm transactions | N |
| 4 | Failure to prevent fruitless and wasteful expenditure | Ensure that the recurrence of fruitless and wasteful expenditure is prevented | Finance Manager | SCM Officer | 01-Jul-18 | Monthly | Yes and In Progress | It is important that the instances of fruitless and wasteful expenditure are prevented from | Report to the Board -Minutes of the Board meeting - Resolutions of the meeting | Y |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | recurring as the board has dealt with the instances for prior periods | | |
| | | | | | | | | | | |
| **ANNEXURE B: OTHER IMPORTANT MATTERS** | | | | | | | | | | |
| 5 | No information provided to confirm that the final budget was approved by the board of directors | Management must ensure compliance with the legislations and that the compliance is accurately documented | CEO | Finance Manager | 01-Jul-18 | Quarterly | Yes | Management must ensure accurate documentation of resolutions taken by the board | Board Resolution approving the 2018/19 Budget | Y |
| 6 | Monthly management accounts not submitted to the parent municipality | Management must ensure that monthly management accounts are submited to the parent municipality | CEO | Finance Manager | 01-Jul-18 | Monthly | Yes and In Progress | Ensure that the reports are submitted and evidence to that effect is maintained | Proof of monthly submissions to the parent | Y |
| 7 | Adjustment budget not made public on the municipal entity's website | Ensure that all legislated documents are uploaded to the website | CEO | Manager: IPM | 01-Jul-18 | On-going | Yes | All information required for the website must be uploaded | Updated website | Y |
| 8 | Section 36 deviations schedule is misstated in the financials | Ensure that supporting information is accurate and supports the balances disclosed in the AFS | Finance Manager | SCM Officer | 01-Oct-18 | Quarterly | Yes | Review processes must be such that errors are identified and corrected on time | Schedule and AFS | Y |
| 9 | Reliability of information reported in annual performance report | Management must ensure that the disclosed information is reliable and accurate in the Annual Performance report | Finance Manager | All Managers | 01-Oct-18 | Quarterly | Yes | This must be monitored on a quarterly basis | APP reports | Y |

**ANNUAL PERFORMANCE PLAN - 2017/2018**
**ANNUAL PERFORMANCE PLAN**

| S/O# | National KPA# | Ugu DM IDP Ref | PROGRAMME | PROJECT | KPI | COMPARATIVES 2016/17 | | YEAR UNDER REVIEW 2017/2018 | | | | | ANNUAL BUDGET | OWNER | POE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Annual Target | Actual | YE 2018 ANNUAL TARGET | Annual Target Achieved | Achieved/Not Achieved | Challenges | Corrective Measure | | | |
| **SO 1** | | | **Institutional Compliance: To ensure that USCDA operations are compliant with all regulatory frameworks** | | | | | | | | | | | **USCDA** | |
| SO 1.1 | 4 | 3.7 | Risk Management | Comprehensive Risk Register | Complete risk register by 30 November | 1 | 1 | 1 Risk register completed by 30/11/2017 | 1 Risk register completed | Achieved | None | N/A | Operational | M:Fin | N/A |
| SO 1.2 | 4 | 3.7 | Risk Management | Risk Policy Review | Review and approve Risk Management Policy by 31 December | 1 | 1 | 1 Risk management policy approved by 31/12/2017 | 1 Risk management policy approved by 31/12/2017 | Achieved | None | N/A | Operational | M:Fin | Copy of approved policy |
| SO 1.3 | 4 | 3.7 | Internal Audit & AG Queries | AG & Internal Audit queries resolution | Percentage of AG/Internal Audit queries resolved per quarter | 100% | 100% | 100% | 92% | Not Achieved | The issues remaining relate to the decision that the board must take and the processes of investigation have not been completed. | Ensure that the issues raised in the AG's reported are prevented by instilling internal controls and preventing recurrence | Operational | M:Fin | Quarterly Corrective Actions Summation and Board Resolution |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SO 1.4 | 4 | 3.7 | Performance Management System (PMS) | Q1 & 3 verbal; Half-year and Annual performance appraisals | Quarterly performance appraisals of CEO | 4 | 4 | 4 | 4 | Achieved | None | N/A | Operational | Board/CEO | Record of evaluations completed |
| SO 1.5 | 4 | 3.7 | Municipal Entity Website | Legislated SCM notices publication | Percentage potential notifications uploaded | 100% | 100 % | 100% | 100% | Achieved | None | N/A | Operational | M:Fin | Screen shot of updates |
| SO 1.6 | 4 | 3.7 | Financial Reporting | Monthly management accounts production | Management reports, ledger and reconciliations by 5th working day of the following month | 12 | 12 | 12 | 5 | Not Achieved | There was no FM for the better part of the financial year; Report for M12 has not been completed due to system issues related to change from V6.1 to V6.2 | The financial manager has been appointed and closer engagements will be held with the system vendors to ensure timeous updates to the systems | Operational | M:Fin | Reports & Proof of submission to CEO for M10 and M11 |
| SO 1.7 | 4 | 3.7 | S87 Financial Reporting | Monthly financial report production | Monthly reports by the 7th working day of the following month | 12 | 12 | 12 | 5 | Not Achieved | There was no FM for the better part of the financial year; Report for M12 has not been completed due to system issues | The financial manager has been appointed and closer engagements will be held with the system vendors to ensure timeous updates | Operational | M:Fin | Reports & Proof of submission to CEO for M10 and M11 |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | related to change from V6.1 to V6.2 | to the systems | | | |
| SO 1.8 | 4 | 3.7 | PMS Reporting | Quarterly performance report production | Quarterly reports | 4 | 4 | 4 | 4 | Achieved | None | N/A | Operational | M:Fin | Reports & Proof of submission to parent |
| SO 1.9 | 4 | 3.7 | Financial Planning | Mid-year adjusted budget review | S88 report produced by 20 January | 1 | 1 | Mid year report produced by 2018/01/20 | Mid year report produced by 2018/01/20 | Achieved | None | N/A | Operational | M:Fin | Reports & Proof of submission to parent |
| SO 1.10 | 4 | 3.7 | Finance Policies | Budget, Finance and Supply Chain Policy review | Review Policies by 31 May | 1 | 1 | Review of finance policies by 31/05/2018 | Policies reviewed and approved in May 2018 | Achieved | None | N/A | Operational | M:Fin | Proof of submission to Board and Approval by the board |
| SO 1.11 | 4 | 3.7 | Annual Report | Annual Report | Annual Report Adoption by 31 December | 1 | 1 | Annual Report by 31/12/2017 | Annual Report by 31/12/2017 | Achieved | None | N/A | Operational | M:Fin | Annual Report Adoption & Proof of Date |
| SO 1.12 | 4 | 3.7 | Annual Financial Statements | Draft AFS & Performance Report to AG | AFS and Annual PMS report by 31 August | 1 | 1 | 1 | AFS and Annual PMS report by 31 August | Achieved | None | N/A | Operational | M:Fin | Submission & confirmation from AG |
| SO 1.13 | 4 | 3.7 | Audit Compliance | AG Report | Unqualified Audit Opinion | 1 | 1 | 1 | Unqualified Audit Opinion | Achieved | None | N/A | Operational | M:Fin | AG Audit Report |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SO 1.14 | 4 | 3.7 | MFMA Compliance | Fruitless & Wasteful and Irregular Expenditure - Section 102 report | F&W exp <1% of total exp reported to Board | <1% | <1 % | <1% | >1% | Not Achieved | The Fruitless and Wasteful Expenditure incurred for 2017/18 is 1.5% | Put internal controls in place to ensure that all instances of fruitless expenditure are prevented. | Operational | M:Fin | Calculation |
| SO 1.15 | 4 | 3.7 | Budget Planning in terms of the MFMA | Draft 2018/2019 budget | Draft by 31 January 2018 | 1 | 1 | 1 | 0 | Not Achieved | There was no FM who takes charge of the compilation and submission of the budget | A checklist with the timelines will be developed and monitored to ensure that all compliance issues are attended to at the prescribed periods | Operational | M:Fin | Draft budget submission to parent and proof of submission date |
| SO 1.16 | 4 | 3.7 | MSCOA Implementation | Actively participate in MSCOA steering committee | Compliance with MSCOA targets | 4 | 2 | 4 | 5 | Achieved | None | N/A | Operational | M:Fin | Attendance Reg and report |
| SO 1.17 | 4 | 3.7 | CIPC Compliance | Submit AFS and all corporate changes | CIPC up to date by year end | 1 | 1 | 1 | 1 | Achieved | None | N/A | R 20 000 | M:Fin | CIPC print out verified |
| **SO 2** | | | **Capacity Building: To Capacitate USCDA to deliver and implement its core functions efficiently and effectively** | | | | | | | | | | | **USCDA** | |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SO 2.1 | 1 | 3.7 | Staff Development | Short course / conference attendance | Number of shortcourses attended as per the Training Plan | 12 | 23 | 8 | 4 | Not Achieved | There were budgetary constraints as well as individuals who could not attend | A training plan that is aligned to the available resources will be developed and implemented | R 45 000 | M:Fin/CEO | Proof of attendance |
| SO 2.2 | 1 | 3.7 | Staff Development | MFMP | M: Finance to complete MFMP Couarse | 11 | 10 | 1 | 0 | Not Achieved | The incumbent attending this course resigned | N/A | R 40 000 | M:Fin | Course outcome/Certificate |
| SO 2.3 | 1 | 3.7 | Recruitment | Fill Board approved posts on the organogram | Apoint a property development Manager | N/A | N/A | 1 | 1 | Achieved | None | N/A | R 70 000 | Corp/CEO | Signed letter of appointment |
| SO 2.4 | 1 | 3.7 | Corporate identity | Update USCDA website | Updated USCDA website | 1 | 1 | 1 | 1 | Achieved | None | N/A | R 30 000 | M:IPM | Screen Shot of the updated website |
| SO 2.5 | 1 | 3.7 | Corporate Identity | Ensure all brand & marketing material compliant with USCDA and Strat Plan 2017/2018 | Review & produce brand & marketing material | 1 | 1 | 1 | 1 | Achieved | None | N/A | R 50 000 | M:IPM/CEO | Branded material in stock |
| **SO 3** | | | **Investement Promotion: To promote the growth and development of the Ugu District Vision 2030** | | | | | | | | | | | | |
| **SO 3.1** | **3** | **3.7** | **Implement the Growth and Development Strategy of the Ugu District - Vision 2030** | | | | | | | | | | | **UDM** | |
| SO 3.1.1 | 3 | 3.7.9 | GDS | Present GDS Implementation Plan to municipalities | Presented Implementation Plan to Municipalities | 5 | 0 | 2 | 4 | Achieved | None | N/A | Operational | CEO | Board approved implementation plan |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SO 3.1.2 | 3 | 3.7.9 | GDS | Table progress reports to Municipal Councils on GDS Implementation Plan | Tabled progress reports to Municipal Councils on GDS Implementation Plan | N/A | N/A | 5 | 3 | Not Achieved | Dependant on the scheduling of council meetings ` | N/A | R 10 000 | CEO/Managers | Council minutes |
| SO 3.1.3 | 3 | 3.7.9 | GDS | Identify, establlish and convene GDS Focus Groups | Number of GDS Focus Groups identified and convened | N/A | N/A | 30 | 32 | Achieved | None | N/A | R - | M:Dev/CEO | Attendance registers of focus groups convened |
| **SO 3.2** | **3** | | **Implement an Investment Promotion & Facilitation Strategy for the Ugu District** | | | | | | | | | | | **UDM** | |
| SO 3.2.1 | 3 | 3.7.9 | Investment promotion | Conduct research on investment incentives and submit a report to Projects Committee | Incentives document presented to Projects Committee | N/A | N/A | 1 | 1 | Achieved | None | N/A | Operational | CEO/M:IPM | Project Committee Resolution |
| SO 3.2.2 | 3 | 3.7.9 | Investment promotion | Incentives presented to the LMs | Number of presentations | N/A | N/A | 5 | 5 | Achieved | None | N/A | Operational | CEO | Proof of presentations |
| SO 3.2.3 | 3 | 3.7.9 | Investment promotion | Marketing Plan developed | Marketing Plan developed | N/A | N/A | 1 | 1 | Achieved | None | N/A | Operational | MIPM | Adopted Marketing Plan |
| SO 3.2.4 | 3 | 3.7.9 | Investment promotion | Investment brochures, leaflets developed | Investment brochures, leaflets developed | N/A | N/A | 1 | 1 | Achieved | None | N/A | R 50 000 | MIPM | Proof of Investment Brochures Developed |
| SO 3.2.5 | 3 | 3.7.9 | Investment promotion | Promoting Ugu at Investment Conferences | Number of Investment conferences at which Ugu is promoted | N/A | N/A | 2 | 2 | Achieved | None | N/A | R 30 000 | M:IPM | Reports to Board on outcome of each conference |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SO 3.2.6 | 3 | 3.7.9 | Investment promotion | Investment brochures, leaflets circulated to all embassies | Investment brochures, leaflets circulated to all embassies | N/A | N/A | 10 | 10 | Achieved | None | N/A | R 30 000 | IPM | Copy of courier to each embassy |
| **SO 3.3** | **3** | | **Establish a business support desk for big, small and emerging business** | | | | | | | | | | | **USCDA** | |
| SO 3.3.1 | 3 | 3.7.4 | Business Support | Identify well established busisnesses for match-making with small businesses | Number of businesses engaged for match-making | 12 | 12 | 6 | 6 | Achieved | none | none | Operational | M:Dev SP | Proof of engagement with established businesses |
| SO 3.3.2 | 3 | 3.7.4 | Business Support | Assist big businesses to apply for the Strategic Partnership Programme Incentives | Number of applications sent for the Strategic Partnership Programme Incentives | 2 | 2 | 2 | 2 | Achieved | none | none | Operational | M:Dev SP | Proof of application for strategic partnership programme incentives |
| SO 3.3.3 | 3 | 3.7.4 | Business Support | Linking Small businesses with the established businesses | Number of small businesses linked | N/A | N/A | 2 | 3 | Achieved | none | none | Operational | M:Dev SP | Letters of commitment |
| SO 3.3.4 | | 3.7.4 | Business Support | Establish good working relationship with departments/sectors that provide business support services | Number of business support sectors engaged | N/A | N/A | 8 | 10 | Achieved | none | none | Operational | M:Dev SP | Letter of intent / Proof of engagement |
| SO 3.3.5 | 3 | 3.7.4 | Business Support | Assist big and small business to establish in the Ugu District | Number of businesses assisted | N/A | N/A | 12 | 12 | Achieved | none | none | Operational | M:Dev SP | Proof of Assistance/Report |
| **SO 4** | | | **Agriculture: To promote small scale farming in the Ugu District** | | | | | | | | | | | | |
| **SO 4.1** | **3** | **3.7.5** | **Support the growth of local emerging farmers and encourage markets for their products** | | | | | | | | | | | **KZN** | |
| SO 4.1.1 | 3 | 3.7.5 | National School Nutritional Project (NSNP) | Support small growers and farmers to supply their produce for NSNP and RASET | Number of Schemes supported | N/A | N/A | 4 | 5 | Achieved | None | NA | Operational | M:Dev Agric | MoA with the Schemes |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SO 4.1.2 | 3 | 3.7.5 | National School Nutritional Project (NSNP) | Obtain a written mandate for NSNP from Ugu District | Written mandate from the parent to implement NSNP | N/A | N/A | 1 | 1 | Achieved | None | N/A | Operational | M:Dev Agric | Written mandate |
| SO 4.1.3 | 3 | 3.7.5 | National School Nutritional Project (NSNP) | Secure and receive a seed funding (3million) for the implementation of NSNP | R3 Million seed funding | N/A | N/A | 1 | 1 | Achieved | None | N/A | Operational | M:Dev Agric | Proof of seed funding |
| SO 4.1.4 | 3 | 3.7.5 | National School Nutritional Project (NSNP) | Prepare an implementation plan and secure Board's approval | Board's approval | N/A | N/A | 1 | 1 | Not Achieved | The draft plan was developed after receiving the mandate on the third month of Q4 | The draft plan will be presented to Board for approval in Q1 for approval. | Operational | M:Dev Agric | Board minutes |
| SO 4.1.5 | 3 | 3.7.5 | National School Nutritional Project (NSNP) | Initiate the implementation processes, | Detailed implementation plan | N/A | N/A | 1 | 1 | Not Achieved | The mandate delayed, and there was no mplementation plan to initiate prossesses | Implementation plan will be approved in Processes of the approved implementation plan will be initiated in Q1 | Operational | M:Dev Agric | Implementation plan |
| SO 4.1.6 | 3 | 3.7.5 | Agri-processing | Encourage establishment of Agri-Processing plants and upskill farmers to participate | Number of farmers trained | N/A | N/A | 3 | 8 | Achieved | None | N/A | Operational | M:Dev/CEO | Copy of attendance register and course agenda |

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| SO 4.1.7 | 3 | 3.7.5 | Agri-processing | Link upskilled farmers with the markets | Number of farmers linked | N/A | N/A | 6 | 6 | Achieved | None | N/A | Operational | M:Dev Agric | Proof of linkages created |
| SO 4.1.8 | 3 | 3.7.5 | Agri-park | Participate in National & Provincial meeting and play a facilitation role in the implementation of Agri-Park | Attend PAPPOT & DAPPOT quarterly meetings | N/A | N/A | 4 | 4 | Achieved | None | N/A | Operational | M:Dev Agric | Attendance registers |
| **SO 5** | | | **Enterpreneurship Development: To facilitate skills development and training for small business development and entrepreneurship** | | | | | | | | | | | | |
| **SO 5.1** | **3** | **3,7,4** | **Facilitate internships in commerce and industry within the Ugu District and promote awareness of USCDA** | | | | | | | | | | | **USCDA** | |
| SO 5.1.1 | 3 | 3.7.4 | Skills development & training - Internships | Submit Application to source internship grants | Number of applications sent to source internship grants | N/A | N/A | 2 | 2 | Achieved | none | none | Operational | M:Dev SP | Proof of intership grants application |
| SO 5.1.2 | 3 | 3.7.4 | Skills development & training - Internships | Monitor interns through the submision of the attendance registers and reports | Number of attendance registers submitted by interns | N/A | N/A | 57 | 57 | achieved | none | none | R 200 000 | M:Dev SP | attendance registers |
| SO 5.1.3 | 3 | 3.7.4 | Skills development & training - Internships | Establish relationship with the Institutions to place students for work experience | Number of Institutions built relationship | N/A | N/A | 4 | 4 | achieved | none | none | Operational | M:Dev SP | Letter of intent / Proof of engagement |
| SO 5.1.4 | 3 | 3.7.4 | Skills development & training - Internships | Place students in public and private sector institutions for work place experience | Number of students placed | 10 | 10 | 6 | 7 | achieved | none | none | Operational | M:Dev SP | Signed agreements with students and mentors |
| **SO 5.2** | **3** | **3,7,4** | **Promote awareness of USCDA through the local radio stations** | | | | | | | | | | | **USCDA** | |

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| SO 5.2.1 | 4 | 3.7.5 | Marketing the services of the Development Agency | attend quarterly programme with the local radio stations (UYR and RSS) | Number of quarterly programmes of 15 minutes | N/A | N/A | 8 | 8 | achieved | none | none | R 30 000 | M:Dev SP | attachment of discussed business issues |
| SO 5.2.2 | 4 | 3.7.5 | Marketing the services of the Development Agency | Place USCDA weekly radio adverts to the local radio stations (UYR and RSS) | Number of weekly adverts | N/A | N/A | 88 | 88 | achieved | none | none | R 50 000 | M:Dev SP | Signed agreements with Community Radio Stations with adverts. |
| **SO 6** | **3** | | **Property Development: To forge Public Private Partnerships (PPPs) to give effect to economic development on State, Ingonyama Trust and land owned by the private sector** | | | | | | | | | | | | |
| **SO 6.1** | | | **Identify property development opportunities within the 4 local municipal jurisdictions that comprise the Ugu District** | | | | | | | | | | | **USCDA** | |
| SO 6.1.1 | 3 | 3,7,9 | Hinterland Property Development | Table the report for the Hinterland Property Development to the Development Committee | Desktop study with least one opportunity in each local municipality | 2 | 1 | 1 | 1 | Achieved | none | none | R 80 000 | M:Dev SP | Copy of Hinterland Property Development study |
| SO 6.1.2 | 3 | 3,7,9 | Hinterland Property Development | Initiate the discussion with the property owners in the hinterland | discussion with the property owners | N/A | N/A | 4 | 4 | Achieved | none | none | Operational | M:Dev SP | Signed MoU / Progress Report /Attendance register |
| SO 6.1.3 | 3 | 3,7,9 | Hinterland Property Development | Present the identified projects to the relavant Traditional Councils and LMs | Number of presentation conducted | N/A | N/A | 2 | 6 | Achieved | none | none | Operational | M:Dev SP | Attendance registers for participants |
| **SO 6.2** | | | **Implement property development opportunities** | | | | | | | | | | | **USCDA** | |
| SO 6.2.1 | 3 | 3,7,6 | Transport & Tourism Hubs | Table the Transport and Toursim Hub report to the Development Committee | Desktop study of the Transport and Tourism Hub | 1 | 1 | 1 | 1 | achieved | none | none | R 85 000 | M:Dev PD | Copy of the Transport and Tourism Hub report |

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| SO 6.2.2 | 3 | 3,7, 6 | Transport & Tourism Hubs | Facilitate the engagement with property owners to secure transport and tourism hub site | Number of engagements with the property owners | N/A | N/A | 1 | 0 | Not Achieve d | Suitable site was found | Res. 16 of 12-02-2018, state that the suitable site for Transport and Tourism Hub coundl not be found . The project was stopped | Operational | M:Dev PD | Proof of engagement or Attendance register. Minutes from PDC |
| SO 6.2.3 | 3 | 3,7, 6 | Transport & Tourism Hubs | Advertise the Transport and Tourism Hub opportunity for the interested investors | Number of advertisiement done to the newspapers/ USCDA website | N/A | N/A | 2 | 1 | Not Achieve d | Suitable site was found | Res. 16 of 12-02-2018, state that the suitable site for Transport and Tourism Hub coundl not be found . The project was stopped | R 5 000 | M:Dev PD | Copy of the advert on newspaper /online |
| SO 6.2.4 | 3 | 3,7, 6 | KwaXolo Caves | Revised KwaXolo Caves concept tabled to the Development Committee after consualtation with RNM | Revised KwaXolo Caves concept | N/A | N/A | 1 | 1 | Achieve d | none | none | Operational | M:Dev PD/CEO | Proof of engagement with the RNM / Revised Concept document |
| SO 6.2.5 | 3 | 3,7, 6 | KwaXolo Caves | Advertise for the construction of KwaXolo Caves walkway | Advertisement for the construction of KwaXolo Caves walkway | N/A | N/A | 1 | 1 | achieve d | none | none | R 5 000 | M:Dev PD/CEO | Copy of the advert on newspaper /online |

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| SO 6.2.6 | 3 | 3,7, 6 | KwaXolo Caves | Construction of KwaXolo Caves Walkway | Walkway constructed | N/A | N/A | 1 | 0 | Not Achieved | The AG advised the Development Agency to revise SCM process, as the appointment through Unsolicited bid was not supported | This activity will take place in the new financial year | R 1 950 000 | M:Dev PD/CEO | Completion certificate |
| SO 6.2.7 | 3 | 3,7, 6 | John Mason Park | Present the John Manson Park concept to the board | John Manson Park Concept | N/A | N/A | 1 | 1 | achieved | none | none | Operational | M:Dev PD/CEO | Board Resolution/ Board Minutes |
| SO 6.2.8 | 3 | 3,7, 6 | John Mason Park | Conclude development agreement with the developer | Consolidated the agreement | N/A | N/A | 1 | 0 | Not Achieved | USCDA & RNM are working together to finalize the propoerty lease between themselves first, then later the USCDA can be able to sign with the Developer. | To finalise lease agreement between the USCDA and RNM. | Operational | M:Dev PD/CEO | Signed Agreement |

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| SO 6.2.9 | 3 | 3,7, 6 | John Mason Park | Initiate professional planning /studies | Professional studies | N/A | N/A | 1 | 0 | Not Achieved | USCDA & RNM are working together to finalize the propoerty lease between themselves first, then later the USCDA can be able to sign with the Developer. | To finalise lease agreement between the USCDA and RNM. | Operational | M:Dev PD/CEO | Signed letter of appointment |
| SO 6.2.10 | 3 | 3,7, 6 | John Mason Park | Commence project implementation | Commence project implementation | N/A | N/A | 1 | 0 | Not Achieved | USCDA & RNM are working together to finalize the propoerty lease between themselves first, then later the USCDA can be able to sign with the Developer. | To finalise lease agreement between the USCDA and RNM. | Operational | M:Dev PD/CEO | Implementation plan |
| SO 6.2.11 | 3 | 3,7, 6 | Hibberdene Mixed Use | advertise the investment opportunity in Hibberdene | Advertisement of Hibberdene Mixe Use | N/A | N/A | 1 | 1 | achieved | none | none | Operational | M:Dev PD/CEO | Proof of advertisement |

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| SO 6.2.1 2 | 3 | 3,7, 6 | Hibberdene Mixed Use | Conclude the agreement with the developer | Agreement with the developer | N/A | N/A | 1 | 0 | Not Achieved | USCDA & RNM are working together to finalize the propoerty lease between themselves first, then later the USCDA can be able to sign with the Developer. | To finalise lease agreement between the USCDA and RNM. | Operational | M:Dev PD/CEO | Signed MoU / Proof of engagement |
| **SO 7** | | | **Marine: To promote economic development within coastal and riverine zones** | | | | | | | | | | | **UDM** | |
| **SO 7.1** | **3** | | **Implement maritime tourism projects** | | | | | | | | | | | **USCT** | |
| SO 7.1.1 | 3 | 3,7, 6 | Multi Trails Network | Social facilitation for URT | number of sessions for social facilitations | N/A | N/A | 4 | 4 | achieved | none | none | R 10 000 | M:Dev SP | Attendance register |
| SO 7.1.2 | 3 | 3,7, 6 | Multi Trails Network | Develop a joint action plan with SCT for URT | joint action plan | N/A | N/A | 1 | 1 | achieved | none | none | Operational | CEO | Signed action plan |
| SO 7.1.3 | 3 | 3,7, 6 | Multi Trails Network | Engage public and private entities to secure funding for URT | number of engagements with the potential funders | N/A | N/A | 3 | 3 | achieved | none | none | Operational | M:Dev SP | proof of engagement or Attemdance register |
| SO 7.1.4 | 3 | 3.7. 6 | Multi Trails Network | Engage the cycling team to test URT route from Phungashe Dam to Indian Ocean | Number of epic cycling conducted | N/A | N/A | 1 | 0 | Not Achieved | route scanning indicated that there areas that are not cycling friendly | local communities have to assist in identifying alternatives routes in those | R 10 000 | M:Dev SP | Proof of engagement with the cycling team |

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| | | | | | | | | | | | | areas that are not possible to cycling | | | |
| SO 7.1.5 | 3 | 3.7. 6 | Scottburgh beach front | Present the concept of Scottburgh beach front to the Development Committee | Concept of Scottburgh Beach Front presented | N/A | N/A | 1 | 1 | achieve d | none | none | Operational | M:Dev SP | Attendance register/ Development Committee Resolution |
| SO 7.1.6 | 3 | 3.7. 6 | Scottburgh beach front | Call for proposals to develop Scottburgh Beach Front | Call for proposal from developers | N/A | N/A | 1 | 1 | achieve d | none | none | R 5 000 | M:Dev SP | copy of the advert on newspaper /online |
| SO 7.1.7 | 3 | 3.7. 6 | Turton Beach Front | Present the concept of Turton beach front to the Development Committee | Concept of Turton Beach Front presented | N/A | N/A | 1 | 1 | achieve d | none | none | Operational | M:Dev SP | Attendance register/ Development Committee Resolution |
| SO 7.1.8 | 3 | 3.7. 6 | Turton Beach Front | Call for proposals to develop Turton Beach Front | Call for proposal from developers | N/A | N/A | 1 | 1 | achieve d | none | none | R 5 000 | M:Dev SP | copy of the advert on newspaper /online |
| **SO 7.2** | **3** | | **Establish an experimental terrestrial fish farm (Aquaculture & Aquaponics) within the Ugu District** | | | | | | | | | | | **USCDA** | |
| SO 7.2.1 | 3 | 3.7. 5 | Fish Farming | Consolidate available literature on fish farming and table it to the Board | Prepare item to present to the Board | N/A | N/A | 1 | 1 | Achieve d | None | N/A | Operational | M:Dev Agric | Board minutes |
| SO 7.2.2 | 3 | 3.7. 5 | Fish Farming | Conduct a feasibility study for a community-based aquaculture experimental farm within Ugu district | Feasibility report | 1 | 0 | 1 | 0 | Not Achieve d | Budget constrain s motivate d the terminati on of the appointe | Prepare and submit funding proposals to governm ent departme | R 414 356 | M:Dev Agric | Feasibility report |

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| | | | | | | | | | | | d service provider | nts and private for feasibility study | | | |
| SO 7.2.3 | 3 | 3.7.5 | Fish Farming | Identify and link potential partners from previously disadvantage groups with Fish Farming Projects | Progress report from the service provider | N/A | N/A | 1 | 0 | Not Achieved | The contract was terminated for execute the activity | Secure the funding for the project | Operational | | Progress report |
| SO 7.2.4 | 3 | 3.7.5 | Fish Farming | Link DAFF aquaculture assessed sites with Provincial Aqua Related Programmes | Nummber sites linked | N/A | N/A | 2 | 2 | Achived | None | N/A | Operational | M:Dev Agric | Feasibility report |
| **SO 7.3** | **3** | | **Participate in the production of the Ugu District Maritime Strategy** | | | | | | | | | | | | |
| SO 7.3.1 | 3 | 3.7.5 | Maritime Strategy | Participate in Ugu South Coast Boat Manufacturing Cluster | Progress reports | N/A | N/A | 4 | 4 | Achieved | None | N/A | Operational | M:Dev Agric | Progress reports |
| **SO 8** | **3** | | **Facilitate catalytic projects within the Ugu District** | | | | | | | | | | | **USCDA** | |
| SO 8.1 | 3 | 3,7,6 | Catalytic Project | Finalise the application for the Release of Agricultural land for Industrial Development(Ifafa) | Final Decision from DoA | N/A | N/A | 1 | 0 | Not Achieved | The DAFF has not responded to the Development Agenc, dispite follow ups that have been made. | USCDA, through CEO and Chairperson will follow up this issue, using administrative and Monitoring | Operational | M:Dev SP | Final decision from DoA/ Proof of Engagement/ Progress Report |

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| SO 8.2 | 3 | 3,7, 6 | Catalytic Project | Initiate the process of Ifafa Industrail Park establishment | Complete EIA | N/A | N/A | 1 | 0 | Not Achieved | The DAFF has not responed ed to the Development Agenc, dispite follow ups that have been made. | USCDA, through CEO and Chairperson will follow up this issue, using administrative and Monitoring | R 545 000 | M:Dev SP | Progress reports |
| SO 8.3 | 3 | 3,7, 6 | Catalytic Project | Initiate the process of Ifafa Industrail Park establishment | complete rezoning for Ifafa | N/A | N/A | 1 | 0 | Not Achieved | The DAFF has not responed ed to the Development Agenc, dispite follow ups that have been made. | USCDA, through CEO and Chairperson will follow up this issue, using administrative and Monitoring | R 455 000 | M:Dev SP | Progress reports |
| SO 8.4 | 3 | 3,7, 6 | Catalytic Project | Update Polar on Ifafa Industrial Pak progress (EIA and Rezoning ) | Update Polar | N/A | N/A | 4 | 4 | Achieved | none | none | Operaional | M:Dev SP | Progress report and Proof of communication |
| SO 8.5 | 3 | 3,7, 6 | Catalytic Project | Establishment of Perishable Goods Hub within the Ifafa Industrial Park | Engage KZN Province regarding the Elysium opportunity | N/A | N/A | 1 | 0 | Not Achieved | The DAFF has not responed ed to the Development Agenc, dispite follow ups that have been made. | USCDA, through CEO and Chairperson will follow up this issue, using administrative and Monitoring | Operational | M:Dev SP | Proof of Engagement/email /Attendance register |

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| ~~SO 8.6~~ | ~~3~~ | ~~3,7, 6~~ | ~~Catalytic Project~~ | ~~Finalize the concept to expand the Regional Airport~~ | ~~Concept of the regional airport~~ | ~~N/A~~ | ~~N/A~~ | ~~1~~ | - | - | - | - | ~~R 25 000~~ | ~~CEO~~ | ~~Proof of concept document~~ |
| SO 8.7 | 3 | 3,7, 6 | Catalytic Project | Secure land suitable for the establishment of the South Coast Film Studio within Port Shepstone Techno Park | Secure land for South Coast Film Studio | N/A | N/A | 1 | 1 | Achieved | none | none | Operational | M:Dev SP | Letter of appointment to the Techno Park |
| SO 8.8 | 3 | 3,7, 6 | Catalytic Project | Facilitate establishment of South Coast Film Studio at Port Shepstone Techno Park | Establishment of the South Coast Film Studio | N/A | N/A | 1 | 1 | Achieved | none | none | Operational | M:Dev SP | Signed letter of commitment from the investor/ Proof of engagement |
| **SO 9** | **3** | | **Renewable Energy: To identify, attract, support or assist renewable energy initiatives within the district** | | | | | | | | | | | **UDM** | |
| SO 9.1 | 3 | 3,7, 9 | Renewable energy | To support and assist the proposed Bio Fuels intiative at Gunn's Drift | Quarterly progress reports | 4 | 4 | 4 | 4 | Achieved | none | none | Operational | M:Dev SP | Copy of quarterly report |
| | | | **TOTAL BUDGET** | | | | | | | | | | **R 4 249 356** | | |
| | | | | | | | | **ANNUAL** | | | | | | | |
| | | | | | **ACHIEVED** | | | **63** | | | | | | | |
| | | | | | **NOT ACHIEVED** | | | **23** | | | | | | | |
| | | | | | **TOTAL** | | | **86** | | | | | | | |
| | | | | | **% ACHIEVED** | | | **73.3%** | | | | | | | |