

ANNUAL REPORT 2018/19

*An economic development entity of the Ugu
district*



Contents

1.	CHAIRPERSON'S REPORT	4
2.	CHIEF EXECUTIVE OFFICER'S REPORT	5
3.	THE AUDIT COMMITTEE'S REPORT	6
4.	OUR VISION	13
5.	OUR MISSION	13
6.	OUR MANDATE.....	13
7.	HIGH LEVEL INDICATORS FOR UGU DISTRICT	13
8.	OWNERSHIP.....	14
8.2.1	CORPORATE SERVICES AND FINANCE	16
8.2.2	PROJECTS DEVELOPMENT COMMITTEE	16
8.2.3	THE AUDIT COMMITTEE – SHARED WITH UGU DISTRICT MUNICIPALITY.....	16
9.	ADMINISTRATIVE GOVERNANCE STRUCTURE	17
10.	PERFORMANCE INFORMATION.....	20
11.	CHALLENGES	27
12.	PERFORMANCE MANAGEMENT REPORT – 2018/2019	28
13.	THE ANNUAL FINANCIAL STATEMENT	37
14.	THE AUDIT REPORT	86
	Report on the audit of the financial statements	87
	Opinion	87
	Material uncertainty relating to going concern	87
	Emphasis of matters	88
	Other matter	88
	Responsibilities of the accounting authority for the financial statements	88
	Auditor-general's responsibilities for the audit of the financial statements.....	88
	Report on the audit of the annual performance report	89
	Introduction and scope.....	89
	Other matter	90
	Report on the audit of compliance with legislation	90
	Introduction and scope.....	90
	Procurement and contract management	90
	Expenditure management	90
	Other information	91
	Internal control deficiencies	91
	Annexure – Auditor-general's responsibility for the audit	92
	Financial statements.....	92
	Communication with those charged with governance	93
15.	THE AUDIT ACTION PLAN	94

ABBREVIATIONS

USCDA	:	Ugu South Coast Development Agency
RNM	:	Ray Nkonyeni Local Municipality
UDM	:	Ugu District Municipality – also referred to as ‘Parent’
HACCP	:	Hazard Analysis and Critical Control Point
SABS	:	South African Bureau of Standards
DAFF	:	Department of Agriculture, Forestry and Fisheries
DoE	:	Department of Education
CoGTA	:	Department of Co-operative Governance and Traditional Affairs
NSNP	:	National Schools Nutrition Programme
DIRCO	:	Department of International Relations and Cooperation
TIKZN	:	Trade and Investment KwaZulu Natal
EDTEA	:	Economic Development Trade and Environmental Affairs
Photo on the cover page	:	Oribi Gorge

1. CHAIRPERSON'S REPORT

It is indeed a humbling experience to provide an account of the activities of the Ugu South Coast Development Agency (USCDA) for the period commencing 01 July 2018 and ending on 30 June 2019. As the name implies an entity is a subsidiary of a parent or holding company and in this case USCDA is wholly owned by the Ugu District Municipality. Simply put the efficiency of the entity as mandated by the parent is to implement tangible interventions accelerating participation of the majority of our residents into the mainstream of the economy. It needs to be borne in mind that the area still depicts a 2-world syndrome wherein the developed coastal belt exhibits 1st world standards typical of Europe, Canada and Australia. It is the area of concentration of prime real estate, well developed infrastructure and top end retail facilities, to mention a few. On the other hand, the interior is characterized by massive poverty for the majority of residents with mainly unplanned residential settlements with primary agriculture being the main economic activity. However, there are isolated pockets of economic activity as evidenced by large estates of commercial agriculture as well as pristine inland tourism products. It is no wonder then that the interventions need an out of -the box philosophy as resources at our disposal are incongruent with the complexities at hand.

A note of gratitude goes to my fellow colleagues, the non-executive directors, who displayed a great deal of resilience in shaping the direction of the entity towards focussed interventions. The strategic planning session that was held during the period under review identified the need for striking meaningful and mutually beneficial partnerships with strategic stakeholder. The hard reality is that the current economic climate has put a strain on the ability of the consumers to pay for utilities consumed and this had a debilitating effect on the entity. Ugu's finances were adversely affected by the non-payment and this has had a ripple effect on the entity. My colleagues gave the CEO and general staff an unequivocal mandate to make things happen against all odds, embracing the principle of doing more with less. For this reason, the Board adopted five key focus areas as the backbone of the strategic thrust of the entity:



- Property Development, focussing on both the coastal strip as well as the inland areas
- Agrarian Transformation and Value Addition
- Small Business Empowerment
- Investment Attraction and Marketing
- Inland Tourism Product Development.

In relation to the implementation of each of these spend time and interact with our report. Your constructive input will be highly appreciated as it is only through unbiased constructive criticism that we can sharpen our spear going forward. As agents for change in the economic development space confronted with the daunting task of broadening participation by all in economic activities, I wish to conclude by quoting the famous Maya Angelou –

“if you do not like something change it, if you cannot change it, change your attitude.

The traumatic scenes of witnessing young people lining traffic intersections looking for work and at times mothers with their kids begging for food, all depict the need to change our attitudes as we tackle the triple challenges of unemployment, poverty and inequality. The daunting task to make meaningful impact on the people's lives requires all hands-on deck as economic development is a collective responsibility. We serve as catalyst spearheading change for inclusive economic growth within Ugu and the details in the report provide an account of work done in this regard.

Dr Siphon Nsimande

Chairperson

2. CHIEF EXECUTIVE OFFICER'S REPORT

Compiling an annual report is a legislative requirement that serves as an umbilical cord linking the communities served with the Ugu South Coast Development Agency, a special purpose economic development entity, whose core mandate is the implementation of high impact interventions to give true meaning to the improvement of the quality of life of Ugu people. As its administrative head, I hereby account for the activities undertaken during the period under review mainly to outline success stories but most importantly an analysis of the challenges experienced, together with possible solutions thereof.

Limited resources at our disposal call for prudent financial management and in this regard the Board opted to adopt cost containment measures aimed at minimizing the nice to haves and rather allocate more resources for the execution of the core mandate. Facilitating the creation of sustainable jobs as well as growing the local economy for the benefit of all remains the mantra that binds the entity with the community it serves.

The narrative presented above indicates the entity's efforts to navigate the delicate stages of infancy towards maturity. Successes recorded have been achieved with minimal financial resources as the only funding available for projects was for the National Schools Nutrition as well as Kwa Xolo Caves Eco- Adventure Centre. It stands to reason then that the bulk of our activities focussed on forging strategic partnerships with the private sector as well as government for a coordinated approach and pooling of resources towards the challenging path of radical economic transformation.

On the whole, a submission is hereby made that with funding and better coordination,



more can be done in assaulting the triple challenges of poverty, joblessness and inequality that are so rife in our district. We remain resolute in our determination to be change agents in broadening the economic benefits of our area to all who live within it and the challenges of limited financial resources keep us on our toes. The volume of pipeline projects that have been initiated during the period under review gives comfort that on an incremental basis the noble objective of shared economic growth in our district will be achieved.

MANDLA MABECE

CHIEF EXECUTIVE OFFICER

3. THE AUDIT COMMITTEE'S REPORT

Members of the Audit Committee:

Mrs. Chantel Elliott	–	Member	
Mr. Bheki Dladla	–	Member	until 31 October 2018
Mrs. Bongeka Jojo	–	Member	
Mr. Paul Preston	–	Chairperson	
Mr. Zwili Zulu	–	Member	from 1 November 2018

1. INTRODUCTION

South Coast Development Agency is a Municipal Entity created in terms of the Municipal Systems Act and aligned to the Companies Act of 2008. The Chief Executive Officer is the Accounting Officer and is responsible for managing the financial administration of the Municipal Entity. The Entity answers to its own Board of Directors. The Audit Committee is appointed in terms of Municipal Legislation by the UGU District, to assist and to advise the CEO, the Political Leadership and the Chairperson of the Board of Directors of the Entity. It is afforded wide powers and obligations to advise the Directors and UGU District Municipality (UGU) in terms of Section 166 read with Section 87 of the Municipal Finance Management Act (MFMA) read with the Companies Act. Its Annual Financial Statements and performance is consolidated with those of UGU. This report documents the External Audit Committee sitting as a shared service for the Entity on behalf of UGU for the 2018/2019 financial year.

The Audit Committee sat on the following dates as an Audit Committee and as a Performance Audit Committee: -

AUDIT COMMITTEE and PERFORMANCE AUDIT COMMITTEE MEETINGS

- 21 August 2018
- 28 August 2018
- 14 December 2018
- 25 March 2019
- 14 June 2019

2. MEMBERS AND MEETINGS OF THE AUDIT COMMITTEE

In terms of the MFMA and the South Coast Development Agency (SCDA) Audit Committee Charter, the Audit Committee as at the 30 June 2019, included four external independent members, one is a Performance Audit Specialist. None of the members were Directors of the Entity or Company. The membership composition of the Audit Committee does not include the Accounting Officer/Acting CEO. The Audit Committee met four (4) times during the year, as per its approved Charter and four (4) times in the year as a Performance Audit Committee to discharge its responsibilities.

Discussions of an informal nature with the Chairperson, the CEO, and the Municipal Manager of UGU District Municipality took place from time to time. These meetings included ongoing assessment of statutory compliance, calibrations of risk in respect of the Entity and always considered the Entity's financial position.

The Audit Committee also sat as a Performance Audit Committee for performance audits in respect of Section 40, 41, 43 and 46 of the Municipal Systems Act (MSA) to consider pre-determined objectives, and the IDP and SDBIP of the Parent.

Directors of the Entity, unless specifically invited, are excluded from meetings but the Chair of the Board is invited to all Audit Meetings. They have Board meetings at which a member of the Audit Committee is an invitee. The Audit Committee maintains its independence at all times. Members feel comfortable in discussing issues, questioning management as well as referring to Treasury Circulars, COGTA and the Auditor General (who are standard invitees to all meetings), for comment and advice, and to initiating discussions with adequate opportunity to consider: -

1. Compliance with legislation;
2. Completeness and Accuracy of Financial Statements;
3. Performance evaluation of the Entity in accordance with its own planning and in terms of predetermined Performance

Targets in terms of the 2001 Statutory Performance Regulations; and

4. The Entities financial position and its going concern viability;
5. The Entities alignment with the IDP of the Parent;
6. mSCOA preparedness;
7. Loans received by the Entity or Property and Projects;
8. Compliance with Treasury Circulars 68 concerning irregular expenditure and deviations and unauthorised or fruitless and wasteful expenditure.
9. Supply Chain Management and the supplier data bases.
10. The function set at clause 3.1 below.

Audit Committee members respect and maintain the confidentiality of meetings and the agendas.

Audit Committee members have carefully reviewed and approved its meeting minutes to ensure they captured the essence of issues and discussion. Audit Committee members exchanged e-mails with the Acting Chief Executive Officer and the Audit Chairperson between meetings if issues or concerns arose. An atmosphere of mutual trust and respect exists between the Audit Committee and Management while maintaining a spirit of independence and a willingness to challenge submissions and reports tabled at meetings. Careful interrogation of compliance with Treasury circulars and the necessary Registers took place at meetings during the second part of the year. During the year concerning this Report the Registers were not well maintained, nor was the financial accounting attended to in a satisfactory manner.

The Audit Committee meetings expressed confidence in the CFO at the meetings and the direct remedial action concerning reports and the work presented to the Audit Committee has improved materially after the appointment of the competent CFO.

3. AUDIT COMMITTEE'S RESPONSIBILITIES AND FINDINGS

The Audit Committee noted the CEO's Performance Management Plan and Strategic Plan during the

financial year and the mid-year adjustments, and aligned it at Performance Audit Meetings.

The Audit Committee's responsibilities are outlined in Section 166(2) read with Section 87 of the MFMA where the legislation applies to Entities. The Internal and External Audit Committee Charters were reviewed by the Audit Committee and recommendations were made to enhance the independence of the Audit Committee in line with Corporate Governance, as well as Statutory compliance in terms of the provisions of the Companies Act 71 of 2008. In discharging its responsibilities for the year ended 30 June 2019 the Audit Committee completed the following: -

3.1 Audit Committee Meetings

- Reviewed the quality of the financial information, financial statements and other statutory/public and regulatory reporting that was tabled before the Audit Committee;
- Reviewed the draft Annual Financial Statements and the Parent's Consolidated Financial Statements and the draft performance audit information and consolidated performance prior to submission to the Directors of South Coast Development Agency and then submitted to the Auditor-General and made recommendations on enhancing the quality of disclosure;
- Reviewed the draft annual financial statements and performance information to ensure they present a balanced credible and understandable assessment of the position, performance and sustainability of the Entity;
- Reviewed the Auditor General's proposed audit and management report in relation to the year ended 2017 and considered any necessary corrective action;
- Discussed outcomes and possible reservations arising from the audit, and any matters the A.G. wished to discuss;
- Reviewed the Auditor General's management letter and its engagement letter and management response with regard to the corrective action (if any) to

be undertaken in response to significant internal audit findings;

- Identified key matters arising in the prior year's management letter and satisfied itself that they were being properly followed up;
- Reviewed the Foundation documents which establishes the Entity in terms of relevant legislation as well as compliance with legislation;
- Reviewed the Entities business plan and detailed Performance Management Plan and mid-year Performance review.
- mSCOA preparedness
- Established incidents of limitation of the Audit Committee's scope
- Considered the Entities Loans and Projects
- Enquired about projects and development by the Agency and expressed certain concerns.
- Was informed of the pending implementations of a School Nutrition Feeding Scheme to be managed by the Entity in future.

3.2 Performance Management

The Audit Committee, sitting as a Performance Audit Committee, considered matters relating to performance management in order to discharge the responsibilities prescribed in terms of Regulation 14(4) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

These responsibilities included:

- A review of the quarterly reports and mid-year performance review submitted by internal audit.
- Planning and Performance Management Regulations.
- Reviewed the performance management portfolios of evidence and testing the functionality thereof and compliance with the Municipal Systems Act and the MFMA.
- Focussed on factors applicable to the Entity's own key performance indicators.

- Considered the application of Sections 40, 41, 43 and 46 of the MSA, with reference to the I.D.P. of the parent municipality (UGU) the SDBIP and the challenges and solutions of the Entity in this regard and reviewed same prior to submission to the Board and the Auditor General.
- Established that there has been a regression in levels of legislative compliance and performance related financial disclosure by the Entity in conjunction with compliance with Sections 40, 41, 43 and 46 of the Local Government: Municipal Systems Act in that the reporting has been found to be inconsistent with the objectives, indicators and targets in the approved Annual Performance Plan.
- Performance Management in the 3rd and 4th Quarters and the mid-year Performance review has provided credible information indicating and not given assurance that Performance Management, legislative compliance and the Supply Chain Management Regulations are receiving purposeful attention.
- The Audit Committee is concerned as the Entity is dependent on UGU a District Municipality for the services of an Internal Auditor for the financial year, and for much of its funding.
- Considered Tax Compliance Certificate and compliance by service providers on the Entities supplier data base.

3.3 The CEO

The CEO continued to manage the Agency within the context of his experience and knowledge as a Municipal Manager, under sometimes difficult circumstances. The audit outcome and operational harmony which exists in the Agency is a credit to the CEO. There were periods that the parent was unable to meet its commitment to the Agency and he dealt with these difficulties purposefully and with the necessary restraint that was needed at the time.

3.4 Leadership

- 3.4.1 In Financial Management the Entity has improved, noting that given the nature of Development that supply chain requirements are always a challenge. There were some issues raised by the Auditor General for the year concerned arising from irregular expenditure and important findings on Annexure "A".
- 3.4.2 There were certain areas which the Entity must give special attention to, the area of statutory compliance with Supply Chain Management Regulations, and its own pre-determined objectives and how they are managed.
- 3.4.3 The Entity has since the appointment of the CFO performed satisfactorily in compliance with Treasury Circulars and in maintaining the registers concerning Irregular Expenditure and supply chain deviations in terms of Section 36 of SCM Regulations were continuously done in an acceptable format. Much attention and assistance was given in these areas by both the Audit Committee and in particular, by the A.G. at meetings.
- 3.4.4 The Auditor General for Quarter 3 and Quarter 4, in its Dashboard Reports, found that the Entity has created some measures to improve its performance and its evaluation of its own performance and to manage its own performance evaluation and to create Portfolios of Evidence.
- 3.4.5 This resulted in an **Unqualified Audit Report** with other important matter on Annexure "A" but with other important matters which is satisfactory.

3.5 Internal Control and Internal Audit

The External Audit Committee is responsible for monitoring and advising in respect of the effective functioning of the Internal Audit activity. Internal

Audit reports functionally to the Audit Committee and administratively to the Accounting Officer. It must be mentioned that Ugu's Internal Audit Unit under Ms. Zevile Dlamini and her team provided reliable and credible consistent support. The Audit Committee: -

- has direct access to Internal Audit (of UGU) through a reporting relationship thus supporting its independence from management.
- via the Chairperson has conducted regular private telephone calls and exchanged e-mails, and meetings with the Internal Auditor and the UGU Municipal Manager, to allow for frank discussion of issues and concerns.
- evaluated the performance of internal audit and the independence and effectiveness of the internal auditors.
- understands the scope of internal and external auditor's review of internal control over financial reporting, and obtained reports on significant findings and recommendations, together with management's responses.
- evaluated controls over the overall operational and financial reporting environment and reviewed the effectiveness of the internal controls.
- assessed the adequacy of performance of the internal audit function, and the adequacy of available internal audit resources, and expressed concerns from time to time.
- reviewed the adequacy and frequency of corrective action attended to in response to certain Auditor General's findings raised in the prior year.
- reviewed and approved the Internal Audit Charter, Internal Audit Plans and Internal Audit's findings with regard to internal controls.
- discussed matters with respect to risk assessment, fraud risk assessment and asset management.
- discussed at length the challenges in performance management.

- consistently reviewed Supply Chain Management and the obtaining of declarations from service providers contracting with the Entity, that they are not in the service of the State, and that they are properly registered on the Entities database.
- Considered mSCOA preparedness
- Tested irregular expenditure and compliance with deviations from the procurement process.

3.6 Compliance and Ethics

From a review of various reports and discussions held at Audit Committee meetings the Audit Committee noted that a Fraud Prevention Strategy was in place and a code of conduct for Development Agency personnel in terms of the Municipal Systems Act is applied by the Entity. The Audit Committee is satisfied that it has complied with its responsibilities. It has reviewed the effectiveness of mechanisms for the identification and reporting of compliance with laws as set out in the pre-determined Internal Audit Plan and in Regulations; and the findings of regulatory bodies, the directives of the Board or audit observations. The Audit Committee checked the integrity of certain grants, and made certain findings. It must be stated, however, that fraud is very difficult to detect at any level.

3.7 Section 87 (of the MFMA) Management Report

This is required at each Audit Committee meeting from the Chief Financial Officer. It is, if presented properly, most helpful in providing a contemporaneous indication of the financial health and state of the Municipality at any given time. The Audit Committee recommended that monthly Section 87 Management reports also be submitted to the Directors during the year.

3.8 The Consideration of the Auditor General's Report

The Auditor General has tabled its Final Management Report and Audit Finding in respect of the year under review. The AG expressed an

Unqualified opinion but with other matters of importance it must be stated that the A.G a Chapter 9 Institution in terms of South Africa's Constitution has been extremely thorough and strict in its audit process and has afforded little, if any leniency in the year under review, so the audit outcome, in context is very good.

3.9 In-year reports submitted in terms of the MFMA

The quarterly performance management reports on predetermined objectives and proof of portfolios of evidence, all the budget details and SDBIP and, Internal Audit reports and the Annual Performance Reports have been called for by the Audit Committee. The Audit Committee reviewed these reports and was satisfied with the content and quality of these reports prepared in respect of performance management and issued on behalf of the Accounting Officer and management during the year under review and the minutes of the External Audit Committee reflects this.

3.10 Internal Audit Function

During the year under review, an audit plan was prepared based on *inter alia*, the Annual Risk Assessment. The following is a list of areas of audit focus which received Internal Audit and Management's regular attention:

- Ethics
- Asset Management Review
- Bi-annual reviews of Performance Management
- Cash Flow / Going Concern issues
- Financial Discipline Review
- Follow Up Review: Revenue Management
- Information Technology General Controls Review
- Supply Chain Management Discipline
- AG Findings: A-G Management Report & Audit Reports
- Section 32, Section 36 and 17(1)(c) of Supply Chain Management Regulations
- Annual and Consolidated Annual Financial Statements
- Fraud Prevention

- Funding by Local Municipalities and the District Municipality
- Risk Management / Risk Register
- Performance Management and alignment with Parent's IDP
- Internal Audit Plan
- Legislative Compliance
- Property, Plant and Equipment
- VAT
- Compliance with Supply Chain Management Regulations
- GRAP
- Asset Register
- Possible misstatement of Assets and in Draft Annual Financial Statements and the concomitant risk
- Treasury Circulars and their compliance registers
- Proper treatment of Irregular Expenditure
- Compliance with Performance Regulations of 2001, especially Section 14.

An annual assessment of the Internal Audit Function has been completed the Audit Committee. The External Audit Committee is satisfied with the performance of the Internal Audit function (a shared function with UGU), and reports that all projects in terms of the approved risk based annual audit plan had been adequately provided to the Audit Committee as required by Law. The plan comprising of the approved projects for the Financial Year 2018/2019 and its current status is reported upon in the Internal Audit Report within the Annual Report under the auspices of the Office of the CEO.

4. EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit Committee has reviewed the credibility of the draft annual financial statements and consolidated draft annual financial statements and the Municipal Entity's Performance Management for the year ended 30 June 2019 prior to same being submitted to the Auditor General on the 31 August 2019. The Committee reviewed the accounting policies and practices and evaluated the draft annual financial statements and also the consolidated draft annual financial statements based on the information provided to the

Committee and considered the integrity of the said statements in complying in all material respects with the requirements of the MFMA and Treasury Regulations. The statements (and the risk of misstatements were aligned) in respect of Generally Recognised Accounting Practice (GRAP).

The Committee will also, in the following financial year review and interrogate the audited financial statements together with the report of the Auditor General and the related management letter and Audit finding with management responses and the moderate amount of required corrective action for the previous financial year. It will try to provide the Entity and its Board with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness on overall compliance with the MFMA and any other applicable legislation, its performance management, and formally notes the favourable state of the Entities' Financial Position.

5. RESOLUTIONS

With reference to Treasury Circulars, the Audit Committee Resolved as follows, at its Audit Committee meetings for the year in question, the AC resolved: -

1. To deal with necessary Corrective Action in terms of Section 131 of the MFMA at every meeting.
2. To deal with Supply Chain Management concerns and to check Treasury Registers.
3. To formally address Performance Management.
4. To follow up with regard to the CEO's Management Plan and Strategic Plan.
5. To consider South Coast Development Agency's viability as a Going Concern at each meeting.
6. To consideration of Section 87 Management Reports.
7. To consider VAT.
8. To confirm the Audit Committee charters, and Internal Audit Plans.
9. To interrogate the Tender process.
10. To ensure compliance with Treasury Circulars.

11. To consider correct treatment of identified Irregular Expenditure and Section 36 Deviations.
12. To consider mSCOA preparedness.
13. To test the integrity of grants received.

6. A.G.'S AUDIT OUTCOME

The Auditor General has tabled its Final Management Report and Audit Finding in respect of the year under review. The Auditor General expressed an Unqualified Opinion with certain additional matters on Annexure "A".

Audit Committee Meetings are attended, for the most part, by Members of the Auditor General's staff. They are careful not to become operationally involved, but are helpful when questions of interpretation are put to them.

This is supplemented by the relatively new Status of Records provisions, which the Auditor General should present to the Entity from time to time, in place of its previous Dashboard Report.

The Auditor General's Engagement Letter, prior to year-end, expressly set-out the focal points of the Audit, for a specific year, and they also set the fees which they are going to charge for the Audit work. These fees are paid for from the Municipality's Equitable Share.

The Audit Committee references its own agenda, and tests compliance with reference to the status of records, the Engagement Letter as well as the Auditor General's Corrective Action in terms of Section 131 of the MFMA. The Audit Committee audits in careful consideration with these aspects highlighted by the Auditor General. It notes the Auditor General's areas of emphasis in its engagement letter

Routine topics raised by the Audit Committee are fruitless and wasteful expenditure, limitations of scope in SCM, Section 32 and 36 of the SCM Regulations; Auditor General's Corrective Action, irregular expenditure; and MPAC's duties to deal with it; fraud; and political interference, service delivery, Batho Pele, fiscal management; the Section 71 Reports, budgets, performance of

service providers; quarterly reviews and Statutory compliance.

It also carefully considered financial integrity, treasury expenditure, compliance with legislation, and alignment with the Performance Regulations of 2010, and the Municipalities IDP, SDBIP, KPIs and KPAs.

The Auditor General's audit in the year under review; focused in all Municipalities and Entities within the District on the Bid Adjudication Committee's prior year compliance, which is very open to interpretation, and made findings which it determined was non-compliance, which went past the prior year's Auditor General's Audit.

The Audit Committee is, however satisfied that it properly complied with its Charters and with Sections 165 and 166 of the MFMA in the reported year.

7. CONCLUSION

I would like to thank Mrs. Jojo, Mr. Dladla, Mr. Zulu and Mrs. Elliott for making themselves available to serve on this Committee and for the significant contribution that they have made, most especially with their interrogation of the Financial Statements prior to submission to the A.G, as an Audit Committee. We relied to a great extent on the CEO, and in particular Mr. Sandile Dlomo from the Board of Directors, and the Ugu Internal Audit team. The Auditor-General and its generous allocation of time to the Entity. All other invitees to our meetings, including the external service providers have also provided invaluable service to the Committee and the Entity.

Mr Paul Preston

Chairperson: UGU District Municipality

Shared Services Audit Committee

For South Coast Development Agency

Date: 17 January 2020

4. 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'

5. OUR MISSION

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

6. 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

7. HIGH LEVEL INDICATORS FOR UGU DISTRICT

The following are the high-level indicators for the Ugu District as provided by the KZN Treasury

- 733 765 people reside in Ugu.
- The largest age cohort in the District of Ugu is between the ages 15-64 at 55.6 per cent. This age group constitutes the Economically Active Population (EAP). The age cohort of 0-4 makes up approximately 11.8 per cent of the populous.
- Ugu's greatest sectoral contribution to national GDP is Agriculture at 2.7 per cent, followed by Construction and Trade at 1 and 0.9 per cent, respectively.
- The District's contribution to the provincial Real GDP equates to 4.4 per cent, placing it fourth out of the 10 districts and one Metro in the KZN.
- Of KZN's total workforce, 5.6 per cent are employed in Ugu.
- The Ray Nkonyeni Local Municipality employs the most people in the region, employing 84 842 persons, which translates into 56.9 per cent.
- The Tertiary Sector, at 73.1 per cent employs the most people in Ugu, followed by the Secondary Sector at 18.7 per cent, and the Primary Sector at 8.2 per cent.
- Unemployment in Ugu is relatively high, with 26 per cent of females, and 28.8 per cent of males being out of work.
- Ugu has a low Human Development Index (HDI) of 0.6 per cent, indicating poor human development.
- The Gini Coefficient of the District increased from 0.6 in 2015 to 0.62 in 2017, indicating a high degree of income inequality.
- Ugu had a poverty rate of 60.1 per cent in 2007 which decreased to 53.3 per cent in 2017. Despite the decline, this is above the norm of the province (50.3 per cent).
- At a district level, Ugu saw a decline in the number of persons without any formal schooling from 6.2 per cent in 2011 to 4.9 per cent in 2017.
- The number of people who obtained a matric in Ugu has increased from 13.1 per cent in 2011 to 15.4 per cent in 2017.

- The number of people with HIV in the District has increased from an estimated 105 081 in 2008 to 118 870 in 2017.
- There was a decrease in the number of Aids related deaths in Ugu over the period 2008 through 2017, from 6 013 in 2008 to 2 269 in 2017.
- The number of households with electricity in Ugu increased from 67.2 per cent in 2007 to 83.8 per cent in 2017.
- Despite still delivering services to the District, Ugu had 1 611 households using the bucket system in 2011, which increased to 3 410 in 2017; this is due to an increase in the population over the said period.

GOVERNANCE

8. 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.

8.1 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.
Mr V Naidoo		Currently MD of Leo Strategic Solutions (Pty) Ltd, Studied Economics at the London School of Economics. Holds qualifications in Total Quality Management, Production and Financial Management. More recent qualifications in Local Economic Development. Currently completing dissertation towards MBA. Joined family construction business as MD responsible for all aspects of construction management in the residential and commercial sectors. Ongoing interest and participation in Local Economic Development, SMME development and mentorship of emerging enterprises.
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

8.2 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

8.2.1 CORPORATE SERVICES AND FINANCE

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, and Mrs Zonke Mthuli

8.2.2 PROJECTS DEVELOPMENT COMMITTEE

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

8.2.3 THE AUDIT COMMITTEE – SHARED 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. Z. Zulu

8.3 Board and Sub Committee Meetings

The following table shows the meetings held for the 2018/19 financial year and the attendance thereof: -

		NBR OF MEETINGS	BOARD	SPECIAL BOARD	BOARD	BOARD	STRATEGIC PLANNING SESSION	SPECIAL BOARD	SPECIAL BOARD	BOARD		
BOARD MEMBERS		*8	23.8.2018	29.8.2018	22.11.2018	15.1.2019	14 -15.3.2019	05.03.2019	09.04.2019	23.05.2019	<u>Legend:</u>	
1	Dr. Sipho J. Nzimande		✓	✓	Apol	✓	✓	✓	Apol	✓		
2	Joy Crutchfield		✓	✓	✓	✓	✓	✓	✓	✓	✓	Attended
3	Sandile Dlomo		✓	✓	✓	✓	Apol	✓	✓	✓	Apol	Apologies
4	Vijay Naidoo		✓	✓	✓	✓	✓	✓	✓	✓	a	Absent
5	Lindelani Shezi		✓	Apol	Apol	✓	✓	✓	✓	Apol		✓ (dep early
6	Dr. Ephraim Zungu		✓	Apol	✓	✓	Apol	✓	Apol	Apol		✓ (late arriva
7	Zonke Mthuli		✓	✓	✓	✓	✓	✓	Apol	✓		
8	Inkosi Machi		Apol	Apol	a	a	a	a	a	a		
OBSERVERS												
1	Cllr. Chiliza		Apol	Apol	Apol	Apol	Apol	Apol	Apol	Apol		
INVITED												
1	Bongeka Jojo		Apol	✓	Apol	Apol	Apol	Apol	✓	Apol		
2	Zevile Dlamini		Apol	Apol	Apol							
IN ATTENDANCE												
1	CEO		✓	Apol	✓	✓	✓	✓	✓	✓		
2	Buhle Fikeni		✓	✓	✓	✓	✓	✓	✓	✓		
3	Ashney Naidoo		✓	✓	✓	✓	n/a	✓	✓	✓		
4	N Hlongwane (ACEO)		✓	✓								

8.4 Remuneration of Board Members

The following table shows the remuneration of board members as per the circular issued for the remunerations of office bearers as issued by the National Treasury: -

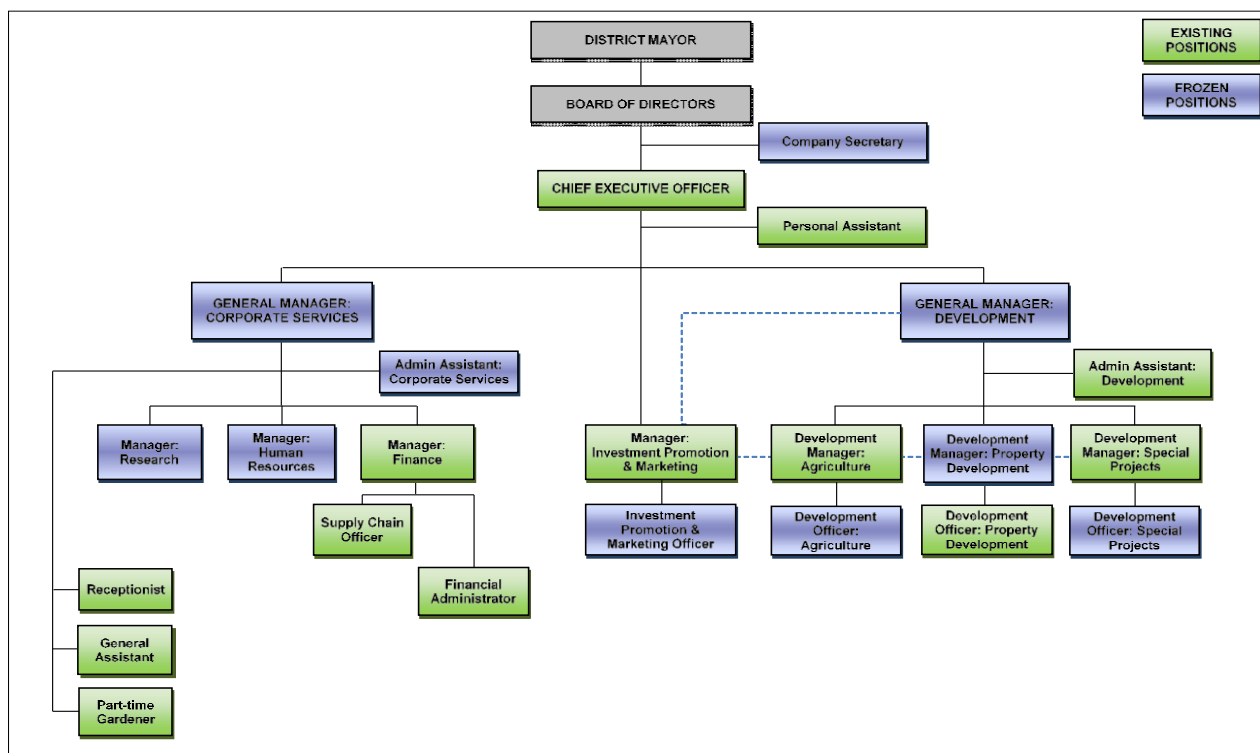
Name	Salary	Board Prep	Other	Total
Dr SJ Nzimande	56 913.97	51 990.00	-	108 903.97
Mr. SD Dlomo	59 919.97	117 827.00	3 235.00	180 981.97
Mrs. EJ Crutchfield	33 999.96	64 023.00	9 081.95	107 104.91
Mr. VK Naidoo	34 463.96	61 378.00	-	95 841.96
Ms. ZP Mthuli	34 463.96	56 616.00	8 569.70	99 649.66
Mr. LG Shezi	56 863.97	58 328.00	12 141.00	127 332.97
Dr EM Zungu	33 368.96	18 000.00	10 817.80	62 186.76
				782 002.20

9. ADMINISTRATIVE GOVERNANCE STRUCTURE

9.1 THE ORGANISATIONAL STRUCTURE

The USCDA has utilised an approved organisational structure for its staff complement. The structure was reviewed and approved as of May 23, 2019. The board considered the current requirements of the organisation, as well as the affordability of any adjustments to the structure that may have been proposed. The following is the reviewed and approved organisational structure:

APPROVED BY BOARD - -



9.2 THE FINANCIAL MANAGEMENT

9.2.1 Financial Management Systems

Financial systems are an integral part of ensuring that the finances of the agency are accurately accounted for and reported to the relevant structures. The agency currently utilises SAGE Evolution for accounting transactions and SAGE People for its payroll systems. The two systems are seamlessly integrated to ensure complete reporting of all transactions.

The systems are hosted by the parent, Ugu District Municipality. This means that financial obligations that relate to the system with regards to licensing, backups and other processes are borne by the parent.

Issues have been raised with Ugu officials and consultants relating to the provision of support to the agency on the systems and these are continuously being managed.

9.2.2 Financial Position

The agency has experienced a financial difficulty throughout the financial year emanating from a number of reasons. This difficulty will be demonstrated in the Annual Financial Statements in the subsequent paragraphs. These can be listed as follows:

- **Reliance of grant funding:** The agency heavily relies on grant funding from the parent and all local municipalities within the district. Although efforts have been made to source funds from other sources, there have not been any positive outcomes;
- **Budgeting:** Considering the reliance on grant funding, it follows that the budgets compiled by the agency would be guided by what is being budgeted for by the parent and

the local municipalities. Due to the fact that the same institutions may be having their own budgetary constraints, the agency gets affected the same way;

- **Delayed payment of allocations:** To add to the difficulties already mentioned, there has been a continued trend of late payments of allocations to the agency. This has negatively impacted on the ability of the agency to meet its operational obligations as they fall due. The result of this has been strained relationships with creditors, as well as incurrence of fruitless and wasteful expenditure due to interest incurred on late payments, e.g. SARS.

9.2.3 OPERATING POLICIES AND PROCEDURES

In keeping with applicable legislations and good governance practices, the agency developed policies and procedures that guide the day to day running of the institution. These policies are reviewed regularly to ensure continued compliance with legislations and circulars issued by various governing institutions like the National Treasury. New policies are also developed when circumstances that require that present themselves.

The following is a listing of policies currently being utilised, introduced, and some being reviewed.

- HR Policies
 - Recruitment & Selection
 - Training
 - Acting
 - Remuneration
 - Cell phone & 3G Data
 - Disciplinary Code & Procedure
 - Leave
 - Resettlement
 - Termination & Exit
 - Individual Performance Management System
 - Ethics & Conduct
 - Business Continuity & Disaster Recovery Plan
- Finance Policies
 - Petty Cash
 - Asset Management
 - Bank & Cash Management
 - Declaration of Interest
 - Supply Chain Management
 - Delegation of Authority by the Board
 - Procurement & Payment Systems
 - Subsistence & Travel
 - Organisational Performance Management
 - Creditors'
 - Cost Containment – New
 - Funding Model – New
 - Fraud Prevention
 - Budget Policy
 - Virements Policy
 - Enterprise Risk Management

- IT Policies
 - IT & Organisational Communication – under review

PERFORMANCE

10. PERFORMANCE INFORMATION

10.1 AGRICULTURE

Studies and various reports from scholars across the spectrum confirm that Ugu is a predominantly agricultural area with commercial agriculture co-existing with vast tracts of fallow fields. The land productivity report confirms that that Ugu has one of the fertile soils in the country and an abundance of land currently lying fallow remains an opportunity cost in terms of poverty eradication and employment creation. Based on the conviction that tourist nature of the Ugu area provides an excellent opportunity for market access to rural folk, the entity forged strategic partnerships for massive cultivation of fallow fields. The highlights tabulated indicate the zeal of Ugu people in finding local solutions to local challenges as the response from tourism product owners in accessing produce sourced locally has proved to be a winning formula.

A. PARTNERSHIPS WITH THE PRIVATE SECTOR

Engagements with IDWALA Carbonate (lime mine) resulted in sponsorship for 15 hectares cultivation of moringa and vegetables in the poverty stricken and depressed area of KwaMadlala. As a result of the sponsorship it was possible to install irrigation infrastructure, fencing and further supply the beneficiary community with and the support estimated to R6 million has confirmed the company's commitment to responsive and as approved in their social labour plans or high impact corporate social investment (CSI). This ground-breaking initiative culminated into the cultivation of 15 hectares of previously fallow land with the niche moringa, high value medicinal moringa and vegetables. The beneficiary community has embraced the initiative with open arms thereby motivating the entity to explore further possible opportunities for partnerships. In the current year the same project received the funding of R200 000(two hundred thousand Rands) from AgriSETA for institutional mentorship programme. Further to facilitation role by USCDA funding applications were circulated to 36 JSE listed companies as well as 8 government departments. As and when funds become available the initiative will be replicated to other deserving Amakhosi areas.

B. NATIONAL SCHOOL NUTRITION PROJECT

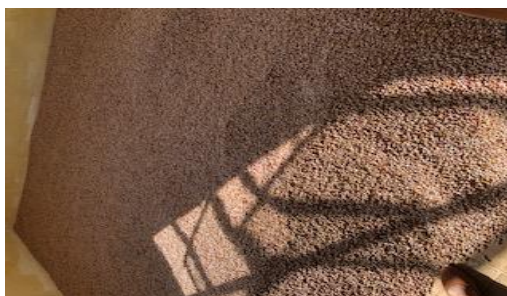


Figure 1Sivusisizwe Cooperative -Chazuka Umdoni Local Municipality

A generous start-up grant from the KwaZulu Natal Department of Cooperative Governance and Traditional Affairs enabled the entity to play a meaningful contribution in the mobilization of mainly rural women to be actively engaged in the cultivation of vegetables for the lucrative school nutrition project. The R3m grant that was received made a positive financial impact to 6 schemes and total 43 community gardens scattered throughout Ugu were assisted in accessing potential markets, ranging in size from 1 hectare to as big as 35 hectare each as irrigation equipment was rehabilitated and seedlings bought. The greatest impact was on convincing people involved in community gardens to think beyond cabbages and amadumbe as these appeared to be in over-supply and rather channelling then to the vegetables aligned to the NSNP project. The success of the initiative led to the entity getting a request to complement the butternut and dry beans supply needed by private markets, the Harry Gwala Development Agency and farmers along the Harding / Umzimkhulu border as well as those along Highflats / Umzimkhulu came in handy to fill in the gap. Despite the contract with Department of Education (DoE) as the market, USCDA successfully sustained the good relationship with private markets i.e. SPAR, Stokfel Hub, Pick n Pay for the produce that was already planted for the NSNP market. The entity reserved market stands in local exhibitions, district INDABA by Agriculture and sister entity South Coast Tourism.

C. AMAKHOSI MACADAMIA INITIATIVE

Macadamia production in Amakhosi areas have received a significant attention by national government departments i.e. Department of Economic Development (DED), Department of Agriculture and Forest and Fisheries (DAFF), Department of Agriculture and Rural Development, etc. The discussions on the production of Macadamia are underway in the district led by the appointed team by Deputy Minister Ms M. Masuku (DED). The initiative focuses on KwaNzimakwe Tribal Authority that is under Ray Nkonyeni Local Municipality. The Deputy Minister visited KwaNzimakwe and a 54Ha trust land was presented where a new macadamia farming project is proposed.

The appetite of producing this niche market crop is supported with number of desktop studies i.e. DAFF performed one that assessed the extent of macadamia production in Southern KZN. The data shows that there are 300 macadamia producers in Southern KZN that includes Ugu District producers, and there are already 200 000 trees in production or almost in production with a guaranteed market. Additionally, Ugu have invested opportunities in agriculture across and macadamia is amongst the priority commodities. In Department of Rural Development and Land Reform (DRDLR) Agri-Park Business Plan it highlighted strongly to have a comparative advantage in agriculture space. The existing grower structure i.e. Southern KZN Macadamia Grower Association that was formed for macadamia will assist in correct technical skills transfer as well as sustainability of the production of macadamia.

D. AGRO-PROCESSING



Figure 2: Mushrooms

The year under review supported new agro-processors in the district i.e. Moriga Powder and Tea, Oyster Mushrooms, Frozen Potato etc. New agro processors were enrolled for HACCP training by SABS which was half funded by DAFF. The facilitation of agro process accessing markets by the entity is on-going for both old and new agro-processors. Agro processors have been exposed to international, domestic markets and collaborative efforts with other district stakeholders has been remarkable.

10.2 PROPERTY DEVELOPMENT

Driven by the strategic intent of altering the skewed spatial patters that reinforces the stereotypes of the pre-1994 era, the Board took a conscious decision to facilitate implementation of high impact property development initiatives in the hinterland.

a. KwaXolo Caves

“The hidden treasure of the KZN South Coast”

An adrenalin pumping eco-adventure centre in the midst of the rural KwaXolo area finally managed to get to implementation as the supply chain management processes that needed to be undertaken with precision based on the complexity and uniqueness fo the project needed a great deal of precision. As a reminder the project entails linking the Khoisan rock art located at the foot of a cave with the main administration centre together with a critical mass of complementary activities. Service provider was appointed and took occupation of the site on the 2nd of May 2018. A total of 14 local persons have been employed with 2 being females. Just on construction alone the project has demonstrated the power of capacity building as locals employed in the project had to undergo specialist training based on the extremely risky nature of the work that needed to be undertaken. It has been an enriching experience to visit the site and find women hard at work hanging on anchored steel ropes, installing the harnesses on a cliff. Credit goes to the local contractor for believing in local empowerment as the non-negotiable pre-condition for being awarded the project was the transfer of skills on the trickiest and highly technical part of the project. Partnership with KZN CoGTA, Ray Nkonyeni and Ugu South Coast Tourism has culminated into an operating model that will ensure involvement of locals in the day-to-day management of the operations. In simple terms the initiative is a practical manifestation of the Operation Vula model which in effect means opening up Amakhosi areas as viable nodes for economic activity and inward investment.



Figure 3 : View Deck pergola railings being installed and completion of walkway leading to the first view deck.



Figure 5 : View exiting the welcome centre and pathway to the first view site.



Figure 4 : Construction of the second view site pergola under way.

b. Amandawe Precinct Plan

This is the urban design framework for the development of Amandawe rural area in Umdoni into a viable node that will serve as a blueprint in attracting investment into the KwaCele Traditional area. The plan was duly adopted by Umdoni Council in February 2019 and funding was made available by the Department of Rural Development, following from a funding application that was submitted by the entity. Going forward the framework will guide in investment decisions and will be incorporated into the Ugu Investment Brochure to be marketed to embassies abroad for circulation to potential investors.

c. South Coast Film Studios

The project entails construction of upmarket film studios, meeting international standards, inland of the Southcoast mall adjacent to the cemetery, in the Ray Nkonyeni Municipality. A US-based developer has been appointed and a lease agreement was subsequently signed between RNM and the developer. Furthermore, the entity consolidated a suite of incentives offered by government and circulated the information to the developer. In 2019/2020 the role of the entity will be to monitor implementation in line with the strategic direction taken by the Board that all the initiatives should have as a bare minimum, 30% of procurement and business opportunities accruing to locally based enterprises.

10.3 SMME SUPPORT

During the period under review, one hundred and twenty-six (126) small businesses were assisted with company registrations, change of directors, access to finance and tax matters. There has been good a working relationship with SEDA office based at Port Shepstone before registering SMMEs were referred to SEDA for business inception training. Once they are trained then SEDA would write them a referral letter to USCDA for registration. All invoices were paid within the statutory timelines of 30 days with an overall of 75% of the entity's budget being spent on locally based SMMEs. All tenders and quotations issued by the entity had as a precondition for appointment the non-negotiable requirement of 30% for each opportunity going to Ugu based SMMEs. Partnership with the Ugu Association of Business assisted in mitigating the violent incidents of local emerging businesses demanding 30% procurement from each project initiated within the district. As a result, the untenable scenes of violent disruptions to mainly construction projects were successfully mitigated.

10.4 RENEWABLE ENERGY PROJECT

The ground breaking mega bio-ethanol and bio-fuel project for the Umuziwabantu will serve as a game changer for genuine rural development as it aims to massify cultivation of sweet sorghum to be used as an input in bio-ethanol. On the other hand, sugar can and remnants of the timber plantations will be used as inputs for bio-fuels and the magnitude of the project has led to it being showcased as one of the KZN flagship projects to be marketed abroad whenever investment envoys interact with ambassadors and potential investors abroad and in Africa. Umuziwabantu Renewable Energy is one of the few projects that was profiled at the Presidential Investment Summit that was held in September 2018. As at the end of the financial year professional service providers for pre-planning and a draft Environmental Scoping Report had been produced as at end June 2019.

10.5 MARKETING AND INVESTMENT PROMOTION

a. Ambassadors' dinner

In partnership with the DTI and TIKZN, the entity managed to attend the networking session with the ambassadors representing the country in foreign countries and the Investment and Marketing Manager got to network with these esteemed persons and knowing them on a first name basis. As a consequence, the USCDA Investment Brochure was circulated to all embassies abroad in a cost-effective manner. This is in line with cost containment measures adopted by the Board to minimize financial exposure and rather maximize returns. During the year under review, the entity also managed to make its presence felt at the Japanese / South Africa Bilateral Trade engagement at which the Ugu Investment Brochure was also circulated.

b. Website

In line with ongoing trends of continuous improvement the entity began a process of revamping its website to be able to be on the cutting edge of digital marketing. This is based on the realization that the website is the point of interface with potential investors and that it must be on par with our competitors.

c. Manufacturing Indaba (14 – 15 August 2019)

The annual KwaZulu-Natal Manufacturing Indaba was hosted at the Durban ICC from 14-15 August 2019. The aim of the Manufacturing Indaba and its provincial roadshows was to focus and boost the growth potential of key industry sectors and to provide a platform for informative and interactive sessions with the prime movers of the nation's manufacturing sectors.

Although USCDA did not have an exhibition stand at the Manufacturing Indaba, IPM facilitated participation of one (1) company from our district under the banner of TIKZN. IPM submitted 3 companies to TIKZN for consideration but only one company was selected. The companies submitted were:

Company	Products
Goldenglo	Oil, Soap & Candles
KZN Fence & Gate	Gate & Fencing Supplies
Coastal Lounge & Mattress	Mattress

The selected company was Goldenglo. IPM worked in collaboration with the Chamber of commerce in securing their participation.

d. Umdoni Investment Summit (15 August 2019)

The summit was a gathering of property developers, representatives of local business forums and key sector departments to forge long-term business relations to address some development challenges. These challenges include low to moderate levels of economic activity, high levels of unemployment, low skills base and high infrastructure needs, amongst others.

As one of the economic hubs of the Ugu District and one of the five secondary investment nodes of the province, the municipality has significant investment and growth potential, with agriculture and tourism being the main economic sectors that form the backbone of the Umdoni local economy. The aim of the summit was to attract investment and create employment in new and existing industries, as well as to unlock the investment potential of key economic sectors within the municipality.

On the agenda was to improve the business environment through competitive transaction and regulatory costs, streamlined business licensing processes, well-developed local infrastructure and sound investment value proposition.

It is worth mentioning that at the Summit, Umdoni announced the long-awaited investment incentives.

e. KZN Investment Conference Briefing (31 August 2019)

As preparation for the KZN Investment Conference, TIKZN came to our offices on the 31st of August 2019 for a briefing session. The briefing session was attended by members of the business community, TIKZN executive – Mr Sihle Ngcamu and Ms Neliswa Dlamini, South Coast Business Chamber, and Ugu Business Association representatives. USCDA was the main coordinator for the briefing session. IPM organised all logistical arrangements which were the following:

- Extend invitations to LED officials, business community and other stakeholders as TIKZN expected them to be part of the meeting

- Coordinate catering arrangements which TIKZN covered in terms of costs
- Liaise with the South Coast Chamber for them to extend invitations to business people
- Follow up/ confirm attendance of people (especially officials)

The briefing session was well attended and TIKZN officials expressed their appreciation for organising the event and the broad presence of majority of stakeholders.

f. KZN Investment Conference (12- 14 September)

The KZN Investment Conference took place on 12-14 September 2019. During the conference, construction of the Durban Aerotropolis was announced as one of major projects in the province. The area would become a trade hub, offering modern residential areas and recreational facilities. The MEC for economic development Dube-Ncube said trillions of Rands in investment were expected and thousands of jobs should be created.

With the country desperate for investment into its economy, Dube-Ncube said she was on a mission to mobilise funding which would assist in transforming the largely rural province into a modern society. The international investment conference themed Aerotropolis was hosted with the effort to attract more investors to the hub and other flagship projects within the province. The conference also provided a platform to market projects in the province such as the Durban Point Waterfront development, the Dube Trade Port, the special economic zones and provincial economic hubs. The Aerotropolis would comprise of 32,000 hectares, 42 million square metres of development and was expected to house 1.5 million residents.

10.6 STAKEHOLDER ENGAGEMENTS

a. Growth and Development Plan

In line with its coordination mandate on matters that affect the development of the area, the entity undertook the review of the Ugu Growth and Development Plan as the original one was developed in 2012. The intention was to factor in new information that has since come to the fore and in particular the realignment of municipal boundaries after the 2016 local government elections. The reviewed plan which was a culmination of multi-stakeholder engagements was finally adopted by Ugu in November 2018. Going forward, the responsibility of the entity is to coordinate and monitor its implementation submitting reports to stakeholders on annual basis. It needs to be mentioned that the contribution of civil society and the business community (both organized and informal) has been extremely tremendous. However, same cannot not be said with the public service as efforts by government to account for jobs created are hampered by the reluctance of sector departments operating within Ugu to submit quarterly reports on both jobs created and expenditure on locally based SMMEs.

b. Community Radio Stations

The impact of advertising our services on local community radio stations has had the benefit of increasing brand awareness of the entity on critical services needed by the budding enterprises. The strategic location of our offices at the centre of Port Shepstone made it possible for SMMEs across the district to access our services more conveniently than to visit individual municipal LED offices. A total of 126 individuals and SMMEs combined were assisted with a wide spectrum of business-related services ranging from tax clearance, tender documentation, company registrations, market access and focussed business support. The

partnership with Ithala, SEDA / SEFA and the Port Shepstone based incubation centre gave true meaning to the benefits of collaboration as the role of the entity is to coordinate stakeholders for maximum efficiencies.

c. Amakhosi

The sound relations forged with Amakhosi in Ugu has culminated in at least 700 hectares of land in their respective areas being pledged for massive cultivation. As at the end of the financial year the entity managed to coordinate the private sector to sponsor the conversion of fallow with cultivation of niche crops. The grant from KZN CoGTA also assisted greatly as a total of 6 irrigation schemes were assisted with inputs and irrigation infrastructure.

11. CHALLENGES

• Funding for Umzumbe River Trail

In line with the commitment to open up Amakhosi areas as viable nodes of economic entity, the Board resolved to be an implementing agent for the planned Umzumbe River Trail project. In this regard a decision was undertaken to raise funding for the project on behalf of the sister entity, Ugu Southcoast Tourism, and upon receipt to commence with implementation. It needs to be noted that an amount of R37 million is needed to translate the concept in reality. A fund-raising action plan for the project was developed targeting both the private sector companies as well as government departments for sponsorship or grant funding. Consequently, the target to commence with implementation could not be achieved as most companies approached lament the declining state of the economy with a debilitating effect on their ability to contribute meaningfully to community projects. On quarterly basis, reports on efforts undertaken by the administration to raise funding are submitted to the Board for proper scrutiny and monitoring.

• Reports on jobs created

The impact of government interventions on communities served is felt by the number of jobs that have been created as well as the percentage of budget spent on locally based enterprises. In implementing the Growth and Development Plan of the district, the entity undertook to coordinate reporting by government departments on each of the 2 categories. Reports for data on both jobs created as well as jobs created could not be received and consequently the target was not achieved. The Mayor's office and the Municipal Manager of Ugu were then requested to liaise with the respective MECs to impress on the respective senior officials to submit the reports. In relation to the entity's initiatives a total of 14 construction related jobs were created and 98 people involved in community gardens benefitting from agricultural related inputs and irrigation infrastructure.

• Ifafa Industrial Park.

This is a light industrial hub to be located along the N2 / Ifafa interchange in line with the strategic objective of well-located and serviced land for industrial development. The entity purchased a 99-hectare farm currently under sugar cane with an intention of rezoning it and developing into a light industrial estate. The application for permission to release the far from agricultural usage was submitted in July 2017 to the National Department of Agric and an adverse response, turning the request down, was received a year later, specifically in November 2018. The Board, convinced that the intention to provide serviced sites for light industrial activity is noble, mandated the CEO to lodge an appeal with the Minister for Agriculture. The appeal memorandum was hand delivered

to the Minister's office in January 2019 and to date the matter has not been finalized. The matter has since been escalated to Trade and Investment KZN as it nullifies the good intentions of Red Tape reduction and it is their intervention will produce the desired outcome.

12. PERFORMANCE MANAGEMENT REPORT – 2018/2019

The narrative provided in the preceding section providing highlights during the year under review as well as giving an indication of challenges experienced is illustrated further in the table that follows. The greatest challenge has been setting of targets depending on external parties and mostly with no funding.

UGU SOUTH COAST DEVELOPMENT AGENCY															
ANNUAL PERFORMANCE PLAN - 2018/2019															
ANNUAL PERFORMANCE PLAN															
Six roles that a DDA should play:															
1. Lead market development															
2. Mobilise the private sector															
3. Ensure strategic partnerships															
4. Leverage financial resources for economic development in the district															
5. Bring focus and resources together to deliver (co-ordination)															
6. Implement															
Key Performance Areas (KPA's) in Local Government: Municipal Planning and Performance Management Regulations (2001):															
1 - Municipal Transformation and Organisational Development															
2 - Infrastructure Development and Basic Service Delivery															
3 - Local Economic Development (LED)															
4 - Municipal Financial Viability and Management															
5 - Good Governance and Public Participation															
Each Strategic Objective must be informed by (linked to) one of these KPAs															
They must also be linked to the Parent Municipalities OPMS															
YEAR UNDER REVIEW 2018/2019															
S/O#	National KPA#	UguDM IDP Ref	PROGRAMME	PROJECT	KPI	Comparatives 2017/18		YEAR UNDER REVIEW 2018/2019					ANNUAL BUDGET	OWNER	
						Annual Target	Actual	ANNUAL TARGET	ACTUAL	ACHIEVED/NOT ACHIEVED	CHALLENGEES	CORRECTIVE ACTIONS			
SO 1			Institutional Compliance: To ensure that USFDA operations are compliant with all regulatory frameworks												USFDA
SO 1.1	4	3.7	Risk Management	Comprehensive Risk Register	Complete risk register by 30 November	1 Risk register completed by 30/11/2017	1 Risk register completed	1 Risk Register by 30 November	1 Risk Register by 30 November	Achieved	N/A	N/A	Operational	M:Fin	
SO 1.2	4	3.7	Risk Management	Risk Policy Review	Date Risk Management reviewed	1 Risk management policy approved by 31/12/2017	1 Risk management policy approved by 31/12/2017	Policy reviewed by 2018/03/31	Risk Register and reviewed	Not Achieved	The policy is still being reviewed and the engagement with Treasury did not cater for the review of the policy as well	Review the policy in the 2019/20 financial year	Operational	M:Fin	
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%	92%	100%	100%	Achieved	N/A	N/A	Operational	M:Fin	
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	2	Not Achieved	The target will be changed to reflect records of appraisal as against verbal	The target will be changed in July to reflect records of appraisals	Operational	Board/CEO	
SO 1.5	4	3.7	Municipal Entity Website	Legislated SCM notices publication	Percentage of notifications uploaded	100%	100%	100%	100%	Achieved	N/A	N/A	Operational	M:Fin	
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	5	12	12	Achieved	In some months challenges were experience with the interface of the payroll and accounting systems	Perform manual journals instead of the interface when the challenges occur	Operational	M:Fin	
SO 1.7	4	3.7	S&T Financial Reporting	Monthly financial report production	Monthly reports by the 7th working day of the following month	12	5	12	12	Achieved	In some months challenges were experience with the interface of the payroll and accounting systems	Perform manual journals instead of the interface when the challenges occur	Operational	M:Fin	
SO 1.8	4	3.7	PMS Reporting	Quarterly performance report production	Quarterly reports	4	4	4	4	Achieved	N/A	N/A	Operational	M:Fin	
SO 1.9	4	3.7	Financial Planning	Mid-year adjusted budget review	Board resolution by 15/01/19	Mid year report produced by 2018/01/20	Mid year report produced by 2018/01/20	15/01/2019	Resolved on 15/01/2019	Achieved	N/A	N/A	Operational	M:Fin	
SO 1.10			Financial Planning	Mid-year adjusted budget review	Submission to Ugu by 20/01/2019	N/A	N/A	20/01/2019	Submitted 16/01/2019	Achieved	N/A	N/A	Operational		
SO 1.11	4	3.7	Finance Policies	Budget, Finance and Supply Chain Policy review	Review Policies by 31 May	Review of finance policies by 31/05/2018	Policies reviewed and approved in May 2018	31/05/2019	Policies reviewed before 31 May 2019	Achieved	N/A	N/A	Operational	M:Fin	
SO 1.12	4	3.7	Annual Report	Draft Annual Report produced by 30 December 2018	Annual Report Adoption by 31 December	Annual Report by 31/12/2017	Annual Report by 31/12/2017	Draft Annual Report produced by 31/12/2018	Draft Annual Report produced by 31/12/2018	Achieved	N/A	N/A	Operational	M:Fin	

SO 1.13	4	3.7	Annual Financial Statements	Draft AFS & Performance Report to AG	AFS and Annual PMS report by 31 August	1	AFS and Annual PMS report by 31 August	31/08/2018	AFS and PMS submitted on 31 August 2018	Achieved	N/A	N/A	R 126 000.00	M:Fin
SO 1.14	4	3.7	Audit Compliance	AG Report	Unqualified Audit Opinion	1	Unqualified Audit Opinion	1	Anqualified Audit Opinion	Achieved	N/A	N/A	Operational	M:Fin
SO 1.15	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%	0.39%	Achieved	N/A	N/A	Operational	M:Fin
SO 1.16	4	3.7	Budget Planning in terms of the MFMA	Draft 2019/2020 budget approved by the Board	Draft approved by 31 January 2019	1	0	31/01/2019	Draft budget approved on 15/01/2019	Achieved	N/A	N/A	Operational	M:Fin
SO 1.17	4	3.7	MSCOA Implementation	Actively participate in MSCOA steering committee	Compliance with MSCOA targets	4	5	4	3	Not Achieved	No meeting convened for one of the quarters	The target will be set such that it reflects that all meetings will be attended	Operational	M:Fin
SO 1.18	4	3.7	Liquidity	Business Plans approved by the Board and submitted to stakeholders	Date Business Plans approved	N/A	N/A	20 Business plans by 31 March 2019	20 Business plans submitted	Achieved	N/A	N/A	Operational	M:Fin and CEO
SO 1.19	4	3.7	Implementing Agent	Proposals submitted to government departments	No of govt depts / municipalities	N/A	N/A	4	0	Not Achieved	Negative responses	Continue applying	Operational	M:Fin and CEO
SO 1.20	4	3.7	Fund raising	Amount of funding raised	R20m	N/A	N/A	R20m	0	Not Achieved	No positive responses have been received	Continue applying	Operational	M:Fin and CEO
SO 1.21	4	3.7	CIPC Compliance	Submit AFS and all corporate changes	CIPC up to date by year end	1	1	1	1	Achieved	N/A	N/A	R 500.00	M:Fin
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	8	4	4	0	Not Achieved	There were not enough funds for the trainings	Alternative training providers will be sought that offer training with no charge e.g. Treasury, SETA's etc	R 50 000.00	M:Fin/CEO
SO 2.2	1	3.7	Corporate Identity	Update USCDA website and maintainance	12 updates to websites	1	1	12	12	Achieved	N/A	N/A	R 50 000.00	M:IPM/CEO

SO 2.3	1	3.7	Corporate Identity	Ensure all brand & marketing material compliant with USCDA	Review & produce brand & marketing material	1	1	1	1	Achieved	N/A	N/A	R	50 000.00	M:PM/CEO
SO 3															
Investment 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	Table progress reports to Municipal Councils on GDS Implementation Plan	no of progress reports to Municipalities	2	4	10	0	Not Achieved	Dates for the engagements could not be secured	Focus groups to be pursued in the new financial year	R	10 000.00	CEO
SO 3.1.2	3	3.7.9	GDS	Date GDS Review completed	Adoption of Reviewed GDS by Ugu	N/A	N/A	1	1	Achieved	N/A	N/A	Operational		CEO
SO 3.1.3	3	3.7.9	Reports on jobs created	Quarterly reports on jobs created by government departments within Ugu	Number of reports on jobs created	N/A	N/A	4	0	Not Achieved	Reports not received from respective departments	The Mayor of the district to be engaged to intervene on the matter	Operational		CEO
SO 3.1.4	3	3.7.9	Expenditure on SMMEs in Ugu	All government departments reporting on jobs created	Number of report on 30% expenditure	N/A	N/A	4	0	Not Achieved	Reports not received from respective departments	The Mayor of the district to be engaged to intervene on the matter	Operational		CEO
SO 3.2															
Implement an Investment Promotion & Facilitation Strategy for the Ugu District															
SO 3.2.1	3	3.7.9		Incentives adopted by all municipalities	Number of municipalities adopted Incentives	N/A	N/A	5	0	Not Achieved	Incentives present municipalities with budgetary requirements.	Incentives have been presented to all municipalities, LM's should resolve on incentives to be pursued	Operational		CEO
SO 3.2.2	3	3.7.9	Investment promotion	Develop digital brochures and leaflets	Investment brochures, leaflets developed	1	1	1	1	Achieved	N/A	N/A	R	20 000.00	MIPM
SO 3.2.3	3	3.7.9	Investment promotion	Promoting Ugu at Investment Conferences	Number of Investment conferences at which Ugu is promoted	2	2	1	1	Achieved	N/A	N/A	R	30 000.00	M:IPM
SO 3.2.4	3	3.7.9	Investment promotion	Organize and host Ugu Investment Conference	Investment opportunities	N/A	N/A	1	0	Not Achieved	Provincial Conference has not convened its conference, and as such district conferences could not be convened	Plan an investment conference aligned to the provincial conference in the new financial year, funds allowing.	R	150 000.00	MIPM

3.2.5	3	3.7.9	Investment promotion	Attend local, provincial and national exhibitions for exposure and marketing the agency	Number of exhibitions	N/A	N/A	4	3	Not Achieved	There were no local exhibitions relevant to the agency and even if there were exhibitions financial position was a challenge.	The Projects Committee concluded that USCDA partners with the province and exhibit under their banner	R	50 000.00	MIPM
SO 3.2.6	3	3.7.9	Investment promotion	Rand value of investment into Ugu as a result of marketing and investment attraction initiatives	Rand value of inward investment to Ugu	N/A	N/A	R100m	0	Not Achieved	No inward investment has been realised	Continue with the applications and liaison with prospective investors in the new financial year.	R	30 000.00	IPM
SO 3.3	3		Establish a business support desk for big, small and emerging business												USCDA
SO3.3.1	3	3.7.4	Business Support	Organise information sharing sessions for SMMEs	Number of sessions organised	6	6	4	4	Achieved	N/A	n/4	R	30 000.00	M:Dev SP
SO 3.3.2	3	3.7.4	Business Support	Identify local SMMEs with viable business case	Number of businesses identified	2	3	10	8	Not Achieved	No viable businesses were identified	Assist with business support as an ongoing process	Operational		M:Dev SP
SO 3.3.3	3	3.7.4	Business Support	Train SMMEs on capacity, productivity and business management skills	Number of businesses identified	N/A	N/A	10	6	Not Achieved	No SMME's could be identified for the training	Efforts to continue in the new financial year for the training of the SMMEs	Operational		M:Dev SP
SO 3.3.4	3	3.7.4	MOU's with key strategic partners	MOUs signed for funding of SMMEs	No of MOUs signed	N/A	N/A	4	5	Achieved	N/A	N/A	Operational		
SO 3.3.5	3	3.7.4	Business Support	Establish good working relationship with departments/sectors that provide business support services	Number of business support sectors engaged	8	10	4	8	Achieved	N/A	N/A	Operational		M:Dev SP
SO 3.3.6	3	3.7.4	Business Support	Assist business to establish in the Ugu District	Number of businesses assisted	12	12	10	6	Not Achieved	No businesses could be assisted for th quarter	Continue with the efforts to assist in the subsequent year	Operational		M:Dev SP
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	Agricultural support	Engage and consult traditional leaders on identification of arable land	Number of leaders consulted	N/A	N/A	6	6	Achieved	N/A	N/A	Operational		M:Dev Agric
SO 4.1.2	3	3.7.5	Agricultural support	Number of hectares of fallow fields in Amakhosi areas converted into cultivated lands	Number of hectares cultivated	N/A	N/A	45	92	Achieved	N/A	N/A	R	200 000.00	M:Dev Agric

SO 4.1.3	3	3.7.5	Agricultural support	Conduct and facilitate formal market for farmers	Number of markets identified	6	6	2	2	Achieved	N/A	N/A	Operational	M:Dev Agric
SO 4.1.4	3	3.7.5	Agricultural support	Support small growers and farmers with inputs for production	Number of farmers supplied with inputs	N/A	N/A	4	8	Achieved	N/A	N/A	R 400 000.00	M:Dev Agric
SO 4.1.5	3	3.7.5	Agricultural support	Support farmers and schemes with mechanisation	Number of farmers supported with mechanization	N/A	N/A	8	5	Not Achieved	There were not enough farmers that could be supported for the year	Identify more farmers that required assistance	R 100 000.00	M:Dev Agric
SO 4.1.6	3	3.7.5	Agricultural support	Provide training on commercial production	Trainings conducted	3	8	4	0	Not Achieved	Expenditure for RASET Grant was put on hold by the funder	Apply for funded government trainings and source funding for farmers capacitation programme	R 50 000.00	M:Dev Agric
SO 4.1.7	3	3.7.5	Agricultural support	Link farmers with potential markets and other government programmes	Linkages made	6	6	4	6	Achieved	N/A	N/A	Operational	M:Dev Agric
SO 4.1.8	3	3.7.5	Agriculture support	Prepare and submit Business Plans for agriculture support	Number of applications	N/A	N/A	8	9	Achieved	N/A	N/A	R -	M:Dev Agric
SO 4.1.9	3	3.7.5	Agri-processing	Encourage establishment of Agri-Processing plants and upskill farmers to participate	Number of farmers trained	3	8	4	12	Achieved	N/A	N/A	R 100 000.00	M:Dev/CEO
SO 4.1.10	3	3.7.5	Agri-processing	Link upskilled farmers with the markets and relevant departments for their products	Number of farmers linked	6	6	6	6	Achieved	N/A	N/A	R 50 000.00	M:Dev Agric
SO 4.1.11	3	3.7.5	Agri-park	Participate in National & Provincial meeting and play a facilitation role in the implementation of Agri-Park	Attend DJOC (DAPPOT) quarterly meetings	4	4	4	3	Not Achieved	DRDLR discontinued the sitting of DJOC meetings	Participate in FPSU meeting in LMs. These are quarterly meetings and the Q1 meeting didn't convene. Q2 meeting will be attended	R -	M:Dev Agric
SO 5			Entrepreneurship 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 funding application for skills development	Number of funding application	2	2	6	2	Not Achieved	Applications are based on request, especially, by SETAs. As the entities that fund skills development.	As request for applications are issued, USCDA will apply. The target will be achieved in Q4	Operational	M:Dev SP
SO 5.2	3	3.7.4	Promote awareness of USCDA through the local radio stations											USCDA

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	8	8	8	8	Achieved	N/A	N/A	Operational	IPM
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	88	88	88	76	Not Achieved	Service provider appointed a month later than planned	Other programmees extend to the new financial year	R 56 000.00	IPM
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												
SO 6.1.1	3	3.7.9	Hinterland Property Development	Murchison Mixed Use	Finalize the concept and present to Projects Committee	N/A	N/A	31/12/2019	0	Not Achieved	The two concepts from USCDA and the taxi association have not been consolidated	Ndwalane Taxi and Business Associations have started develop a concept document, as it is now we need to work with them to final the documents .	R 15 000.00	M:Dev SP
SO 6.1.2	3	3.7.9	Hinterland Property Development	Amandawe Precinct Plan - Participate in meetings	Number of meetings attended	N/A	N/A	2	1	Not Achieved			Operational	M:Dev SP
SO 6.1.3	3	3.7.9	Operation Phakisa	St Michaels beachfront	Concept document adopted	N/A	N/A	1	0	Not Achieved	Challenges lie with the owbership of the property/land	Continue with the efforts to discuss with the local municipalities	R -	M:Dev SP
SO 6.1.4	3	3.7.9	Operation Phakisa	Shelly Ski-boat revamp	Concept document adopted	N/A	N/A	1	0	Not Achieved	Challenges lie with the owbership of the property/land	Continue with the efforts to discuss with the local municipalities	R -	M:Dev SP
SO 6.1.5	3	3.7.9	Operation Phakisa	Southbroom beachfrnt development	Concept document adopted	N/A	N/A	1	0	Not Achieved	Challenges lie with the owbership of the property/land	Continue with the efforts to discuss with the local municipalities	R -	M:Dev SP
SO 6.1.6	3	3.7.9	Inland Proport Development	Conference Centre - Umdoni	Expression of Interest advert	N/A	N/A	1	0	Not Achieved	Challenges lie with the owbership of the property/land	Continue with the efforts to discuss with the local municipalities	R -	M:Dev SP
SO 6.2		Implement property development opportunities												
SO 6.2.1	3	3.7.6	KwaXolo Caves	Completion of construction of KwaXolo Caves Walkway	Walkway constructed	1	0	1	0	Not Achieved	The construction of is in progress and commenced in June 2019	There is progress in the project and it is forecast for completion in Q1 of the 2019/20 Fin year	R 950 000.00	M:Dev PD/CEO

SO 6.2.2	3	3,7,6	John Mason Park	Conclude development agreement with the developer	Consolidated the agreement	1	0	1	0	Not Achieved	Challenges with the ownership of the property	Follow up with the Public Works for the signing of the lease agreement	Operational	M:Dev PD/CEO
SO 6.2.3	3	3,7,6	John Mason Park	Provide and guide for the initiation of professional planning/studies	Professional studies	1	0	1	0	Not Achieved	Agreement has not been finalised	Make a follow up in the new financial year	Operational	M:Dev PD/CEO
SO 6.2.4	3	3,7,6	Hibberdene Mixed Use	Conclude the agreement with the developer	Agreement with the developer	1	0	1	0	Not Achieved	There have been issues with land ownership	Resolve the matters of land ownership with RNM	Operational	M:Dev PD/CEO
SO 6.2.5	3	3,7,6	Hibberdene Mixed Use	Present an implementation plan to Board	Date IP presented	N/A	N/A	1	0	Not Achieved	There have been issues with land ownership	Resolve the matters of land ownership with RNM	Operational	M:Dev PD/CEO
SO 7														UDM
SO 7.1														USCT
SO 7.1.1	3	3,7,6	Multi Trails Network	Social facilitation for URT	Number of sessions for social facilitations	4	4	4	3	Not Achieved	Endeavours to get funding have not been successful	Continue with soliciting funding for the URT	R 10 000.00	M:Dev SP
SO 7.1.2	3	3,7,6	Multi Trails Network	Funding secured for URT	R35m	N/A	N/A	R35m	0	Not Achieved	Endeavours to get funding have not been successful	Continue with soliciting funding for the URT	Operational	
SO 7.1.3	3	3,7,6	Multi Trails Network	Review a joint action plan with SCT for URT	Joint action plan	1	1	1	0	Not Achieved	Endeavours to get funding have not been successful	Continue with soliciting funding for the URT	Operational	CEO
SO 7.1.4	3	3,7,6	Multi Trails Network	Implement a joint implementation plan	Outputs of the plan	N/A	N/A	2	2	Achieved	N/A	N/A	Operational	M:Dev SP
SO 7.1.5	3	3,7,6	Scottburgh beach front	Conclude development agreement with the developer	Date agreement concluded	N/A	N/A	31/03/2019	0	Not Achieved	Land ownership proved to be a challenge, as part of it is privately ownership.	Proper engagements are yet to be organized with private owners through the local municipality by Q4	Operational	M:Dev PD/CEO
SO 7.1.6	3	3,7,6	Turton Beach Front	Conclude development agreement with the developer	Date agreement concluded	N/A	N/A	30/06/2019	0	Not Achieved	Challenge with the ownership of the land	Discussions with the municipality to be pursued	Operational	M:Dev PD/CEO
SO 7.2														USCDA
SO 7.2.1	3	3,7,5	Fish Farming	Link potential partners from previously disadvantage groups with Fish Farming Projects	Progress report from the manager	1	0	1	0	Not Achieved	The study hasn't been conducted in the district for fish farm projects to be confirmed feasible	Apply and secure funding for the study by FY 2019/20	Operational	M: Dev Agric
SO 7.2.2	3	3,7,5	Fish Farming	Business Plan for funding approved	Date of approval	N/A	N/A	1	None	Not Achieved	No funding was sourced to develop compile a business plan	Apply and secure funding for a bankable business plan	R -	M: Dev Agric
SO 7.2.3	3	3,7,5	Fish Farming	Identify markets for fish and related products	Number of markets identified	N/A	N/A	1	0	Not Achieved	No businesses were ready that could be linked to markets	Develop a business plan for businesses and link with markets in Q3 and Q4	Operational	M:Dev Agric
SO 7.2.4	3	3,7,5	Fish Farming	Appoint Services Provider for Fish Farming business plan development	Business Pan development	N/A	N/A	1	0	Not Achieved	Financial limitations to appoint the service provider	Secure funding from government departments by FY 2019/20	R 500 000.00	M:Dev Agric
SO 7.2.5	3	3,7,5	Fish Farming	Link DAFF aquaculture assessed sites with Provincial Aqua Related Programmes	Nummber sites linked	N/A	N/A	2	0	Not Achieved	The study hasn't been conducted in the district for fish farm projects to be confirmed feasible	Apply and secure funding for the study	Operational	M:Dev Agric

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	1	0	31/12/2018	0	Not Achieved		The DAFF was given a proof that Elysium farm is not under claim, as per request. In their communication, this proof is important to make a final recommendation on the release of agriculture land . A follow up will be done during Q3 and Q4.	Operational	M:Dev SP
SO 8.2	3	3,7,6	Catalytic Project	Initiate the process of Ifafa Industrail Park establishment	Complete EIA	1	0	1	0	Not Achieved	The release of agricultural land has not been approved	Management will pursue the appeal with the Dept of Agriculture	R 300 000.00	M:Dev SP
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 release of agricultural land has not been approved	Management will pursue the appeal with the Dept of Agriculture	R 300 000.00	M:Dev SP
SO 8.4	3	3,7,6	Catalytic Project	Update Polar on Ifafa Industrial Pak progress (EIA and Rezoning)	Update Polar	4	4	4	0	Not Achieved	The release of agricultural land has not been approved	Management will pursue the appeal with the Dept of Agriculture	Operaional	M:Dev SP
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	1	0	1	0	Not Achieved	The release of agricultural land has not been approved	Management will pursue the appeal with the Dept of Agriculture	Operational	M:Dev SP
SO 8.6	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	1	1	1	1	Achieved	N/A	N/A	Operational	M:Dev SP
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 initiative at Gunn's Drift	Quarterly progress reports	4	4	4	4	Achieved	N/A	N/A	Operational	M:Dev SP
SO 10			Black Industrialist											
SO 10	3	3.7.9	Forest industries	Forestry Industrialization Business Plan	Business Plan development	N/A	N/A	1	0	Not Achieved			R -	CEO
			TOTAL BUDGET										R 3 627 500.00	
								ANNUAL						
								35						
								46						
								81						
								43.2%						

13. THE ANNUAL FINANCIAL STATEMENT



Ugu South Coast Development Agency
(Registration number 2016/158371/30)
Annual Financial statements
for the year ended 30 June 2019

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Municipal entity
Directors	Joy Crutchfield Sandile Dlomo Vijay Naidoo Lindelani Shezi Dr Ephraim Zungu Zonke Mthuli Dr Sipho J Nzimande
Chief Executive Officer	Mr M Mabece
Finance Manager	Mr BS Fikeni
Postal address	P.O. Box 144 PORT SHEPSTONE 4240
Bankers	Absa Bank

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Index

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

	Page
Chief Executive Officer's Certificate	3
Directors' Report	4 - 5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Cash Flows	9
Accounting Policies	10 - 24
Notes to the Annual Financial Statements	25 - 43
	43
	Appendices
Comparison of budget and actual income and expenditure	A
Schedule of external loans	B
Analysis of Property, Plant and equipment	C
Segmental analysis of Property, plant and equipment	D
Segmental statement of financial performance	E
Actual versus budget (Acquisition of Property, plant and equipment)	F

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

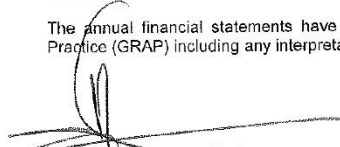
Chief Executive Officer's Certificate

1. Chief Executive Officer's Certificate

I am responsible for the preparation of these annual financial statements in terms of Section 126(2) 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 note 16 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.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and derivatives issued by the Accounting Standards Board.


Mr M Mabece
Chief Executive Officer

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Ugu South Coast Development Agency for the year ended 30 June 2019.

1. Nature of business

Ugu South Coast Development Agency is a municipal entity of Ugu District Municipality mandated to implement Growth and Development within the Ugu District.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP). The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

3. Directors

The directors in office at the date of this report are as follows:

Directors

Dr Sipho J Nzimande
Joy Crutchfield
Sandile Dlomo
Vijay Naidoo
Lindelani Shezi
Dr Ephraim Zungu
Zonke Mthuli

3.1 Number of meetings attended by Directors

Board members	Board meetings	Special meeting	Strategic meeting	Total
Dr Sipho J Nzimande	3	2	1	6
Joy Crutchfield	4	3	1	8
Sandile Dlomo	4	3	-	7
Vijay Naidoo	4	3	1	8
Lindelani Shezi	2	2	1	5
Dr Ephraim Zungu	3	1	-	4
Zonke Mthuli	4	1	1	6

There have been no changes to the directorate for the period under review.

4. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Auditors

Auditor General continued in office as auditors for the company for 2019.

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

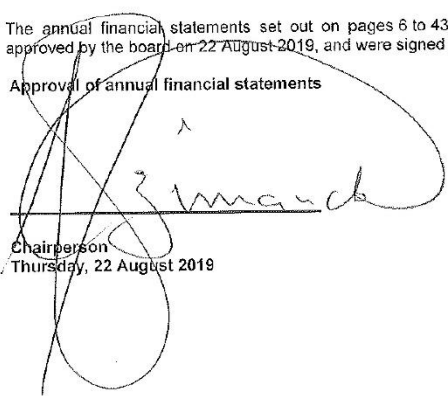
Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Directors' Report

The annual financial statements set out on pages 6 to 43, which have been prepared on the going concern basis, were approved by the board on 22 August 2019, and were signed on its behalf by:

Approval of annual financial statements



Chairperson
Thursday, 22 August 2019

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			Restated
Non-Current Assets			
Property, plant and equipment	3	254 206	308 251
Investment property	4	9 349 310	9 349 310
Intangible assets	5	12 700	15 575
		9 616 216	9 673 136
Current Assets			
Prepayments	6	9 309	-
Receivables from exchange transactions	7	20 960	-
Receivables from non exchange transactions	8	863 799	2 039 058
Cash and cash equivalents	9	3 232 016	2 754 246
		4 126 084	4 793 304
Total Assets		13 742 300	14 466 440
Equity and Liabilities			
Equity			
Accumulated surplus		3 821 082	5 323 275
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	1 921 070	964 261
Operating lease liability		-	33 152
Unspent conditional grants and receipts	10	3 607 967	3 951 204
Interest bearing borrowings	11	4 392 181	4 194 548
		9 921 218	9 143 165
Total Equity and Liabilities		13 742 300	14 466 440

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated
Revenue from non exchange transactions			
Government Grants and Subsidies	13	8 874 518	7 411 921
Revenue from exchange transactions			
Rental income		91 209	146 724
Sundry income		2 000	2 581
Interest received		102 911	126 121
		196 120	275 426
Operating expenses			
Asset impairment		-	10 031
Depreciation, amortisation and impairments	3	56 920	55 148
Employee costs	17	5 853 436	5 047 132
General expenses	18	3 582 790	3 298 990
Directors remuneration	16	782 002	846 585
		10 275 148	9 257 886
Operating loss		(1 204 510)	(1 570 539)
Finance costs	14	(297 793)	(296 130)
Loss for the year		(1 502 303)	(1 866 669)

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Equity

	Total attributable to equity holders of the company	Total equity
Figures in Rand		
Balance at 01 July 2017	7 190 054	7 190 054
Total surplus for the year	(1 866 669)	(1 866 669)
Total surplus for the year	-	-
Total surplus for the year	(1 866 669)	(1 866 669)
Balance at 01 July 2018	5 323 385	5 323 385
Total deficit for the year	(1 502 303)	(1 502 303)
Total deficit for the year	-	-
Total deficit for the year	(1 502 303)	(1 502 303)
Balance at 30 June 2019	3 821 082	3 821 082

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Statement of Cash Flows

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Cash receipts from customers		9 146 162	7 411 921
Cash paid to suppliers and employees		(8 327 906)	(8 682 285)
Cash generated from (used in) operations	19	818 256	(1 270 364)
Interest income		102 911	126 121
Finance costs		(297 793)	(296 130)
Net cash from operating activities		623 374	(1 440 373)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	-	(45 170)
Sale of other assets		-	106 554
Net cash from investing activities		-	61 384
Cash flows from financing activities			
Movement in conditional grants and receipts		(343 237)	3 000 000
Movement in non interest bearing borrowings		197 633	(56 082)
Movement in other liability		-	(57 453)
Net cash from financing activities		(145 604)	2 886 465
Total cash movement for the year		477 770	1 507 476
Cash at the beginning of the year		2 754 246	1 246 770
Total cash at end of the year	9	3 232 016	2 754 246

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

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.

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

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	Cashflow 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 (ASB) 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

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

Critical judgements in applying accounting policies

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts reflected 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 and 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 cashflows from a financial asset.

The impairment for trade and receivables is calculated on a portfolio basis, based on historical cost 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.

Key sources of estimation uncertainty

Impairment testing

The company reviews and tests the carrying value of property, plant and equipment, investment property on the cost model and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

Fair value estimation

Several assets and liabilities of the entity are measured at fair value.

The valuation process requires management to always first consider whether there is a quoted price in an active market for an identical or similar asset. If no such quoted price exists, then the fair value is determined by reference to a recent binding sale agreement or a recent transaction for an identical or similar asset.

The recent binding sale agreement or transaction is only applied where it is between knowledgeable willing parties in an arms length transaction and where there has not been a significant change in economic circumstances or significant time lapse between the date of such agreement or transaction and the measurement date. Where there have been significant changes in economic circumstances, then the price is adjusted to determine fair value. If there is no quoted price and there have been no recent binding sale agreements or recent transactions for the identical or similar assets, then management will determine fair value by applying appropriate valuation techniques. Observable market data is used as inputs to the extent that it is available.

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.

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 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 for sale in the ordinary course of business.

Investment property is initially measured 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.

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets non-current assets (including infrastructure assets) that are held for use in the production or supply of goods and 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 the fair value as at the 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.

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 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 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	Depreciation method	Average useful life
Furniture and equipment	Straight line	6-15 years
IT equipment	Straight line	5-10 years

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.5 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.

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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.

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, as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	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.		

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Intangible assets (continued)

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.

1.7 Offsetting

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

1.8 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.

1.9 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 2018 to 30 June 2019.

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.

1.10 Financial instruments

Initial measurement

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;

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Financial instruments (continued)

- * 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 fair 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;

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Financial instruments (continued)

- * 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:

- * 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

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Financial instruments (continued)

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

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

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Financial instruments (continued)

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 continues 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).

1.11 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.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Finance leases - lessor

Finance lease receivables are measured at an amount equal to the net investment in the lease.

Finance income is recognised using the effective interest method.

Finance leases – lessee

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method.

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.12 Leases (continued)

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

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

1.13 Prepayments

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;

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.13 Prepayments (continued)

- * 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.

1.14 Receivables from 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 arises when 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

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.14 Receivables from exchange transactions (continued)

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. 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.

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.15 Impairment of assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets or investment property on the cost model may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

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, 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.

1.16 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 Unauthorised expenditure

Unauthorised expenditure means:

- * Overspending of a vote or 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.

1.19 Provisions and contingencies

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event; it is probable that the company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

1.20 Government grants

Grants that do not impose specified future performance conditions are recognised in income when the grant proceeds are receivable.

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.20 Government grants (continued)

Grants that impose specified future performance conditions are recognised in income only when the performance conditions are met.

Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

Grants are measured at the fair value of the asset received or receivable.

1.21 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 related 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.

1.22 Borrowing costs

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

1.23 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.

1.24 Employee costs

Remuneration to employees is recognised in the statements 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.

1.25 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 the 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 ordinary course of business are disclosed.

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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2. Changes in accounting policy

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 or the cumulative effect of the change in accounting policy. In such a case the entity 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 retrospectively in accordance with GRAP3 requirements. Details of the change in estimates are disclosed in the notes to the annual financial statements where applicable.

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation and impairments	Carrying value	Cost	Accumulated depreciation and impairments	Carrying value
Furniture and equipment	310 435	(189 138)	121 297	310 435	(165 502)	144 933
IT equipment	243 272	(110 363)	132 909	243 272	(79 954)	163 318
Total	553 707	(299 501)	254 206	553 707	(245 456)	308 251

Reconciliation of property, plant and equipment - 2019

	Opening balance	Depreciation	Closing balance
Furniture and equipment	144 933	(23 636)	121 297
IT equipment	163 318	(30 409)	132 909
Total	308 251	54 045	254 206

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Impairment loss	Closing balance
Furniture and equipment	150 179	9 570	(7 412)	(7 404)	144 933
IT equipment	178 081	35 600	(47 736)	(2 627)	163 318
Total	328 260	45 170	(55 148)	(10 031)	308 251

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

4. Investment property

	2019		2018	
	Cost	Accumulated depreciation and impairment	Carrying value	Accumulated depreciation and impairment
Investment property	9 349 310	-	9 349 310	-

Details of property

Portion 1 of the farm Elysium no. 15582, Registered Division ET, Province of Kwa-Zulu Natal held under deed of transfer, 151929/1999, in extent 92.4433 hectares.

- Purchase price: 09 October 2016

9 349 310 9 349 310

The property is valued at cost, and continues to be utilised for rental purposes to a tenant who farms on it. The board has considered the condition of the property and is confident that nothing has happened to the farm that would result in impairment, and therefore maintain the value of the property at cost

5. Intangible assets

	2019		2018	
	Cost	Accumulated amortisation	Carrying value	Accumulated amortisation
Computer software	52 387	(39 687)	12 700	52 387
				(36 812)
				15 575

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	15 575	(2 875)	12 700

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Intangible assets (continued)		
Reconciliation of intangible assets - 2018		
	Opening balance	Amortisation Total
Computer software	18 450	(2 875) 15 575
6. Prepayments		
Auditor General		9 309 -
7. Receivables from exchange transactions		
Rental income		20 960 -
8. Receivables from non exchange transactions		
Trade receivables	863 799	770 126
South African Revenue Service	-	1 268 932
	863 799	2 039 058
Age Analysis of trade receivables		
0 - 30 Days	20 960	1 278 473
31 - 60 Days	100 000	2 607
120 Days +	763 799	757 978
	884 759	2 039 058
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	642	2 768
Bank balances	3 231 374	2 751 478
	3 232 016	2 754 246

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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	2 422 241	23 904
Cash book balance at beginning of year	2 422 241	23 904
Bank statement balance at end of year	36 255	2 422 241
Cash book balance at end of year	39 255	2 422 241
Absa Bank - Account number: 932 264 8008 - Investment account		
Bank statement balance at beginning of year	314 237	1 221 810
Cash book balance at beginning of year	314 237	1 221 810
Bank statement balance at end of year	487 177	314 237
Cash book balance at end of year	487 177	314 237
Absa Bank - Account number: 934 088 7696 - Call account		
Bank statement balance at beginning of year	15 000	-
Cash book balance at beginning of year	15 000	-
Bank statement balance at end of year	2 704 942	15 000
Cash book balance at end of year	2 704 942	15 000
	-	-
Petty cash		
Cash book balance at end of year	642	2 768
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.		
10. Unspent conditional grants and receipts		
KZNEDTEA	941 670	951 204
KZNCoGTA - National School Nutrition Programme	2 666 297	3 000 000
	3 607 967	3 951 204
Reconciliation - KZNEDTEA		
Opening balance	951 204	1 000 000
Conditions met and transferred to revenue	(9 534)	(48 796)
	941 670	951 204
Reconciliation - KZNCoGTA - National School Nutrition Programme		
Opening balance	3 000 000	3 000 000
Conditions met and transferred to revenue	(333 703)	-
	2 666 297	3 000 000
11. Interest bearing borrowings		
Unsecured		
UGU South Coast Tourism (Pty) Ltd	4 392 181	4 194 548

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
11. Interest bearing borrowings (continued)		
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.		
12. Payables from exchange transactions		
Trade payables	651 742	99 973
VAT	366 460	-
Provision for employment benefits	902 868	864 288
	1 921 070	964 261
Age Analysis of trade payables		
0 - 30 Days	642 432	23 162
31 - 60 Days	-	-
61 - 90 Days	-	75 355
120 Days +	-	1 456
	-	99 973
13. Government Grants and Subsidies		
Grants	8 874 518	7 411 921
Grants		
Ugu District Municipality	6 077 531	5 788 125
Ray Nkonyeni Municipality	600 000	525 000
National School Nutrition Program	333 703	-
Umdoni Municipality	551 260	525 000
Umzumbe Municipality	551 250	525 000
Umuziwabantu Municipality	551 250	-
Other grants - Idwala Carbonates - Mentorships	200 000	-
KZNDETEA	9 534	48 796
	8 874 518	7 411 921
14. Finance costs		
Ugu South Coast Tourism (Pty) Ltd	197 634	296 130
Interest and penalties	100 159	-
	297 793	296 130
15. Auditor's remuneration		
Audit fees	381 695	537 755

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
16. Directors' remuneration		
For services as directors	108 904	93 734
SJ Nzimande	180 982	164 919
SD Dlomo	107 104	120 473
EJ Crutchfield	95 842	87 948
VK Naidoo	62 187	74 094
EM Zungu	127 333	151 677
LG Shezi	-	53 121
B Zulu	99 650	100 619
ZP Mthuli		
	782 002	846 585

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
17. Employee costs		
The municipal entity has 9 employees.		
Employee related costs - Salaries and wages	4 731 917	4 446 157
Employee related costs - Contributions for UIF, pension funds and medical aids	286 179	302 041
Employee related cost - Other allowances	796 758	-
Employee related costs - Bonuses	38 582	298 934
	5 853 436	5 047 132
Included in the above costs are the following amounts paid to s57 employees of the company:		
Remuneration of Chief Executive Officer - M. Mabece		
Annual remuneration	1 122 860	1 060 320
Travel, motor car, accommodation, subsistence and other allowances	216 000	255 423
	1 338 860	1 315 743
Remuneration of Acting Manager: Property Development and Acting CEO - J Crutchfield		
Annual remuneration	-	60 000
Performance bonus	-	107 734
	-	167 734
Remuneration of Manager : Finance and HR - B Fikeni		
Annual remuneration	682 188	272 283
Travel, motor car, accommodation, subsistence and other allowances	180 483	21 250
	862 671	293 533
Remuneration of Manager : Finance and HR - KMN Duma		
Annual remuneration	-	131 295
Travel, motor car, accommodation, subsistence and other allowances	-	38 261
Leave pay	-	47 298
Performance bonus	-	10 714
	-	227 568
Remuneration of DEV Manager - Special Projects - T.J. Bacela - Contract Ended 31 May 2019		
Annual remuneration	491 135	504 255
Travel, motor car, accommodation, subsistence and other allowances	125 801	183 844
Leave pay	87 865	-
Performance bonus	-	5 357
	704 801	693 456

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
Remuneration of Manager Marketing and Investment Promotion - N. Makhaye		
Annual remuneration	537 125	505 559
Travel, motor car, accommodation, subsistence and other allowances	137 237	151 480
	674 362	657 039
Remuneration of DEV Manager : Agriculture and acting CEO - N. Z. Hlongwane		
Annual remuneration	676 220	524 093
Travel, motor car, accommodation, subsistence and other allowances	137 237	168 541
Performance bonus	-	9 673
	813 457	702 307
18. General expenses		
Accounting fees	50 893	92 220
Advertising	169 473	241 525
Auditor's remuneration	529 253	588 887
Bank charges	22 523	13 495
Cleaning material	12 779	16 136
Courier and delivery services	3 926	5 954
Electricity and water	92 587	99 750
Gifts and promotions	7 385	52 711
Insurance	30 997	27 223
IT expenses	24 206	38 579
Mentorship	194 000	-
Printing and stationery	108 271	140 966
Project costs	1 345 984	283 985
Refreshments	8 072	15 368
Rent expense	548 299	559 419
Security	9 078	7 641
Strategic planning	24 775	12 438
Subscriptions	-	403
Subsistence and travelling	296 653	1 041 880
Telephone and fax	89 886	60 410
Venue hire	13 750	-
	3 582 790	3 298 990
19. Cash generated from (used in) operations		
Loss before taxation	(1 502 303)	(1 866 669)
Adjustments for:		
Depreciation and amortisation	56 920	65 179
Interest received	(102 911)	(126 121)
Finance costs	297 793	296 130
Movements in operating lease assets and accruals	(33 152)	2 275
Movements in provisions	-	298 935
Movement in trade payables	(1 160 867)	-
Changes in working capital:		
Receivables from non exchange transactions	2 305 967	174 789
Payables from exchange transactions	956 809	(114 882)
	818 256	(1 270 364)

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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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.

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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21. Financial instruments

Classification

Financial assets

In accordance with GRAP 104 the financial assets of the entity are classified as follows:

Financial asset	Classification		
Receivables from non exchange transactions		863 799	2 039 058
Other debtors	Loans and receivables		
Bank, cash and cash equivalents		3 231 374	2 751 478
Bank balances	Available for sale	642	2 768
Cash floats and advances	Available for sale		
		4 095 815	4 793 304

Financial liabilities

In accordance with GRAP 104 the financial liabilities of the entity are classified as follows:

Financial liabilities	Classification		
Creditors		651 742	99 973
Trade payables	Financial liabilities	902 868	864 288
Provision for leave pay and bonuses	Financial liabilities	366 460	-
VAT Payable	Financial liabilities		
		1 921 070	964 261

Trade and other payables at amortised cost		651 742	99 973
Trade payables		902 868	864 288
Provision for leave pay and bonuses		366 460	-
VAT Payable			
		1 921 070	964 261

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

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, cash and cash equivalents and equity, comprising funds, reserves and accumulated surplus as disclosed in the notes and the statement of changes in equity.

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 40.68%, (2018 - 18.11%). 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.

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
The gearing ratio at the year-end was as follows:		
Trade payables	651 742	99 973
Provision for leave pay	902 868	864 288
	1 554 610	964 261
Equity	3 821 082	5 323 275
Net debt to equity percentage	40.68 %	18.11

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 1.14 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

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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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:

Sunday, 30 June 2019	Average effective rate	6 months or less	6 - 60 months	More than 5 years	Total
Bank and cash resources	-	3 232 016	-	-	3 232 016

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 2018	Average effective rate	6 months or less	6 - 60 months	More than 5 years	Total
Non interest bearing	-	5 529 037	-	-	5 529 037
Variable interest rate instruments	-	4 194 548	-	-	4 194 548
	-	9 723 585	-	-	9 723 585

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 2019	Average effective rate	6 months or less	6 - 60 months	More than 5 years	Total
Non interest bearing	-	4 948 617	-	-	4 948 617
Variable interest rate instruments	-	4 392 181	-	-	4 392 181
	-	9 340 798	-	-	9 340 798

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.

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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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.

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:

Municipalities	884 759	770 126
Bank, cash and cash equivalents	3 232 016	2 754 246
	4 116 775	3 524 372

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	884 759	770 126
Municipalities		

Bank balances	3 231 374	2 751 478
Absa Bank		

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 current year.

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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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.

Liabilities are managed by ensuring that all contractual payments are met on a timely 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, other debtors, short-term 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	884 759	770 126
Receivables from non exchange transactions	3 232 016	2 754 246
Cash and cash equivalents	4 116 775	3 524 372

Interest rate risk

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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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 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 other debtors, short-term investment deposits and bank and cash balances.

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
Holding company
Sponsoring municipality

See Directors' Report
Ugu District Municipality
Ray Nkonyeni Municipality
Umzumbi Municipality
Umdoni Municipality
Umuziwabantu Municipality

Related party balances and transactions with entities with control, joint control or significant influence over the company

Related party balances

Loans from related parties		
Ugu South Coast Tourism (Pty) Ltd	4 392 181	4 194 548

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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24. Prior year adjustment

23.1 The restatement is as a result of revenue recognised from conditional grants which were in relation to expenditure on the KZN EDTEA grant.

	Previously stated	2018	Differences
Government grants and subsidies	7 411 921	7 363 125	(48 796)
Unspent conditional grants and receipts	4 000 000	3 951 204	48 796
Accumulated surplus	4 116 514	5 323 275	(1 206 761)
Receivables from exchange transactions	-	1 268 932	(1 268 932)
Receivables from non exchange transactions	832 296	770 126	62 170
	16 360 731	18 676 662	(2 413 523)

23.2 The restatement is as a result of reclassifying the current portion as stated in the previous year.

	Previously stated	2018	Differences
Operating lease liability	30 878	33 152	2 274

23.3 The restatement is as a result of consolidating provision for performance bonus and provision for leave pay (R864 287) and VAT payable (R252 520) to payables from exchange transactions.

	Previously stated	2018	Differences
Payables from exchange transactions	99 973	1 921 070	(1 821 097)

23.4 The restatement is as a result of bonuses and leave pay allocated to general expenses in 2018. Repairs and maintenance has been allocated to general expenses in 2019.

	Previously stated	2018	Differences
General expenses	2 898 519	3 298 990	(400 471)
Employee costs	5 431 467	5 047 132	384 335
Repairs and maintenance	16 136	-	16 136
	8 346 122	8 346 122	-

25. 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.

26. Additional disclosure in terms of the Municipal Finance Management Act

Contributions to PAYE and UIF

	PAYE	UIF	SDL	
PAYE, UIF and SDL				
Current year payroll deductions and company's contributions	1 383 273	47 701	59 107	-
Amount paid - current year	(1 383 273)	(47 701)	(59 107)	-
Balance overpaid (included in debtors)	-	-	-	-

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
Pension and medical aid deductions		
Current year payroll deductions and company's contributions	406 442	(356 114)
Amount paid - current year	(406 442)	356 114
Balance unpaid (included in creditors)	-	-
Audit fees		
Current year's audit fee	381 695	537 755
Amount paid - current year	(381 004)	(537 755)
Balance unpaid (included in creditors)	(9 309)	-

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.

27. Contingent assets

Management has not identified any contingent assets.

28. 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.

29. In-kind donations and assistance

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

30. Going concern

The entity is dependent on grant allocations from the parent and local municipalities, supported by service level agreements signed. The board and management are concerned by the delayed transfer of these allocations to the entity, which may be risky to the going concern assumption made.

31. 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	350 035	210 541
Fruitless and wasteful expenditure - current year	100 159	141 200
Written off by the board after investigation	(390 639)	(1 706)
Closing balance	59 555	350 035

Incident	Disciplinary steps / criminal proceedings
On incidents	No disciplinary steps were taken.
Penalties and interest on late payments	Steps are taken to recover.

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
32. Irregular expenditure		
To the best of the knowledge of management, all irregular expenditure incurred during the year under review is as follows:		
Reconciliation of Irregular expenditure:		
Opening balance	37 000	11 493 855
Irregular expenditure for the year	1 311 351	73 347
Written-Off by the Board - After investigation	(37 000)	(11 530 202)
	1 311 351	37 000
Three written quotations not obtained.	205 881	73 347
Non-compliance with CIDB and Local Content requirements	916 052	-
Non-compliance with MFMA SCM Regulations section 29(2) regarding minimum requirements for composition	189 418	-
	1 311 351	73 347
Incident		
Non - adherence to supply chain process		
	Disciplinary steps / criminal proceedings	
	No disciplinary steps were taken.	
Section 36 Deviations		
Impractical or impossible to follow the official procurement processes	44 309	234 641
	44 309	234 641

Ugu South Coast Development Agency

Annual Financial Statements for the year ended 30 June 2019

Comparison of Budget and Actual Income and Expenditure

Budget on accrual basis

Figures in rands	Approved Budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Budget on accrual basis						
Revenue from non exchange transactions						
Government grants and subsidies	16 521 060	(3 004 779)	13 516 281	8 874 518	(4 641 763)	-
	16 521 060	(3 004 779)	13 516 281	8 874 518	(4 641 763)	-
Revenue from exchange transactions						
Interest, dividend and rent on land	300 000	(150 000)	150 000	194 120	44 120	-
Sundry income	1 601 679	(1 299 338)	302 341	2 000	(300 341)	-
	1 901 679	(1 449 338)	452 341	196 120	(256 221)	-
Total income	18 422 739	(4 454 117)	13 968 622	9 070 638	(4 897 984)	-
Operating expenses						
Depreciation, amortisation and impairments	65 000	-	65 000	56 920	(8 080)	-
Employee costs	5 100 471	357 033	5 457 504	5 853 436	395 932	-
General expenses	12 348 806	(4 811 150)	7 537 656	3 582 790	(3 954 866)	-
Repairs and maintenance	10 000	-	10 000	0	(10 000)	-
Finance costs	-	-	-	297 793	297 793	-
Directors' fees	898 462	-	898 462	782 002	(116 460)	-
Total expenses	18 422 739	(4 454 117)	13 968 622	10 572 941	(3 395 681)	-
Surplus (deficit)	-	-	-	(1 502 303)	(1 502 303)	-

Annexure A

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Schedule of External Loans

Description	Loan Number	Interest rate	Date repayable / repaid	Balance 30/06/2018	Received during the year	Redeemed / written off during this period	Balance 30/06/2019
Lease Liability							
Ugu South Coast Tourism (Pty) Ltd	1	Rate is equal to Absa Bank interest bearing investment	2019/06/30	4 194 548	197 633	-	4 392 181
				4 194 548	197 633	-	4 392 181

Annexure B

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Analysis of Property, plant and equipment

Analysis of Property, plant and equipment											
	Cost / Revaluation					Cost / Revaluation					
	Opening Balance	Additions	Depreciation	Disposals	Closing Balance	Opening Balance	Additions	Depreciation 2018	Impairment	Disposals	Closing Balance
Land											
Land	9 349 310	-	-	-	9 349 310	9 349 310	-	-	-	-	9 349 310
Other assets											
Furniture and office equipment	144 933	-	(23 636)	-	121 297	130 175	9 677	(12 478)	-	-	127 374
Computer equipment	163 318	-	(30 409)	-	132 909	173 041	25 849	(50 252)	-	-	148 638
	-	-	-	-	-	-	-	-	-	-	-
	308 251	-	(54 045)	-	254 206	303 216	35 526	(62 730)	-	-	276 012
	308 251	-	(54 045)	-	254 206	303 216	35 526	(62 730)	-	-	276 012
	-	-	-	-	-	-	-	-	-	-	-
Intangible assets											
Software	15 575	-	(2 875)	-	12 700	15 575	-	(2 875)	-	-	12 700
Total assets	323 826	-	(56 920)	-	266 906	345 110	35 526	(65 605)	-	-	315 031

Annexure C

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Segmental Analysis of Property, plant and equipment

	Cost / Revaluation					Cost / Revaluation					
	Opening Balance	Additions	Depreciation	Impairment	Closing Balance	Opening Balance	Additions	Depreciation	Disposals	Impairment	Closing Balance
Executive & Council	323 826	-	(56 920)	-	266 906	346 710	45 170	(56 920)	-	-	323 826
Financial Services	-	-	-	-	-	-	-	-	-	-	-
Corporate Services	-	-	-	-	-	-	-	-	-	-	-
Technical Services	-	-	-	-	-	-	-	-	-	-	-
	323 826	-	(56 920)	-	266 906	346 710	45 170	(56 920)	-	-	323 826

Annexure D

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Segmental Statement of Financial Performance

	Actual Revenue	2 019 Actual Expenditure	Surplus / (Deficit)	Actual Revenue	2 018 Actual Expenditure	Surplus / (Deficit)
Executive & Council	9 070 638	10 572 941	(1 502 303)	7 587 347	9 554 016	(1 966 669)
Financial Services	-	-	-	-	-	-
Corporate Services	-	-	-	-	-	-
Technical Services	-	-	-	-	-	-
	9 070 638	10 572 941	(1 502 303)	7 587 347	9 554 016	(1 966 669)

Annexure E

Ugu South Coast Development Agency
Annual Financial Statements for the year ended 30 June 2019

Actual versus Budget (Acquisition of Property, plant and equipment)

	Additions	Under Construction	Total Additions	Budget	Variance	Variance %	Explanation of Significant Variances
Executive & Council	-	-	-	200 000	(200 000)	(100%)	
Financial Services	-	-	-	-	-	-	
Corporate Services	-	-	-	-	-	-	
Technical Services	-	-	-	-	-	-	
	-	-	-	200 000	(200 000)	-	

Annexure F

14. THE AUDIT REPORT

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Ugu South Coast Development Agency SOC Ltd set out on pages 38 to 86, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in equity and statement of cash flows and comparison of budget and actual income and expenditure 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 SOC Ltd as at 30 June 2019, 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 sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty relating to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to note 30 of the financial statements, the entity is dependent on receiving grants from the municipalities and challenges have been experienced with

regards to delays of the payments of these grants. As stated in note 30 of the financial statements, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the municipal entity's ability to continue as a going concern.

Emphasis of matters

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

Irregular expenditure

9. As disclosed in note 32 to the financial statements, the municipal entity incurred irregular expenditure of R1,31 million during the financial year due to non-compliance with legislation relating to the supply chain management process.

Restatement of corresponding figures

10. As disclosed in note 24 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of errors in the financial statements of the municipal entity at, and for the year ended 30 June 2019.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting authority for the financial statements

13. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the financial statements, the accounting authority is responsible for assessing the Ugu South Coast Development Agency SOC Ltd's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal 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

15. 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.

16. 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

17. 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.
18. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
19. 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 municipal entity for the year ended 30 June 2019:

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

20. 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.

21. I did not raise any material findings on the usefulness and reliability of the reported performance information for the objectives presented in the table above.

Other matter

22. I draw attention to the matter below.

Achievement of planned targets

23. Refer to the annual performance report on pages 28 to 36 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

Procurement and contract management

26. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulations 17(a) and (c). Similar non-compliance was reported in the prior year.
27. Competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2).
28. A construction contract was awarded to a contractor that was not registered with the Construction Industry Development Board and did not qualify for the contract in accordance with section 18(1) of the Construction Industry Development Board Act, 2000 (Act No.38 of 2000) (CIDB).
29. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).

Expenditure management

30. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R100 159 as disclosed in note 31 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.

31. Reasonable steps were not taken to prevent irregular expenditure amounting to R1,31 million as disclosed in note 32 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with CIDB and local content requirements.
32. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.

Other information

33. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. 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.
34. 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.
35. 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.
36. The other information I obtained prior to the date of this auditor's report is the director's report, and the audit committee's report and the company secretary's certificate is expected to be made available to us after 30 November 2019.
37. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.
38. When I do receive and read the audit committee's report and the company secretary's certificate, 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

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

are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

40. The process followed by management was inadequate to monitor compliance with laws and regulations affecting the entity.

Auditor-General

Pietermaritzburg

30 November 2019



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 municipal 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 municipal 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 SOC Ltd's 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.

15. THE AUDIT ACTION PLAN

UGU SOUTH COAST DEVELOPMENT AGENCY									
AUDIT CORRECTIVE ACTION FOR THE 2018/19 FINANCIAL PERIOD									
No.	Finding	Corrective Action					STATUS		
		Required Management Action	Responsible Person		Start date	Targeted Completion Date	Resolved (Yes/No/In Progress)	Comments by Responsible Manager	Evidence required
			Accountable Manager	Accountable Official					
ANNEXURE A: MATTERS AFFECTING THE AUDIT REPORT									
1	Some goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM Regulations 17(a) and ©.	Management must ensure that all legislative requirements for procurement of goods and services are adhered to before an award is made.	Finance Manager	SCM Officer	On-going	Monthly	Yes and In Progress	Perform on-going reviews on all procurement to ensure compliance before making an appointment/award.	Bid Documents
		Submission to be made to the Board for processing of Irregular Expenditure	CEO	Finance Manager	01-Jan-20	May-20	No	Management must ensure accurate documentation of resolutions taken by the board	Board Resolution
2	Competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM Regulation 29(2)		CEO	Finance Manager	01-Jan-20	On-going	No		Appointment letters to the Bid Committees

3	A construction contract was awarded to a contractor that was not registered with the Construction Industry Development Board and did not qualify for the contract in accordance with section 18(1) of the CIDB Act 38 of 2000	Management must ensure that all legislative requirements for procurement of goods and services are adhered to before an award is made.	Finance Manager	SCM Officer	On-going	Monthly	Yes and In Progress	Perform on-going reviews on all procurement to ensure compliance before making an appointment/award.	Bid Documents
		Submission to be made to the Board for processing of Irregular Expenditure	CEO	Finance Manager	01-Jan-20	May-20	No	Management must ensure accurate documentation of resolutions taken by the board	Board Resolution
4	Bid Documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by 2017 preferential procurement regulation 8(2)	Management must ensure that all legislative requirements for procurement of goods and services are adhered to before an award is made.	Finance Manager	SCM Officer	On-going	Monthly	Yes and In Progress	Perform on-going reviews on all procurement to ensure compliance before making an appointment/award.	Bid Documents
		Submission to be made to the Board for processing of Irregular Expenditure	CEO	Finance Manager	01-Jan-20	May-20	No	Management must ensure accurate documentation of resolutions taken by the board	Board Resolution
5	Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R101 159 in contravention of section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was	Management must ensure that third party/statutory deductions are paid over on time.	Finance Manager	Financial Administrator	01-Jan-20	Monthly	Yes and In Progress	Management must ensure accurate documentation of resolutions taken by the board	Board Resolution approving the 2018/19 Budget

	caused by late payment for VAT and PAYE returns	Submission to be made to the Board for processing of Fruitless and Wasteful Expenditure	CEO	Finance Manager	01-Jan-20	May-20	No	Management must ensure accurate documentation of resolutions taken by the board	Board Resolution
6	Reasonable steps were not taken to prevent irregular expenditure amounting to R1.31 million as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with CIDB and local content requirements	Management must ensure that all legislative requirements for procurement of goods and services are adhered to before an award is made.	Finance Manager	SCM Officer	On-going	Monthly	Yes and In Progress	Perform on-going reviews on all procurement to ensure compliance before making an appointment/award.	Bid Documents
		Submission to be made to the Board for processing of Irregular Expenditure	CEO	Finance Manager	01-Jan-20	May-20	No	Management must ensure accurate documentation of resolutions taken by the board	Board Resolution
7	Money owed by the municipal entity was not always paid within 30 days as required by section 99(2)(b) of the MFMA.	Management must ensure that there is cash flow management, that would enable obligations to be met as they fall due	CEO	Finance Manager	01-Jan-20	On-going	No	The receipt of allocations from Municipalities would assist a great deal resolving this matter	Ageing Report