UGU SOUTH COAST DEVELOPMENT AGENCY

uscda
Ugu South Coast Development Agency

ANNUAL REPORT 2019/20

Contents

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

Cover Photo : KwaXolo Caves

Oversight

1. Chairperson's Report

The Ugu South Coast Development Agency (USCDA) is a municipal entity, wholly owned by Ugu District Municipality (UDM). The entity has a very important mandate of ensuring economic growth and development to the district of Ugu, with the intended outcome of reducing poverty and unemployment. It is with a great sense of responsibility that the entity presents this annual report for the period starting from 01 July 2019 to 30 June 2020. Whilst this report responds to the legislative requirements, it is also a great opportunity to report back to the communities in terms of what has been achieved, what have been the challenges during the financial year, and what remedial action is proposed to ensure that the set strategic objectives are achieved.

Broadly, the entity focused on the following key strategic objectives, which form the backbone of what we have set out to achieve, and this report sets out to give feedback on all of these:

- **Institutional Compliance:** To ensure that USCDA operations are compliant with all regulatory frameworks
- **Financial Sustainability:** To ensure that the USDA is financial sustainable and viable
- **Capacity Building:** To Capacitate USCDA to deliver and implement its core functions efficiently and effectively
- **Investment Promotion**: To promote the growth and development of the Ugu District Vision 2030
- **Agriculture:** To promote small scale farming in the Ugu District
- **Growth and Development Strategy:** Implement the Growth and Development Strategy of the Ugu District - Vision 2030
- **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
- Facilitate **catalytic projects** within the Ugu District
- **Marine:** To promote economic development within coastal and riverine zones
- **Renewable Energy:** To identify, attract, support or assist renewable energy initiatives within the district.

Financial sustainability is key to the achievement of the broad mandate of local economic development of the entity. It is unfortunate that the entity has experienced quite a tough year in terms of its financial position, which is informed by heavy reliance on grant funding and inability to raise own funding. The advent of the COVID-19 pandemic also did not assist the situation and the parent and local municipalities, which are the main funders of the entity, needed to divert funds to deal with the pandemic, thereby reducing any prospects of additional funding for the entity. The Board has made means of ensuring that for as start, there are enabling policies for raising of own funds and broadening of the pool from which financial resources can be solicited.

The USCDA has been at the centre of the development of a Ugu District Economic Recovery Plan which brings together both public and private sector in envisioning economic recovery after the devastation afforded by the pandemic. The economic melt down due to the pandemic presents an opportunity for the district to start afresh and build on the experiences of the recent past, whilst giving more attention to severely affected sectors like tourism and agriculture.

A word of gratitude must go to the Board of USCDA who have remained focused on the task at hand, despite the challenges and difficulties experienced, but have managed to guide the entity and kept it afloat. The same must be said of the management and staff of the entity who have remained focused on the implementation of strategic objectives of the entity.

Dr Sipho J. Nzimande

Chairperson of the Board

2. Chief Executive Officer's Report

Empowered by the enabling legislation, in particular the Municipal Finance Management Act and the Municipal Systems Act, the narrative contained in the report accounts for the activities of the Entity for the period under review, July 2019 to June 2020. The Entity is wholly owned by the Ugu District Municipality (hereafter referred to as the Parent) and its sole mandate is to serve as a special purpose vehicle to propel economic activity within the region to greater heights. The reporting period presented unprecedented challenges as the fourth quarter was effectively affected by the devastating Corona virus which led to the lockdown as a result of a disaster being proclaimed by the President.

That notwithstanding notable progress was made in the implementation of catalytic projects. As indicated earlier the role of the Entity has been to strike deals and source interventions from outside stakeholders, based on the understanding that economic development is everybody's responsibility. Much of the interventions reported on are not based on funding from the Parent but rather a result of a coordinated and conscious effort of resource mobilization from a cross section of stakeholders. The role of the Board in giving an unambiguous mandate is commendable as it made strategic stakeholder engagement possible. As a result of mutually beneficial partnerships forged through active engagements it is now possible to report on the highlights:

Unique tourism products in villages

The strategic thrust is to open up villages as areas of economic potential and the starting point being the development of top end adventure products in villages or Amakhosi areas. By so doing the tourists are diverted from the coastal belt into the hinterland and thereby opening these as areas of economic potential. The adrenaline pumping KwaXolo Eco Adventure centre was successfully delivered and handed over to Inkosi Xolo to much delight of the local community. The second phase entails a suspension bridge and a zip-line, yes in a village, and as at the end of the financial year, there are at least 2 private sector partners having expressed an interest.

In line with the mantra of opening up villages as areas of immense tourism potential, business plans were submitted to a myriad of stakeholders for the Umzumbe River Trail. The 74-kilometre cycling, working, horse riding and birding trail, meandering along Umzumbe River traverses through 7 Amakhosi areas. The trail is regional in extent as it connects the coastal Ray Nkonyeni with the rural Umzumbe municipality in the hinterland. Based on the strength of the proposal an amount of R2m was raised for the implementation of the first phase. A note of gratitude goes to the KZN Department of Economic Development under the leadership of MEC Nomusa Dube-Ncube

Greenfield industrial park (IP)

The first ever green field IP to be rolled out by a public institution in KZN is a result of a bold approach taken by the Board to purchase a 99-hectare farm and rezone it to light industry. At full implementation, the proposed IP will inject investment into the local economy in excess of R1bn. As at the end of the financial year both rezoning and environmental processes had commenced.

Agriculture

Significant progress was made in the agricultural front targeting mainly fallow fields in the traditional areas under the ownership of Amakhosi. Through meaningful partnerships with the traditional leadership a quantum leap was made in transforming fallow field into cultivated lands, going to the extent of securing markets for the produce made. More effort is being made to target institutional markets – school nutrition programmes and the supply to hospitals and prisons.

Property development

A two-pronged approach was taken to focus on the coastal belt as well as in the hinterland, focussing mainly on tribal areas. For the coastal property portfolio, a partnership was struck with the National Department of Public Works as most of these properties are located within the Admiralty Reserve. The proposed redevelopment of the Shelly beach Ski-Boar Club, South room as well as St Michael's beachfront will enhance the aesthetics of the affected areas, thereby enhancing the tourism appeal of the KZN South Coast. The better part of the financial year entailed engagements with the Provincial and National Departments of Public Works for approvals to go ahead and appoint developers

Having referred to the highlights it will be unrealistic not to allude to the challenges. The Finance Managers report that follows will narrate the difficulties of operating in a seriously constrained financial environment. If there is anything, we have mastered is the art of striking mutually beneficial partnerships. If reliance was put on transfers from the Parent very little could have been achieved as it is in record that Ugu District Municipality is in dire financial straits.

I wish to express gratitude to external stakeholders who were receptive to the Board's strategic thrust of mutually beneficial partnerships. The same goes to my colleagues who comprise of a small team doing wonders notwithstanding the constraints. The same goes to the Board under the stewardship of Dr S. J. Nzimande, the chairperson, for giving an unambiguous mandate. Doing more with less and no excuse but results.

I thank you

Mandla Mabece

Chief Executive Officer

3. The Audit Committee's Report

We are pleased to present our report for the financial year ended 30 June 2020

Audit committee members and attendance

The Audit Committee consists of the members listed hereunder and should meet at least four (4) time per annum as per it approved terms of reference During the current year six (4) meeting were held as follows:

AUDIT COMMITTEE and PERFORMANCE AUDIT COMMITTE E MEETINGS

- 16 August 2019
- 19 November 2019
- 18 May 2020
- 12 June 2020

Name of the members	Number of Meeting attended
Mr. Paul Preston – Chairperson (wef 6	4
Ms. Bongeka Jojo – Chairperson (as from 28 May 2020)	4
Ms. Chantel Elliott – External member	4
Mr. Zweli Zulu – External member	4
Ms. Leah Khumalo – External member (Appointed – 01 April 2020)	2

Audit committee responsibility

The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee charter, and regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Audit Committee also reports that it has complied with its responsibilities arising from section 166 of the MFMA and Treasury regulation 3.1

The efficiency and effectiveness of internal control

In line with section 62(c) (ii) of the MFMA, internal audit provides the Audit Committee and Management with reasonable assurance that the internal control is adequate and effective. This achieved by an approved risk based internal audit plan, internal audit assessing the adequacy of the control mitigating the risks and the Audit Committee monitoring implementation of corrective actions.

The Audit Committee has considered the work performed by Internal Audit on a quarterly basis and reviewed the findings by Auditor-General for the year ended 30 June 2020. The Audit Committee notes that there has been improvement in internal controls in the areas of financial reporting, performance reporting and compliance with legislation.

Report of the Auditor – General South Africa

The Audit Committee has;

- Reviewed the AGSA management report and management responses there to;
- On a quarterly basis reviewed the economic entity departments implementation plan for all the issues raised by the AGSA in the prior year;

Evaluation of annual financial statements

The Audit Committee has:-

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with Auditor General and;
- Reviewed the Auditor-General of South Africa's management report and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entities compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.
- Reviewed and discussed the report and audit opinion of the Auditor-General with the Auditor-General and management.

The financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practise (SA standards of GRAP) and in the manner required by Municipal Finance Management Act and Division of Revenue Act.

The Audit Committee concurs with and accepts the Auditor-General of South Africa's report on the annual financial statements, and have recommended that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

B Jojo CA (SA)

Chairperson at the Audit Committee

28 January 2021

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. Strategic Objectives of USCDA

- **Institutional Compliance:** To ensure that USCDA operations are compliant with all regulatory frameworks
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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.

9. 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

10. 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

10.1 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

10.2 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

11. The Audit Committee – Shared Service with Ugu District Municipality

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

Chairperson : Mr Paul Preston (Up to December 2019)

Ms. B. Jojo (From May 2020)

Members : Ms. C. Elliot, Mr. Z. Zulu, and Ms. L.T. Khumalo (Appointed in 2020)

12. Board Meetings

The following table shows the meetings held for the 2019/20 financial year by the board and its sub committees. It also shows the attendance thereof:

		APP Workshop	BOARD	BOARD	BOARD	STRATEGIC PLANNING SESSION	BOARD		
BOARD MEMBERS		04.10.2019	22.8.2019	21.11.2019	15.1.2020	12.3.2020	22.04.2020	***Legend:***	
1	Dr. Sipho J. Nzimande	Apol	Apol	✓	✓	✓	Apol		
2	Joy Crutchfield	✓	✓	✓	✓	✓	✓	✓	Attended
3	Sandile Dlomo	✓	✓	✓	✓	✓	✓	Apol	Apologies
4	Vijay Naidoo	✓	✓	✓	✓	✓	✓	a	Absent
5	Lindelani Shezi	✓	✓	✓	✓	✓	✓		✓ (dep early)
6	Dr. Ephraim Zungu	Apol	Apol	Apol	Apol	Apol	Apol		✓ (late arrival)
7	Zonke Mthuli	✓	✓	✓	✓	✓	✓		

13. Remuneration of Board Members

The following is the remuneration earned by the board members for the year 2019/20. The amounts paid are informed by the National Treasury Circular for 2019 Remuneration of Non-Official Members: Commissions and Committees of Enquiry and Audit Committees:

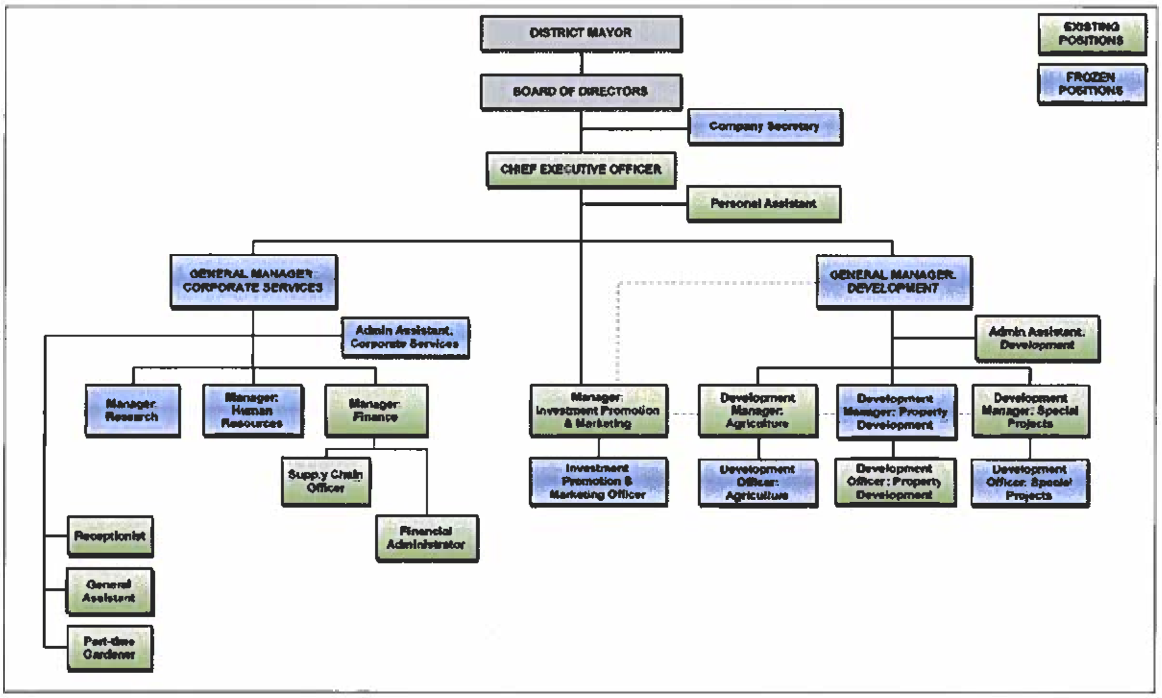
	Salary	Board Prep	Other	Total
Dr SJ Nzimande	54 394	46 601	-	100 995
Mr. SD Dlomo	54 394	80 426	582	135 402
Mrs. EJ Crutchfield	33 004	59 721	2 651	95 376
Mr. VK Naidoo	33 004	58 692	-	91 696
Ms. ZP Mthuli	33 004	67 968	9 074	110 046
Mr. LG Shezi	54 394	54 264	31 994	140 652
Dr EM Zungu	33 004	18 000	5 055	56 059
	295 198	385 672	49 356	730 226

ADMINISTRATION

14. The Organisational Structure

The USCDA operated for the period reported on utilising an organisational structure that is regularly reviewed and approved by the board of the entity. The latest review and approval of the organisational structure was on May 23, 2019. The position of the Development Manager: Special Projects was vacant for the period of 2019/20. It is important to note as well that a number of positions remain frozen over the periods mainly due to financial constraints that the entity operates in, which translates with having to do more with limited human resources.

APPROVED BY BOARD



15. The Financial Management

15.1 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.

Some challenges have been experienced during the year that relate to the connectivity of the entity to the Parent's servers due to expiry of agreements that were entered into with service providers. Alternative means for connectivity were made, although they were slower than the traditional connections, however work could be done. These issues have since been resolved although there still remains risks of loss of connection.

The entity continues to be part of the implementation of mSCOA with Ugu District Municipality at Ugu South Coast Tourism. The USCDA officials continue to participate on the implementation activities but the entire implementation is yet to be completed. Some relevant modules remain not implemented e.g. the Fixed Asset Register Module.

15.2 The Financial Position of the Entity

The Annual Financial Statements of the entity are attached later in this document; however, it is important to highlight a few areas detail therein:

Grant Funding: The entity relies heavily on grant funding which is derived mainly from the Parent, Ugu District Municipality and other local municipalities within the district. There is a lot of uncertainty on the continued reliance on these grants due to firstly, the financial position of the Parent, as well as issues or questions that are raised by local municipalities in terms of the sustainability of the funding support to the entity. This calls for alternative funding methods which the entity has pursued, unfortunately with very limited success.

Budget Allocations: In relation to the grant funding above, the budget allocations that end up being made by the Parent specifically, is not enough to cover even the operations of the entity including office rental, printing and stationery, salaries and allowances, board fees and other operational obligations. This makes it difficult for the entity to ensure its going concern and settlement of obligations as they fall due.

Delayed Transfer of allocations: Additionally, to the issues raised above, the approved allocations are not transferred to the entity on time. This results in the entity not being able to plan its cashflow activities as there is no certain timeframes at which the funds are expected and received. The result of this is that as at the end of the 2019/20 financial period, the parent owes to the entity allocations of almost R4million, which is a hugely significant amount given our size. Above this, the delayed transfer of allocation gives rise to the incurrence of interests and penalties which form part of fruitless and wasteful expenditure, which has been recurring over the years.

15.3 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

- Funding Model
- Fraud Prevention
- Budget Policy
- Virements Policy
- Enterprise Risk Management
- IT Policies
- IT & Organisational Communication

PEFORMANCE

16. Agriculture

Reports attest 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. Indeed, agriculture is one of the sectors in the district that has a potential to bring solutions to common economic challenges. Agricultural Value Chain Development was identified as one of the strategic objectives in USCDA's annual performance plan for 2019/2020. The main goal with this programme was to facilitate impactful projects in the district through collaborative efforts and resources with various stakeholders and the emphasis was on local economic growth whilst developing emerging farmers to account for sustainability. In the beginning of the reviewed year, agriculture development had planned to implement 12 projects that were later revised to 7 projects because of budgetary constraints. However, agriculture thrived under the challenges of limited budget for the implementation of the planned projects, agriculture projects achieved 80% of the annual targets and 20% of the targets were not achieved. Nevertheless, the commitment and support from both private and public partners was consistent, and triggered interest for more investment from national and provincial departments, especially for the cultivation of niche crops in Amakhosi Ugu areas. The highlights of projects below present passion and commitment of USCDA in assisting Ugu emerging farmers in finding solutions to local challenges.

16.1 Investing in Fallow Fields

The fallow fields that were cultivated in district for the reviewed year is over 110Ha from black-emerging farmers. A collective effort with key departments like Department of Agriculture and Rural Development (DARD) made it possible for the success of the cultivation of fallow land. The support varied from production inputs, extension services, packaging the produce to a secured market. This project attracted more investments and partnerships i.e. National Department of Economic Development that entrusted the entity to facilitate and coordinate the availability of arable in Amakhosi land. The initiative was precisely for the cultivation of macadamia and resources allocation was subject to the size of land Amakhosi were willing to pledge for the initiative, which came to a total of 700 Ha made avail

able across the district.

16.2 Radical Agrarian Socio- Economic Transformation (RASET)

Radical Agrarian Socio-Economic Transformation Programme (RASET) is one of the governments initiatives that were developed to express the need for integration of Government Programmes with the view of creating a platform for historically disadvantaged individuals to participate in the production, processing and distribution of food value chains. The approach is through identifying, proposing and facilitating the establishment and preparation of economic infrastructure required for production, packaging, processing and trading. The approach of the programme is to target government's food procurement purchasing power from different departments which gives direct market access to small farmers and entrepreneurs, and eventually influence access to the private markets. USCDA implemented this programme regardless of the absence of a contract from fresh produce demand government departments i.e. Department of Health; Social Development etc. The entity facilitated different markets in the reviewed year for more than 61 small growers throughout the district. Some private markets e.g. Boxer packaged their opportunities for emerging farmers as Enterprise Development that had capacitation on willingness to supply good quality produce for a sound price. Neighbouring district agencies i.e. Harry Gwala & uMgungundlovu Development Agency that had signed contract were approached for partnership which was favourable to supply available produce from Ugu farmers.

16.3 Securing Funding and Partnership

Securing funding and partnership project had it challenges but the aim was to deliver on the key agricultural projects that had potential to contribute immensely to the economic transformation of the district. The rational was that all high value agricultural activities and primary product beneficiation be utilized to maximize the economic benefit to rural-emerging farmers through private and government programmes. In 2019/20 financial year about 41 temporal farm workers benefited in Expanded Public Works Programme (EPWP) for a period of 12 months. Furthermore, IDWALA Carbonate committed R3million for four (4) community gardens in the area under Ray Nkonyeni-oShabeni from their Social Labour Plan. Lastly, was the partnership with LIMA Rural Development Foundation to incorporate marginalized people into development interventions and mainstream economy using inclusive methods. The engagements stemmed in a possible partnership and a draft MoU was developed.

16.4 Value Adding/ Agro processors

An escalation demand of timber and interest of where it is sourced, triggered the consideration to invest in supporting timber growers in the district. Timber growers are dominant on the further south part of the district under the local municipality Umuziwabantu and about 18 timber small-scale were profiled for the benefit of potential investment, relevant programmes e.g. value adding opportunities and markets from other departments. The aim is to uplift the forestry value chain that operates in these rural areas to where these growers become sustainable and be businesses that operate within local economy than regard it as poverty alleviation projects. The timbers were linked with SEDA, Economic Development, Tourism and Environment Affairs (EDTEA) for business support and development. Local agro-processors e.g. Macademia, Moringa businesses survive on exhibitions where they market their products. Good relations maintained with government departments e.g. Ugu South Coast Tourism, Department of Trade and Industry (DTI) etc, there were able to show case and sell their products to the local and nationally.

17. Investment Promotion and Marketing

Investment promotion is one of the pillars of the economic development that the entity must ensure to attract investors domestically as well as from abroad. This means that we must forge relationships with provincial and local institutions like Trade and Investment KwaZulu Natal, who have similar or even common mandate and target as us. A couple of events were either attended or organised where the district and its investment potential are displayed and presented.

17.1 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 is to focus on 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, we facilitated participation of three) companies from our district under the banner of TIKZN.

17.2 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 at this summit that Umdoni announced the long-awaited Umdoni Municipality investment incentives.

17.3 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.

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.

Alongside the conference was an exhibition from different entities which USCDA was allocated an exhibition stand. Two companies exhibited in this event.

In addition to the above-mentioned events, USCDA supported and made presentations to the Women in Agriculture event held at the Port Shepstone Civic Centre on the 4^{th} of September 2019. Also, USCDA attended and witnessed the launch of Ugu Youth Radio state of the art broadcasting studios at Oshabeni on the 27^{th} of September 2019.

17.4 Media and Advertising

17.4.1 Print Media

USCDA got an opportunity to advertise on the DIRCO internal newsletter called Ubuntu Magazine. This newsletter gets distributed in all South African Embassies abroad.

17.4.2 Digital Media

The electronic investment promotion video was developed and circulated on all events attended by USCDA. With the starting of lockdown, USCDA produced a digital promotional video which could be forwarded on digital platform such as cell phone.

ANNEXURES

18. The Annual Financial Statements

uscda

Ugu South Coast Development Agency

Ugu South Coast Development Agency SOC Ltd
(Registration number 2016/158371/30)
Annual Financial Statements
for the year ended 30 June 2020

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General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipal Entity
Nature of business and principal activities	Economic Development
Directors	Dr Sipho J Nzimande Joy Crutchfield Sandile Dlomo Vijay Naidoo Lindelani Shezi Dr Ephraim Zungu Zonke Mthuli
Postal address	P.O. Box 144 Port Shepstone 4240
Controlling entity	Ugu District Municipality
Bankers	Absa Bank
Auditors	Auditor General South Africa
Company registration number	2016/158371/30

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

Abbreviations

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

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Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data

Consideration is also given to the provisions of the Companies Act (Act 71 of 2008) to ensure that such provisions are not contravened.

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, they are concerned that the inconsistent transfer of allocations by the parent in the current financial period, and the transfers that remain not transferred at year end, may mean that the entity does not have access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 4

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the board on 20 August 2020 and were signed on its behalf by:

Nmande

Dr Sipho J Nzimande
Chairperson

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Directors' Report

The directors submit their report for the year ended 30 June 2020.

1. Incorporation

The entity was incorporated on 13 April 2016 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

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

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

3. Going concern

Although the Entity is technically solvent as its total assets exceed its total liabilities, liquidity remains a challenge. The Entity might not be able to fulfil its financial obligations as it does not have enough investments, cash and other assets to repay it short term obligations. This significantly contributes to going concern uncertainty as well as severe cash-flow and operational difficulties. The Entity does not have adequate working capital as it did not have sufficient cash and other resources to pay trade and other payables. Further, unspent conditional Grants exceeded available cash at year-end.

The Entity's revenue (such as Municipal grants, and consumer revenue for rental and other services) exceeds its expenditure (such as employee costs, rent, and other operational costs). A net surplus indicates that the Entity can reasonably contain its operating expenditure and collect its reasonably anticipated revenue.

Further, the Entity's management and the leadership remains committed to good budgeting and financial management, and for this purpose will monitor the implementation of budgets, including expenditure, revenue collection and borrowing. The effective functioning of the budget processes will contribute significantly to developing and sustaining financial health in the Entity.

4. Subsequent events

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

5. Directors

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

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

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Directors' Report

Number of meetings attended by the directors

Board Members	Board Meetings	Special Meetings	Strategic Meeting
Dr Sipho J. Nzimande	2	-	1
Joy Crutchfield	4	1	1
Sandile Dlomo	4	1	1
Vijay Naidoo	4	1	1
Lindelani Shezi	4	1	1
Dr. Ephraim Zungu	-	-	-
Zonke Mthuli	4	1	1

6. Auditors

Auditor General South Africa will continue in office for the next financial period.

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Chief Executive Officer's Certification

Chief Executive Officer's Certificate

I am responsible for the preparation of these annual financial statements in terms of Section 124(1) of the Municipal Finance Management Act (Act No 56 of 2003), and which I have signed on behalf of the municipal entity.
I certify that the salaries, allowances and benefits of the board as disclosed in note 32 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

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Statement of Financial Position as at 30 June 2020

Figures in Rand	Notes	2020	2019 Restated*
Assets			
Non-Current Assets			
Property, plant and equipment	2	256 543	254 206
Investment property	3	9 349 310	9 349 310
Intangible assets	4	9 824	12 700
		9 615 677	**9 616 216**
Current Assets			
Receivables from exchange transactions	5	12 900	12 900
Receivables from non-exchange transactions	6	4 021 411	1 039 329
Cash and cash equivalents	7	2 411 882	3 232 015
		6 446 193	**4 284 244**
Total Assets		**16 061 870**	**13 900 460**
Liabilities			
Current Liabilities			
Other financial liabilities	8	4 578 184	4 392 181
Operating lease liability	9	7 549	-
Payables from exchange transactions	10	299 314	635 121
VAT payable	11	363 607	367 384
Unspent conditional grants and receipts	12	5 054 942	3 607 967
Provisions	13	264 676	299 995
		10 568 272	**9 302 648**
Total Liabilities		**10 568 272**	**9 302 648**
Net Assets		**5 493 598**	**4 597 812**
Accumulated surplus		5 493 598	4 597 812

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Statement of Financial Performance

Figures in Rand	Notes	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Rental income	14	169 428	91 209
Sundry income	15	18 123	2 000
Interest received	16	102 782	102 911
Total revenue from exchange transactions		**290 333**	**196 120**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	17	9 335 069	8 874 518
Total revenue	18	**9 625 402**	**9 070 638**
Expenditure			
Contracted services	19	(768 165)	(1 053 343)
Depreciation and amortisation	20	(54 892)	(56 920)
Directors remuneration	21	(730 226)	(782 002)
Employee related costs	22	(5 211 372)	(5 579 892)
Finance costs	23	(282 342)	(297 793)
Lease rentals on operating lease	24	(682 462)	(625 346)
Operational costs	25	(1 033 330)	(1 895 228)
Total expenditure		**(8 762 789)**	**(10 290 524)**
Surplus / (deficit) for the year		**862 613**	**(1 219 886)**

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2018	**5 617 698**	**5 617 698**
Changes in net assets		
Surplus for the year	(1 219 886)	(1 219 886)
Total changes	(1 219 886)	(1 219 886)
Opening balance as previously reported	4 357 441	4 357 441
Adjustments		
Prior year adjustments	273 544	273 544
Restated* Balance at 01 July 2019 as restated*	**4 630 985**	**4 630 985**
Changes in net assets		
Surplus for the year	862 613	862 613
Total changes	862 613	862 613
Balance at 30 June 2020	**5 493 598**	**5 493 598**

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Cash Flow Statement

Figures in Rand	Notes	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		169 428	93 209
Grants		7 799 962	8 531 281
Interest income		102 782	102 911
Other receipts		18 123	2 000
		8 090 295	8 729 401
Payments			
Employee costs		(5 947 000)	(6 361 894)
Suppliers		(2 659 902)	(1 591 945)
Finance costs		(282 342)	(297 793)
		(8 889 244)	(8 251 632)
Net cash flows from operating activities	26	**(798 949)**	**477 769**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(21 184)	-
Net increase/(decrease) in cash and cash equivalents		**(820 133)**	**477 769**
Cash and cash equivalents at the beginning of the year		3 232 015	2 754 246
Cash and cash equivalents at the end of the year	7	**2 411 882**	**3 232 015**

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental income	316 800	(98 800)	218 000	169 428	(48 572)	Appendix E(1)
Sale of tender documents	52 800	(49 800)	3 000	18 123	15 123	Appendix E(1)
Interest received	130 000	-	130 000	102 782	(27 218)	Appendix E(1)
Total revenue from exchange transactions	**499 600**	**(148 600)**	**351 000**	**290 333**	**(60 667)**	
Revenue from non-exchange transactions						
Transfer revenue						
Municipal grants & subsidies	11 387 412	1 457 088	12 844 500	9 335 069	(3 509 431)	Appendix E(1)
Total revenue	**11 887 012**	**1 308 488**	**13 195 500**	**9 625 402**	**(3 570 098)**	
Expenditure						
Employee related costs	(3 408 094)	(1 868 965)	(5 277 059)	(5 211 372)	65 687	Appendix E(1)
Depreciation and amortisation	(68 640)	-	(68 640)	(54 892)	13 748	Appendix E(1)
Finance costs	-	(90 000)	(90 000)	(282 342)	(192 342)	Appendix E(1)
Directors Remuneration	(622 093)	(50 000)	(672 093)	(730 226)	141 867	Appendix E(1)
Contracted Services	(1 563 722)	30 000	(1 533 722)	(768 165)	765 557	Appendix E(1)
Operational costs	(4 457 902)	(896 084)	(5 353 986)	(1 715 792)	3 638 194	Appendix E(1)
Total expenditure	**(10 320 451)**	**(2 875 049)**	**(13 195 500)**	**(8 762 789)**	**4 432 711**	
Surplus before taxation	**1 566 561**	**(1 566 561)**	**-**	**862 613**	**862 613**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**1 566 561**	**(1 566 561)**	**-**	**862 613**	**862 613**	
Reconciliation						

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Accounting Policies

Figures in Rand	Notes	2020	2019

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003), and the standards and pronouncements that form the GRAP Reporting Framework issued by the Accounting Standards Board (ASB) as updated.

Consideration is also given to the provisions of the Companies Act (Act 71 of 2008) to ensure that such provisions are not contravened.

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

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

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

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

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 16 Investment Property
- 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 32 Service Concession Arrangements: Grantor
- GRAP 102 Intangible Assets
- GRAP 104 Financial Instruments
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Property, plant and equipment

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

Accounting Policies

1.3 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives.

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

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

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

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

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

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

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

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Item	Useful life
Property - land	Indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Intangible assets

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

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

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Accounting Policies

1.5 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	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.

1.6 Financial instruments

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

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.

Accounting Policies

1.6 Financial Instruments (continued)

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

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

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

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

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

A financial asset is:

- cash;
- a 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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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.

Accounting Policies

1.6 Financial instruments (continued)

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unutilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution establishing or increasing an existing financial interest in the net assets of an entity.

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;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The 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

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

Class	Category
Trade payables from exchange transactions	Financial liability measured at fair value
Other Financial liability	Financial liability measured at amortised cost
Government grants and subsidies	Financial liability measured at fair value

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1.7 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the entity's incremental borrowing rate.

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.8 Impairment of cash-generating assets

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

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

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

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

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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

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

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

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

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

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.9 Revenue from exchange transactions

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

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

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1.9 Revenue from exchange transactions (continued)

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

Measurement

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

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

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 entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

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

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

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

1.10 Revenue from non-exchange transactions

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

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

Control of an asset arise when the 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.

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1.10 Revenue from non-exchange transactions (continued)

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.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange 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 entity.

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

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

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

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1.11 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.12 Unauthorised expenditure

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

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

1.13 Fruitless and wasteful expenditure

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

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

1.14 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008).

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.14 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

Trade receivables / Held to maturity investments and/or loans and receivables

The entity assesses its trade receivables, held to maturity investments and loans and 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, held to maturity investments and loans and 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.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Accounting Policies

1.15 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Useful lives of Property, plant and equipment

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

Effective interest rate

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

Allowance for doubtful debts

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

Selection of an appropriate reporting framework by the entity as a public entity

The entity assesses whether it meets the criteria in paragraph 11 of Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities.

This assessment is performed initially when the Directive becomes effective, and subsequently changes the reporting framework only if a significant change has occurred that leads the entity to conclude that it meets, or no longer meets, the relating criteria.

In making these assessments, management applies its judgement and consider all relevant historical facts and circumstances, as well as prospective information, ensuring a holistic assessment over an extended period of time is performed, to ensure that the entity does not change its reporting framework every year.

In the case of the entity as part of a group of entities, the assessments are applied to the economic entity. The reporting framework selected based on the assessment of the economic entity, is applied by both the controlling entity and controlled entity in preparing their annual financial statements.

Accounting Policies

1.16 Tax

Tax expenses

The Entity is exempt from income tax in terms of section 10 (1) (A) of the Income Tax Act.

Value Added Tax

The Entity is registered with SARS on invoice basis in accordance with Section 15 (2)(a) of the Value Added Tax Act No. 89 of 1991.

1.17 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.17 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Accounting Policies

1.18 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

1.19 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.20 Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or services potential associated with the transaction will flow to the economic entity
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with grant.

These transfers are recognised in the financial performance as expenses in the period that the events give rise to transfer

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Accounting Policies

1.20 Government grants (continued)

The municipality assesses the degree of certainity attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with these transactions will flow to the entity. An announcement at the beginning of the financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expenses have been incurred and to the extent that any other restriction have been complied with.

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the statement of financial performance in the period which they become receivable.

Interest earned on investments is treated in accordance with grants conditions. If it is payable to the funder it is recorded as part of the creditor and if is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.
Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.21 Budget information

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

General purpose financial reporting by 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 01/07/2019 to 30/06/2020.

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

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

1.22 Related parties

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

Accounting Policies

1.22 Related parties (continued)

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

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

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

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

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

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

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

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

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

2. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	296 132	(161 693)	134 439	310 435	(189 138)	121 297
IT equipment	264 456	(142 352)	122 104	243 272	(110 363)	132 909
Total	560 588	(304 045)	256 543	553 707	(299 501)	254 206

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Write back of depreciation	Depreciation	Written off	Total
Furniture and fixtures	121 297	-	47 473	(20 028)	(14 303)	134 439
IT equipment	132 909	21 184	-	(31 989)	-	122 104
	254 206	21 184	47 473	(52 017)	(14 303)	256 543

Reconciliation of property, plant and equipment - 2019

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

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

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	9 349 310	-	9 349 310	9 349 310	-	9 349 310

Reconciliation of investment property - 2020

	Opening balance	Total
Investment property	9 349 310	9 349 310

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	9 349 310	9 349 310

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

3. Investment property (continued)

Details of property

Portion 1 of the farm Elysium no. 15582, Registered Division ET, Province of Kwa-Zulu Natal held under deed of transfer, T51929/1999, in extent 92.4433 hectares.

Land is leased to Lancelot Estates CC for 9.5 % plus VAT of the cane gross proceeds per month with no escalation clause. There was no expenditure incurred to improve or repair the investment property in the year under review

The Directors have made an assessment and nothing indicates an impairement as 30 June 2020.

	2020	2019
- Purchase price 09 October 2016	9 349 310	9 349 310

Amounts recognised in surplus or deficit

	2020	2019
Rental revenue from Investment property	169 428	91 209

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4. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	52 387	(42 563)	9 824	52 387	(39 687)	12 700

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	12 700	(2 876)	9 824

Reconciliation of intangible assets - 2019

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

5. Receivables from exchange transactions

Deposits	12 900	12 900

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6. Receivables from non-exchange transactions

Municipal grants and subsidies	4 021 411	1 039 329

Age analysis of trade receivables from non exchange transactions

0-30 days	-	20 968
31-60 days	1 094 503	100 000
120 days +	2 926 908	918 361
	4 021 411	**1 039 329**

Total receivables from non-exchange transactions	4 021 411	1 039 329

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	553	642
Bank balances	2 411 329	3 231 373
	2 411 882	**3 232 015**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA Bank - Primary Bank Account - 408 970 4563	2 018 449	39 255	2 422 241	2 018 449	39 255	2 422 241
ABSA Bank - Investment account - 938 264 8008	7 065	487 187	314 237	7 065	487 187	314 237
ABSA Bank - Call account - 934 068 7696	385 544	2 704 942	15 000	385 815	2 704 931	15 000
Total	**2 411 058**	**3 231 384**	**2 751 478**	**2 411 329**	**3 231 373**	**2 751 478**

8. Other financial liabilities

Unsecured		
UGU South Coast Tourism (Pty) Ltd	4 578 184	4 392 181

This loan is unsecured and is payable upon 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.

Current liabilities		
At amortised cost	4 578 184	4 392 181

9. Operating lease liability

Current liabilities	(7 549)	-

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the entity exercises its option to renew. The entity does not have an option to purchase the leased asset at the expiry of the lease period.

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10. Payables from exchange transactions		
Trade payables	172 854	635 011
Accrued expenses	126 460	110
	299 314	**635 121**
Trade payables from exchange transactions age analysis		
0-30 days	299 315	635 120
11. VAT payable		
Tax payable	363 607	367 384
12. Unspent conditional grants and receipts		
KZNEDTEA - Ifafa Farm Elysium	596 586	941 670
Reconciliation of KZNEDTEA - Ifafa Farm Elysium		
Balance at the beginning of the year	941 670	951 204
Conditions met and transfered to revenue	(345 084)	(9 534)
	596 586	**941 670**
KZNCoGTA - National School Nutrition Programme	2 663 726	2 666 297
Reconciliation of KZNCoGTA - National School Nutrition Programme		
Balance at the beginning of the year	2 666 297	3 000 000
Conditions met and transferred to revenue	(2 571)	(333 703)
	2 663 726	**2 666 297**
UGU DM - Growth and Development Strategy Grant		
Additions during the year	55 500	-
KZNEDTEA - Umzumbe River Trails	1 739 130	-
Reconciliation of KZNEDTEA - Umzumbe River Trails		
Additions during the year	1 739 130	-

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited, and
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

	2020	2019
Movement during the year		
Balance at the begining of the year	3 607 967	3 951 204
Additions during the year	1 794 630	-
Income recognition during the year	(347 655)	(343 237)
	5 054 942	**3 607 967**

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Figures in Rand	2020	2019

13. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Provision for leave pay	299 995	450 258	(485 577)	264 676

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Provision for leave pay	310 071	34 544	(44 620)	299 995

14. Rental income

	2020	2019
Ifafa Farm Elysium	169 428	91 209

15. Sundry income

	2020	2019
Sundry income		
Skills development refund	8 452	-
Tender costs	435	2 000
Farmers relief income	9 236	-
	18 123	**2 000**

Included above is a skills development levy refund and a farmers relief income that was received due to the Covid19 outbreak temporary exemption. The four mounth SDL payment holiday is as provided for in Sec 10 of the 2020 Draft Disaster Management Tax Relief Bill effective 1 May 2020 and ending 31 August 2020.

16. Interest received

	2020	2019
Interest revenue		
ABSA Bank call account	102 782	102 911

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R102 782 (PY: R102 911).

17. Government grants and subsidies

	2020	2019
Operating grants		
Ugu District Municipality	6 381 410	6 077 531
Umdoni Municipality	578 813	551 250
Ray Nkonyeni Municipality	869 565	600 000
Umzumbe Municipality	578 813	551 250
Umuziwabantu Municipality	578 813	551 250
KZNDETEA	345 084	9 534
National School Nutrition Program	2 571	333 703
Other: Idwala Carbonates - Mentorships	-	200 000
	9 335 069	**8 874 518**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
18. Revenue		
Rental income	169 428	91 209
Sundry income	18 123	2 000
Interest received	102 782	102 911
Municipal grants & subsidies	9 335 069	8 874 518
	9 625 402	**9 070 638**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental income	169 428	91 209
Sundry income	18 123	2 000
Interest received	102 782	102 911
	290 333	**196 120**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Municipal grants & subsidies	9 335 069	8 874 518
19. Contracted services		
Outsourced services		
Catering services	350	18 509
Professional staff	51 084	24 396
Consultants and professional services		
Infrastructure and planning	309 000	5 712
Legal cost	42 335	80 066
Contractors		
Maintenance of buildings and facilities	16 681	8 608
Sports and recreation - KwaXolo Caves	348 715	916 052
	768 165	**1 053 343**
20. Depreciation and amortisation		
Property, plant and equipment	52 017	54 045
Intangible assets	2 875	2 875
	54 892	**56 920**
21. Directors' remuneration		
S.J Nzimande	100 995	108 904
S.D Dlomo	135 402	180 982
E.J Crutchfeild	95 376	107 104
V.K Naidoo	91 696	95 842
E.M Zungu	56 059	62 187
L.G Shezi	140 652	127 333
Z.P Mthuli	110 046	99 650
	730 226	**782 002**

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22. Employee related costs

Basic	4 195 424	4 465 457
UIF	22 240	23 851
SDL	53 381	59 107
Leave pay provision charge	41 840	11 498
Pension	185 000	203 221
Travel, motor car, accommodation, subsistence and other allowances	713 387	796 758
	5 211 372	**5 579 892**

REMUNERATION OF CHIEF EXECUTIVE OFFICER - M. MABECE

Annual remuneration	1 187 125	1 122 860
Car allowance	216 000	216 000
	1 403 125	**1 338 860**

Remuneration of manager : Finance and HR - B. Fikeni

Annual remuneration	665 982	682 188
Car allowance	268 467	180 483
	934 449	**862 671**

Remuneration of dev manager: Special project - T.J. Bacela (Contract ended 31 May 2019)

Annual remuneration	-	491 135
Car allowance	-	125 801
Leave pay	-	87 865
	-	**704 801**

Remuneration of manager: Marketing and Investment promotion - N. Makhaye

Annual remuneration	568 485	537 125
Car allowance	179 300	137 237
	747 785	**674 362**

Remuneration of dev manager: Agriculture and acting CEO - N. Z. Hlongwane

Annual remuneration	568 485	676 220
Car allowance	179 300	137 237
	747 785	**813 457**

23. Finance costs

Ugu South Coast Tourism (Pty) Ltd	186 003	197 633
SARS - Interest & penalties on late payment	96 339	100 160
	282 342	**297 793**

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 282 342 (2019 R 297 793).

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Figures in Rand	2020	2019

24. Lease rentals on operating lease

Premises		
Contractual amounts	575 966	548 299
Equipment		
Contractual amounts	106 496	77 047
	682 462	625 346

Operating leases relate to office space with lease for a period of 2 years and an escalation of 7% with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the Entity exercises its option to renew. The Entity does not have an option to purchase the leased asset at the expiry of the lease period.

25. Operational costs

Accounting fees	40 000	49 450
Auditors remuneration	402 101	381 695
Bank charges	21 583	22 523
Consumables	2 571	527 686
Electricity	4 015	2 699
Sundry expenses	86 250	242 756
Audit committee fees	76 839	147 558
Telecommunications	3 781	27 678
Gifts	-	165
Insurance	36 975	30 997
Postage and courier	-	3 926
Printing and stationery	103 176	108 271
Promotions	900	7 221
Security	8 809	9 078
Subscriptions and membership fees	-	1 443
Telephone and fax	9 569	12 839
Training	-	24 585
Travel - local	234 761	294 658
	1 033 330	1 895 228

26. Cash (used in) / generated from operations

Surplus (deficit)	862 613	(1 219 888)
Adjustments for:		
Depreciation and amortisation	54 892	56 920
Movements in operating lease assets and accruals	7 549	-
Movements in provisions	(35 319)	299 996
Movement in interest bearing liability	186 003	197 633
Changes in working capital:		
Receivables from non-exchange transactions	(2 982 083)	789 820
Payables from exchange transactions	(335 802)	329 140
VAT	(3 777)	367 384
Unspent conditional grants and receipts	1 446 975	(343 237)
	(798 949)	477 769

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27. Other revenue

Rental income - third party	169 428	91 209
Sundry income	18 123	2 000
	187 551	93 209

Included above is a skills development levy refund that was received due to the Covid19 outbreak temporary exemption. The four month SDL payment holiday is as provided for in Sec 10 of the 2020 Draft Disaster Management Tax Relief Bill effective 1 May 2020 and ending 31 August 2020.

28. Auditors' remuneration

Fees	402 101	381 695

29. Taxation

Reconciliation of the tax expense

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

30. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	575 966	548 299
Equipment		
• Contractual amounts	106 496	77 047
	682 462	625 346
Amortisation on intangible assets	2 875	2 875
Depreciation on property, plant and equipment	52 017	54 045
Employee costs	5 211 372	5 579 892

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Figures in Rand	2020	2019

31. Related parties

Relationships	
Shareholder with significant influence	Ugu District Municipality
Directors	See Directors' Report
Sponsoring municipality	Ray Nkonyeni Municipality
	Umzumbe Municipality
	Umdoni Municipality
	Umuziwabantu Municipality

Related party balances

	2020	2019
Loan accounts - Owing (to) by related parties		
Ugu South Coast Tourism (Pty) Ltd	(4 578 184)	(4 392 181)

This loan is unsecured and is payable upon 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.

	2020	2019
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Ugu District Municipality	3 227 612	301 030
Ray Nkonyeni Local Municipality	751 199	751 199

Related party transactions

	2020	2019
Interest paid to (received from) related parties		
Ugu South Cost Tourism (Pty) Ltd	186 003	197 633
Compensation to directors and other key management		
Short-term employee benefits	2 818 800	2 459 991
Defined contribution plans	713 387	796 758
	3 532 187	**3 256 749**

32. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2020	2019
Opening balance	(9 309)	-
Current year subscription / fee	402 101	381 695
Amount paid - current year	(392 792)	(391 004)
	-	**(9 309)**

PAYE and UIF

	2020	2019
Current year expenditure	1 313 297	1 490 081
Amount paid - current year	(1 217 730)	(1 490 081)
	95 567	**-**

Pension and Medical Aid Deductions

	2020	2019
Current year subscription / fee	370 000	406 442
Amount paid - current year	(339 167)	(406 442)
	30 833	**-**

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32. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

	2020	2019
VAT payable	353 607	367 384

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

33. Directors' emoluments

2020

	Emoluments	Other benefits	Board Preparation	Total
Dr Sipho J Nzimande	54 394	-	46 601	100 995
Joy Crutchfield	33 004	2 651	59 721	95 376
Sandile Dlomo	54 394	582	80 426	135 402
Vijay Naidoo	33 004	-	58 692	91 696
Lindelani Shezi	54 394	31 994	54 264	140 652
Dr Ephraim Zungu	33 004	5 055	18 000	56 059
Zonke Mthuli	33 004	9 074	67 968	110 046
	295 198	49 356	385 672	730 226

2019

	Emoluments	Other benefits	Board preparation	Total
Dr Sipho J Nzimande	56 914	-	51 990	108 904
Joy Crutchfield	34 000	9 082	64 023	107 105
Sandile Dlomo	59 920	3 235	117 827	180 982
Vijay Naidoo	34 464	-	61 378	95 842
Lindelani Shezi	56 864	12 141	58 328	127 333
Dr Ephraim Zungu	33 369	10 817	18 000	62 186
Zonke Mthuli	34 464	8 570	56 616	99 650
	309 995	43 845	428 162	782 002

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

34. Prior-year adjustments

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

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Payables from exchange transactions	10	1 921 070	(1 285 950)	635 120
Trade receivables from non exchange transactions	6	884 759	167 470	1 052 229
		2 805 829	**(1 118 480)**	**1 687 349**

Statement of financial performance

2019

	Note	As previously reported	Correction of error	Restated
Employee related costs	22	5 853 436	(273 544)	5 579 892

Errors

The following prior period errors adjustments occurred:

Statement of financial position

Note 9: Invalid creditors raised in the system resulting in overstatement of trade payables from exchange transactions in the 2018/19 financial year.

Note 9. A provision for performance bonuses was made however the entity did not meet its performance targets therefore no bonuses were payable, this resulted in an overprovision of performance bonuses.

Note 5. The entity's CEO was seconded to the District Municipality and the entity was to bill the Ugu District Municipality for his services as his salary was still paid out of the entity's payroll. However this was never recorded on the system in the prior.

Note 21: Leave pay was paid out of an expense account instead of a liability account resulting an understatement of the leave pay expense.

35. Fruitless and wasteful expenditure

	2020	2019
Opening balance as previously reported	59 556	350 035
Opening balance as restated	**59 556**	**350 035**
Add: Expenditure identified - current	41 995	-
Add: Expenditure identified - prior period	-	100 160
Less: Amount written off - current	(96 338)	(390 639)
Closing balance	**5 213**	**59 556**

Penalties and Interest on late payments to SARS. No disciplinary actions have been taken.

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35. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Penalties and interest on late payments to SARS	No disciplinary actions have been taken	41 995	100 160

36. Irregular expenditure

Opening balance as previously reported	1 311 351	37 000
Opening balance as restated	1 311 351	37 000
Add: Irregular Expenditure - current	3 125 114	-
Add: Irregular Expenditure - prior period	-	1 311 351
Less: Amount written off - current	(1 750 067)	(37 000)
Closing balance	2 686 398	1 311 351

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

	Disciplinary steps taken/criminal proceedings		
Three written quotations not obtained	No disciplinary steps taken matter under investigation	-	205 881
Non-compliance with CIDB and Local Content requirements	No disciplinary steps taken matter under investigation	343 065	916 052
Non-compliance with MFMA SCM Regulations section 29(2) regarding minimum requirements for composition		112 651	189 418
Conditional Grant Funding utilised for expenditure other than specified in the grants conditions		2 669 398	-
		3 125 114	1 311 351

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019

37. 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 timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Credit risk

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

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

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

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

Financial instrument	2020	2019
Receivables from non-exchange transactions	4 843 029	1 716 447
Cash and cash equivalents	2 411 882	3 232 016

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

37. Risk management (continued)

Interest rate risk

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

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents 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.

38. Going concern

Although the Entity is technically solvent as its total assets exceed its total liabilities, liquidity remains a challenge. The Entity might not be able to fulfil its financial obligations as it does not have enough investments, cash and other assets to repay it short term obligations. This significantly contributes to going concern uncertainty as well as severe cash-flow and operational difficulties. The Entity does not have adequate working capital as it did not have sufficient cash and other resources to pay trade and other payables. Further, unspent conditional grants exceeded available cash at year-end.

The Entity's revenue (such as Municipal grants, and consumer revenue for rental and other services) exceeds its expenditure (such as employee costs, rent, and other operational costs). A net surplus indicates that the Entity can reasonably contain its operating expenditure and collect its reasonably anticipated revenue.

Further, the Entity's management and the leadership remains committed to good budgeting and financial management, and for this purpose will monitor the implementation of budgets, including expenditure, revenue collection and borrowing. The effective functioning of the budget processes will contribute significantly to developing and sustaining financial health in the Entity.

39. Change in estimate

Property, plant and equipment

The useful life of Furniture and fixtures was estimated in 2005 to be 15 years. In the current period management have revised their estimate to 20 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 3 658.

40. Section 36 Deviations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.

Three quotations not received due to it being impractical to get three quotes	80 900	-
Three quotations not received due to services contracted by preferred supplier	-	44 309

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

41. Contingencies

There is an outstanding amount of R30 583 arising from the erstwhile South Coast Development Agency NPC relating to possible debt for PAYE and UIF. The debt relates to the years from 2014 to 2016. Ugu South Coast Development Agency was established after operations of South Coast Development Agency were discontinued and took over all assets and liabilities however it is not certain where the amount originates from as there was no amount relating to PAYE, SDL and UIF outstanding on the financial records when the Ugu South Coast Development Agency took over. It was only identified when the processes to deregister this company were being finalised. Management is working on identifying the exact origins of the debt as it is uncertain, and negotiating with SARS a write off of a portion or all of it, depending on the information on hand which makes settlement of this amount possible rather than probable and the proceeds from such can not be measured reliably.

Ugu South Coast Development Agency SOC Ltd
Appendix E(1)
June 2020

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2020

	Act. Bal. Rand	Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Government grants & subsidies	9 335 069	12 844 500	(3 509 431)	(27.3)	A significant portion of the government grant revenue relates to the recognition of revenue on conditional grants. There was a significant under spending on the NSNP Grant for the 2019/20 financial year.
Rental income	169 428	218 000	(48 572)	(22.3)	This income depends on the quantities harvested for the financial year and the harvests for 2019/20 were significantly lower than prior periods as that was the base for the forecasts.
Sundry income	18 123	3 000	15 123	504.1	This includes relief funds from SARS for SDL and another income received as a Sugar Cane Farmers Relief which had not been budgeted for.
Interest received - investment	102 782	130 000	(27 218)	(20.9)	Higher balances in the bank accounts were expected for the financial year. however significant amounts remain as receivables from the parent.
	9 625 402	13 195 500	(3 570 098)	(27.1)	
Expenses					
Employee related costs	(5 211 372)	(5 277 058)	65 686	(1.2)	
Depreciation	(52 017)	(65 640)	13 623	(20.8)	The forecast for the depreciation for the period under review was over estimated. though it was based on prior periods history
Amortisation	(2 875)	(3 000)	125	(4.2)	
Finance costs	(282 342)	(90 000)	(192 342)	213.7	These costs also include interests from overdue SARS accounts which were not budgeted for. Interest on USCT loan were also not sufficiently budgeted for
Directors remuneration	(730 226)	(872 093)	141 867	(16.3)	There were fewer meetings than anticipated for the financial year, as well as savings relating to meetings being virtual for the latter part of the financial year.
Contracted services	(768 166)	(1 533 722)	765 556	(49.9)	The expenditure incurred for contracted services was less than anticipated due to delayed spending on some of the projects including Ilafa Farm and the NSNP/Rasel Grants.

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Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2020

	Act. Bal.	Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Operational costs	(1 715 791)	(5 353 987)	3 638 196	(68.0)	The expenditure incurred for contracted services was less than anticipated due to delayed spending on some of the projects including Itafa Farm and the NSNP/Raset Grants
Other revenue and costs	(8 762 789)	(13 195 500)	4 432 711	(33.6)	
Net surplus/ (deficit) for the year	862 613	-	862 613	-	

19. 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 xx to xx, which comprise the statement of financial position as at 30 June 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ugu South Coast Development Agency SOC Ltd as at 30 June 2020, 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 *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (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 38 of the financial statements, the municipal 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 38 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 matter

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

Restatement of corresponding figures

9. As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of errors in the financial statements of the municipal entity at, and for the year ended 30 June 2020.

Other matter

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

Unaudited disclosure notes

11. 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

12. 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.

13. In preparing the financial statements, the accounting authority is responsible for assessing the municipal entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the 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

14. 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.

15. 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

16. 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.

17. 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.

18. 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 Objective 6 – Agriculture: To maximize the contribution of agriculture to the local economy objective presented on pages xx to xx in the annual performance report of the municipal entity for the year ended 30 June 2020.

19. 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.

20. I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective.

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

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

Adjustment of material misstatement

23. I identified a material misstatement in the annual performance report submitted for auditing. The material misstatement was on the reported performance information of Objective 6 -Agriculture: To maximize the contribution of agriculture to the local economy. As management subsequently corrected the misstatement, I did not raise any

material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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:

Expenditure management

26. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R41 995 (2019: R100 160) as disclosed in note 35 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 payments to the South African Revenue Service.

27. Reasonable steps were not taken to prevent irregular expenditure amounting to R3,13 million (2019: R1,31 million) as disclosed in note 36 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by grant funding being utilised for expenditure that was not permitted in terms of the grant conditions.

Procurement and contract management

28. Competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). Similar non-compliance was also reported in the prior year.

Other information

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

30. My opinion on the financial statements 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.

31. 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.

32. 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 7 December 2020.

33. 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.

34. 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

35. 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.

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

Pietermaritzburg

7 December 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

20. The Audit Action Plan

AUDIT CORRECTIVE ACTION FOR THE 2019/20 FINANCIAL PERIOD

No.	Finding	Internal Control Deficiency	Required Management Action	Corrective Action – Responsible Person – Accountable Manager	Accountable Official	Start date	Targeted Completion Date	STATUS – Resolved (Yes/No/In Progress)	Comments by Responsible Manager	Evidence required
	ANNEXURE A: MATTERS AFFECTING THE AUDIT REPORT									
1	During the audit, it was discovered that the accounting authority did not take reasonable steps to prevent fruitless and wasteful expenditure as disclosed in the annual financial statements	Management did not perform adequate monitoring and review of all compliance requirements to ensure that statutory returns are paid timeously in accordance with the VAT Act and Income Tax Act.	Management should ensure that a proper review monitoring and review process in conducted to ensure that statutory returns are paid in a timeously manner and in accordance with the VAT Act and Income Tax Act to avoid incurring interest and penalties. Management must also engage with parent's management to ensure timely transfer of allocations	Finance Manager	CEO	04 January 2021 and on-going	On-going	In-Progress		VAT and PAYE Returns - Payment Schedule from the Parent
2	A tender did not meet the minimum requirements for the composition of the bid adjudication committee. In terms of section 29 (2) of Municipal Supply Chain Management Regulations: A Bid Adjudication Committee must consist of at least four senior managers of the municipality or municipal entity	Management did not ensure that the procurement process and supply chain management policies are adhered to. The accounting officer did not implement effective monitoring controls to ensure compliance with SCM treasury regulations	Management should ensure that the procurement process and supply chain management policies are adhered to. Management should further implement effective monitoring controls to ensure compliance with SCM treasury regulations. Management should also utilised the guidelines/exemptions issued by the National and Provincial Treasuries	Finance Manager	CEO	01-Jan-21	31-Mar-21			Board Resolution -Current Year Compliant Bids
	ANNEXURE B: OTHER IMPORTANT MATTERS									
3	Monies were not utilized for the intended purpose and is in contravention of National Treasury circular 68 of November 2005, resulting in irregular expenditure	Management failed to ensure that the spending against the RASET Grant as well as other grants is done so in accordance with the conditions of the grant	Management should ensure that all spending as it relates to grants which have been extended by the funders Management must also engage with parent's management to ensure timely transfer of allocationsunders.	Finance Manager	CEO	01-Jan-21	On-going			Reports to Board -Payment Schedule from the Parent -Cash flow projections
4	During the audit of VAT, it was noted that management did not declare all municipal revenue earned during the financial year to the Commissioner of the South African Revenue Service (SARS)	Management did not exercise oversight over the preparation and review of the VAT 201 returns prior to submission to SARS to ensure that the returns were complete in terms of all taxable revenue earned.	Management should ensure that all VAT 201 returns are reviewed by senior personnel prior to submission to SARS. Management should declare all taxable revenue earned during the 2019/20 financial year to SARS.	Finance Manager	CEO	01 Jan 2021 30 November 2020	On-going 30 November 2020	In-Progress Yes		VAT Returns
5	During the audit of expenditure, it was noted that payments were not made within 30 days of receiving the invoice	Management did not exercise oversight responsibility over payments being made within 30 days to ensure compliance with the MFMA. In addition, internal monitoring within the payment processes was not implemented to identify and address delays in the payment of invoices	Management should implement controls to ensure all payments are made within 30 days to ensure compliance with the MFMA. Management must also engage with parent's management to ensure timely transfer of allocationsunders.	Finance Manager	CEO	On-going	On-going			Payment Vouchers

21. The Annual Performance Report

S/O#	National KPA#	UguDM IDP Ref	PROGRAMME	PROJECT	KPI	Comparative Year 2018/19		Year Under Review 2019/20						OWNER
						Annual Target	Actual	ANNUAL TARGET	ACTUAL	POE	ACHIEVED / NOT ACHIEVED	CHALLENGES	CORRECTIVE MEASURE	
SO 1			Institutional Compliance: To ensure that USCDA operations are compliant with all regulatory frameworks											
SO 1.1	4	3.7	Risk Management	Comprehensive Risk Register	Complete risk register by 31 October	1 Risk Register by 30 November	1 Risk Register by 30 November	1 Risk Register by 30 October	1 Risk Register by 30 October	1 Risk Register approved on 21 Nov 2019	Achieved	N/A	None	M:Fin
SO 1.2	4	3.7	Risk Management	Risk Policy Review	Date Risk Management reviewed	Policy reviewed by 2018/03/31	Risk Register and reviewed	Policy reviewed by 2020/03/31	0	No	Not Achieved	Committee meetings postponed during the lockdown	Review of policies to be considered at the virtual meetings in Q4	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%	100%	100%	0%	Yes	Not Achieved	Not all items raised have been resolved on due to the on-going process and dates of board meetings	Resolutions to be taken in the next board meeting	M:Fin
SO 1.4	4	3.7	Performance Management System (PMS)	Quarterly Peformance Reports to the Board Chairperson	Quarterly performance appraisals of CEO	4	2	4	4	Yes	Achieved	N/A	N/A	Board/CEO
SO 1.5	4	3.7	Municipal Entity Website	Legislated SCM notices publication	Percentage of notifications uploaded	100%	100%	100%	50%	No	Not Achieved	The website has crashed	A process has been initiated to ensure that a new website is developed by the end of Q4	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 to CEO	12	12	12	12	Yes	Achieved	N/A	N/A	M:Fin
SO 1.7	4	3.7	S87 Financial Reporting	Monthly financial report production	Monthly reports by the 7th working day of the following month to Ugu	12	12	12	12	Yes	Achieved	N/A	N/A	M:Fin
SO 1.8	4	3.7	PMS Reporting	Quarterly performance report production	Quarterly reports	4	4	4	4	Yes	Achieved	N/A	N/A	M:Fin
SO 1.9	4	3.7	Financial Planning	Mid-year adjusted budget review	Board resolution by 15/01/20	15/01/2019	Resolved on 15/01/2019	15/01/2020	Mid-year adjustment budget reviewed	Yes	Achieved	N/A	N/A	M:Fin
SO 1.10			Fiancial Planning	Mid-year adjusted budget review	Submission to Ugu by 20/01/2020	20/01/2019	Submitted 16/01/2019	20/01/2020	Mid-year adjustment budget reviewed	Yes	Achieved	N/A	N/A	M:Fin
SO 1.11	4	3.7	Finance Policies	Budget, Finance and Supply Chain Policy review	Review Policies by 31 May	31/05/2019	Policies reviewed before 31 May 20119	31/05/2020	Policies approved in May 2020	Yes	Achieved	N/A	N/A	M:Fin

SO 1.12	4	3.7	Annual Report	Draft Annual Report produced by 30 December 2019	Annual Report Adoption by 31 December	Draft Annual Report produced by31/12/2018	Draft Annual Report produced by 31/12/2018	Draft Annual Report produced by 31/12/2019	Draft Annual Report produced by 31/12/2019	Yes	Achieved	None	N/A	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	31/08/2018	AFS and PMS submitted on 31 August 2018	31/08/2019	AFS and APP Report submitted on 30 August 2019	Yes	Achieved	N/A	N/A	M:Fin
SO 1.14	4	3.7	Audit Compliance	AG Report	Unqualified Audit Opinion	1	Anqualified Audit Opinion	1	1	Yes	Achieved	None	N/A	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%	0.39%	<1%	1.1%	Yes	Not Achieved	The fruitless expenditure is due to late payments caused by unavailability of cash to settle due to delayed allocations from funders	Engage with the parent and local municipalities to pay allocations on time	M:Fin
SO 1.16	4	3.7	Budget Planning in terms of the MFMA	Draft 2020/2021 budget approved by the Board	Draft approved by 31 January 2020	31/01/2019	Draft budget approved on 15/01/2019	31/01/2020	Draft Budget Approved on Jan 15, 2020	Yes	Achieved	N/A	N/A	M:Fin
SO 1.17	4	3.7	MSCOA Implementation	Actively participate in MSCOA steering committee	Compliance with MSCOA targets	4	3	4	4	Yes	Achieved	N/A	N/A	M:Fin
SO 1.18	4	3.7	Fund raising	Amount of funding raised	R10m	R20m	0	R20m	R2m	Yes	Not Achieved	The targeted amount was not achieved due to lack of positive responses	Continue with the fundraising efforts in the new financial year	CEO
SO 1.19	4	3.7	CIPC Compliance	Submit AFS and all corporate changes	CIPC up to date by year end	1	1	1	1	Yes	Achieved	N/A	N/A	M:Fin
SO 2			Financial Sustainability - To ensure that the USCDA is financial sustainable and viable											
SO 2.1		3.7	Financial sustainability	Fundraising	Funds raised as a result of resource mobilization	N/A	N/A	R5m	R2m	None	Not Achieved	The targeted amount was not achieved due to lack	Continue with the fundraising efforts in the new financial	CEO
SO 2.2		3.7	Financial sustainability	Charging of fees on concluded agreements/services renddered	Revenue earned by agency on services or agreement concluded	N/A	n/A	R150 000.00	0	None	Not Achieved	The targeted amount was not achieved due to lack of positive responses	Continue with the fundraising efforts in the new financial year	CEO and FM
SO 3			Capacity Building: To Capacitate USCDA to deliver and implement its core functions efficiently and effectively											
SO 3.1	1	3.7	Staff Development	Short course / conference attendance	Number of shortcourses attended as per the Training Plan	4	0	4	0	None	Not Achieved	There were no training alternatives made worse by COVID19	Continue to request to be part of trainings from the parent and other institutions at no cost	M:Fin/CEO
SO 4														
SO 4.1	1	3.7	Corporate Identity	Update USCDA website and maintainance	12 updates to websites	12	12	12	6	Yes	Not Achieved	The website has crashed	A process has been initiated to ensure that a new website is developed by the end of Q4	M:IPM/CEO

SO 4.2	1	3.7	Corporate Identity	Ensure all brand & marketing material compliant with USCDA	Review & produce brand & marketing material	1	1	1	0	None	Not Achieved	Budgetary constraints	Alternative means will be made to market the entity	M:IPM/CEO
SO 5			**Investment Promotion: To promote the growth and development of the Ugu District Vision 2030**											
SO 5.1	**3**		**Implement an Investment Promotion & Facilitation Strategy for the Ugu District**											
SO 5.1.1	3	3.7.9	Investment promotion	Distribution of digital brochures and leaflets	Leafelts and brochures sent to all SA embassies	1	1	1	1	Yes	Achieved	N/A	N/A	MIPM
SO 5.1.2	3	3.7.9	Investment promotion	Attend exhibitions and seminars conferences for exposure and marketing the agency	Number of exhibitions	1	1	2	4	Yes	Achieved	N/A	N/A	MIPM
SO 5.1.3	3	3,7,9	Investment Promotion & Facilitation	Secure Service Level Agreement/MOU with provincial SOE's (TIKZN)	Number of signed agreements	N/A	N/A	1	0	None	Not Achieved	Due to lockdown and also internally TIKZN had their own internal change of responsible staff e.g resignation of CEO and reshuffling of internal executive management.	USCDA has started engagements with new leadership of TIKZN.	IPM/CEO
SO 5.1.4	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	R100m	0	R100m	R2m	Yes	Not Achieved	No positive responses have been received that result in investment flowing into the district	Continue with the fundraising and investment attraction efforts in the new financial year	IPM
SO 5.1.5	3	3,7,9	Investment Promotion	Initiate good stakeholder relations with other provincial and national institutions to expose and market Ugu businesses	Investment Conference held in partnership with strategic stakeholders - EDTEA & TIKZN	N/A	N/A	1	1	Yes	Achieved	N/A	N/A	IPM/CEO
SO 5.1.6			Mandela Dy	Honouring Mandela Day	hosting of Mandela Day event with strategic partners	N/A	N/A	1 event hosted	1 event held	Yes	Achieved	N/A	N/A	IPM
SO 5.2	**3**		**Implement the Growth and Development Strategy of the Ugu District - Vision 2030**											
SO 5.2.1	3	3.7.9	GDS	Coordinating the sitting of Focus Groups	Number of Focus Group meetings and action plans submitted	10	0	30	18	Yes	Not Achieved	Scheduled meetings were not all attended	Continue to encourage attendance of meetings and take advantaga of virtual meetings	CEO

SO 6			To maximize the contribution of agriculture to the local economy											
SO 6.1			Agricultural Development											
SO 6.1.1			Agrarian revolution	Number of hectares of fallow fields cultivated with niche crops e.g. Macademia	Number of hectares cultivated	45	92	10	11	Yes	Achieved	N/A	N/A	M:Dev Agric
SO 6.1.2			Agrarian revolution	Support community gardens and schemes for market linkage	Number of farmers supported	8	5	40	25	Yes	Not Achieved	Less number of farmers planted in this quarter	Mobilize resources from other stakeholders and may be mid-year budget review allocation	M:Dev Agric
SO 6.1.3			Agrarian revolution	Establish functional hydroponic tunnel projects	Number of hydroponic tunnel projects established	N/A	N/A	3	0	YES	Not Achieved	Business plan approval was delayed by CoGTA HoD	Follow up with CoGTA HoD office and facilitate a meeting with the department	M:Dev Agric
SO 6.1.4	3		Agriculture	Secure funding or receive written commitment from stakeholders	Number of agricultural projects supported with external funding	N/A	N/A	8	7	Yes	Not Achieved	Delay/ No response on funding application submitted to sector departments and funding agencies	Further identify new funding agencies and continue to submit applications	M:Dev Agric
SO 6.2			Agricultural Value Chain Development											
SO 6.2.1	3		Agro-processing	Link the identified small timber growers with potential forestry partners for support	Number of linkages made	6	6	12	1	Yes	Not Achieved	Timber related companies are relactant to make commitments to small growers	Continue and forward request and applications for the assistance and consideration on future planned programmes in the new financial year	M:Dev Agric
SO 6.2.2			Agro-processing	Identification and support of N2 Fishers	Number of identified and supported Fishers	N/A	N/A	3	3	YES	Achieved	N/A	N/A	M:Dev Agric
SO 6.2.3			Agro-processing	Identify and link agro-processors with value chain development initiatives for crop producers	Number of initiatives identified	N/A	N/A	4	4	Yes	Achieved	N/A	N/A	M:Dev
SO 7			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 7.1			Facilitate the implementation of the high impact projects											
SO 7.1.1			Hinterland Property Development	Murchison Mixed Use Facilitating a lease with Ingonyama for local business people / developers	Facilitate signing of the lease with Ingonyama board Date lease concluded	31/12/2019	0	1 signed lease by March 2020	No Lease signed	None	Not Achieved	Submitted lease to Ingonayama Trust and following up on delays	CEO to follow up with Ingonyama Trust as lease has been submitted	M:Dev P/CEO
SO 7.1.2			Coastal Propertys Development	St Michaels beachfront redevelopment	Issue Call for Proposals & appointment	1	0	Developer appointed	0	None	Not Achieved	Impasse by DPW	CEO dealing with the Minister of DPW to resolve impasse	M:Dev P/CEO
SO 7.1.3			Coastal Properties Development	St Michaels beachfront	Agreement signed and commencement Lodgement of approval applications	1	0	Applications for planning approvals lodged	0	None	Not Achieved	Impasse by DPW	CEO dealing with the Minister of DPW to resolveimpasse	M:Dev P/CEO

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SO 7.1.4			Coastal Properties Development	Shelly Ski-boat revamp	Issue Call for Proposals & appoint	1	0	Appoint developer	N/A	N/A	Not Achieved	Impasse by DPW	CEO dealing with the Minister of DPW to resolveimpasse	M:Dev P/CEO
SO 7.1.5			Coastal Properties Development	Shelly Ski-boat revamp	Agreement signed and commencement Date applications for approval lodged with relevant uthorities	1	0	Implementation commences	0	None	Not Achieved	Impasse by DPW	CEO dealing with the Minister of DPW	M:Dev P/CEO
SO 7.1.6			Coastal Properties Development	Southbroom beachfrnt development	Issue a Call for proposals & appoint	1	0	Appoint developer	N/A	N/A	Not Achieved	Impasse by DPW	CEO dealing with the Minister of DPW	M:Dev P/CEO
SO 7.1.7			Coastal Properties Development	Southbroom beachfrnt development	Agreement signed & commencement	1	0	Implementation commences	0	None	Not Achieved	Impasse by DPW	CEO dealing with the Minister of DPW	M:Dev P/CEO
SO 7.1.8			Property Development	Appoint a developer for at least 1 property in Umdoni	Developer appointed	1	0	Implementation commences	Implementation not commenced	None	Not Achieved	Developer no longer interested	Liaising with Umdoni if the project will be carried over	
SO 7.1.9			Inland Property Development	Conference Centre - Umdoni	Facilitate lease with ITB	1	0	Signed lease with ITB	Lease not signed	None	Not Achieved	Developer no longer interested	Liaising with Umdoni if the project will be carried over	M:Dev P/CEO
SO 7.2			**Implement property development opportunities**											
SO 7.2.1			KwaXolo Caves	Completion of construction of KwaXolo Caves Walkway	Walkway constructed	1	0	Completion of Construction	Completion of Construction	Construction completed	Achieved	N/A	N/A	M:Dev P/CEO
SO 7.2.2			John Mason Park	Finalise the land agreement with RNM and Public Works Lease signed between RNM & USCDA	Signed land agreement	1	0	1	0	No	Not Achieved	Resolution only finalized end March and USCDA finalizing lease with developers	To be further pursued in the new financial year	M:Dev P/CEO
SO 7.2.3			John Mason Park	Conclude development agreement with the developer Development applications lodged with relevant authorities	Date applications for approval lodged with relevant uthorities	1	0	1	0	None	Not Achieved	Head lease with RNM was finalised late & the lease with the developer is at the draft stage and will be finalised at the end of July 2020	CEO to finalise lease with Developer at the end of July 2020	M:Dev P/CEO
SO 7.2.4			John Mason Park	Conclude lease with DPW	Date lease concluded	N/A	N/A	Lease agreement concluded -Sep 2019	No Lease Agreement	None	Not Achieved	There has been a change of approach to the lease agreement	To be pursued in the new financial year	M:Dev P/CEO

SO 7.2.5			John Mason Park	Conclude lease with the developer	Date lease concluded	N/A	N/A	Lease agreement concluded -March 2020	No Lease Agreement	None	Not Achieved	The lease with RNM was finalised late. The lease with the developer is at the draft stage and will be finalised at the end of July 2020	CEO to finalise lease with Developer at the end of July 2020	
SO 7.2.6			Hibberdene Mixed Use	Conclude the agreement with the developer	Date agreement with the developer concluded	1	0	Agreement with developer - Nov 2019	0	None	Not Achieved	The agency was requested to pause on the processes pending further discussions with RNM	Engagements to be facilitated with RNM Leadership and Senior Management	M:Dev P/CEO
SO 7.2.7			Hibberdene Mixed Use	Agreement signed with the developer	Date agreement signed	N/A	N/A	1	0	None	Not Achieved	Due to delays with RNM	CEO to follow up with RNM	M:Dev P/CEO
SO 7.2.8			Commencement with implementation of HMUD	lodgement of planning applications for approval	Date application lodged	N/A	N/A	2020/03/31	0	None	Not Achieved	Dependednt of signing of lease	N/A	
SO 8			**Marine: To promote economic development within coastal and riverine zones**											
SO 8.1	**3**		**Implement maritime tourism projects**											
SO 8.1.1			Multi Trails Network	Funding secured for URT	Date funding secured for at least phase 1	N/A	N/A	Funding secured by November 2019	R1.7m secured	Yes	Achieved	N/A	N/A	M:Dev P/CEO
SO 8.1.2			Multi Trails Network	Review a joint action plan with SCT for URT	Joint action plan	1	0	1	1	Yes	Achieved	N/A	N/A	M:Dev P/CEO
SO 8.1.3			Multi Trails Network	Implement a joint implementation plan	Date service providers appointed for implementation	2	2	service providers appointed by May 2020	Service Providers Appointed	Yes	Achieved	N/A	N/A	M:Dev P/CEO
SO9	**3**		**Facilitate catalytic projects within the Ugu District**											
SO 9.1			Catalytic Project	Finalise the application for the Release of Agricultural land for Industrial Development(Ifafa)	Facilitate finalization of the appeal being considered by the Minister - date finalized	31/12/2018	0	2019/09/01	Appeal finalised	None	Achieved	The department is still processing the appeal and there has been no feedback so this far.	Continue with the engagements with the department for the release of the land	M:Dev P/CEO
SO 9.2			Catalytic Project	Appointment of service providers - Rezoning and EIA	Date serice providers commence with implementation	1	0	2019/10/01	Service providers have commenced with the work	Yes	Achieved	N/A	N/A	
SO 9.3			Catalytic Project	Facilitate establishment of South Coast Film Studio at Port Shepstone Techno Park	Date of commencement of implementation Date applications for approvals lodged	1	1	2019/08/01	Application not lodged	None	Not Achieved	Developer to submit performance guarantees & deadline extended by RNM	CEO to follow up with Developer	M:Dev P/CEO

SO 10	3		Renewable Energy: To identify, attract, support or assist renewable energy initiatives within the district											
SO 10.1			Renewable energy	To support and assist the proposed Bio Fuels intiative at Gunn's Drift	Quarterly progress reports at the Projects Development Committee	4	4	4	3	No	Not Achieved	Renewable Energy not achieved as quarterly report back to stakeholders could not take place	Follow up with Ethala to be provided with the report for Q3 and Q4 by the end of Q4.	M:Dev SP
								ANNUAL						
					ACHIEVED		35				27			
					NOT ACHIEVED		46				35			
					TOTAL		81				62			
					% ACHIEVED		43.2%				43.5%			