ANNUAL REPORT

2018/19

chda chris hani development agency

CHDA OFFICE AND CONFERENCING FACILITIES

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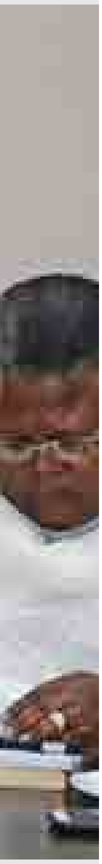
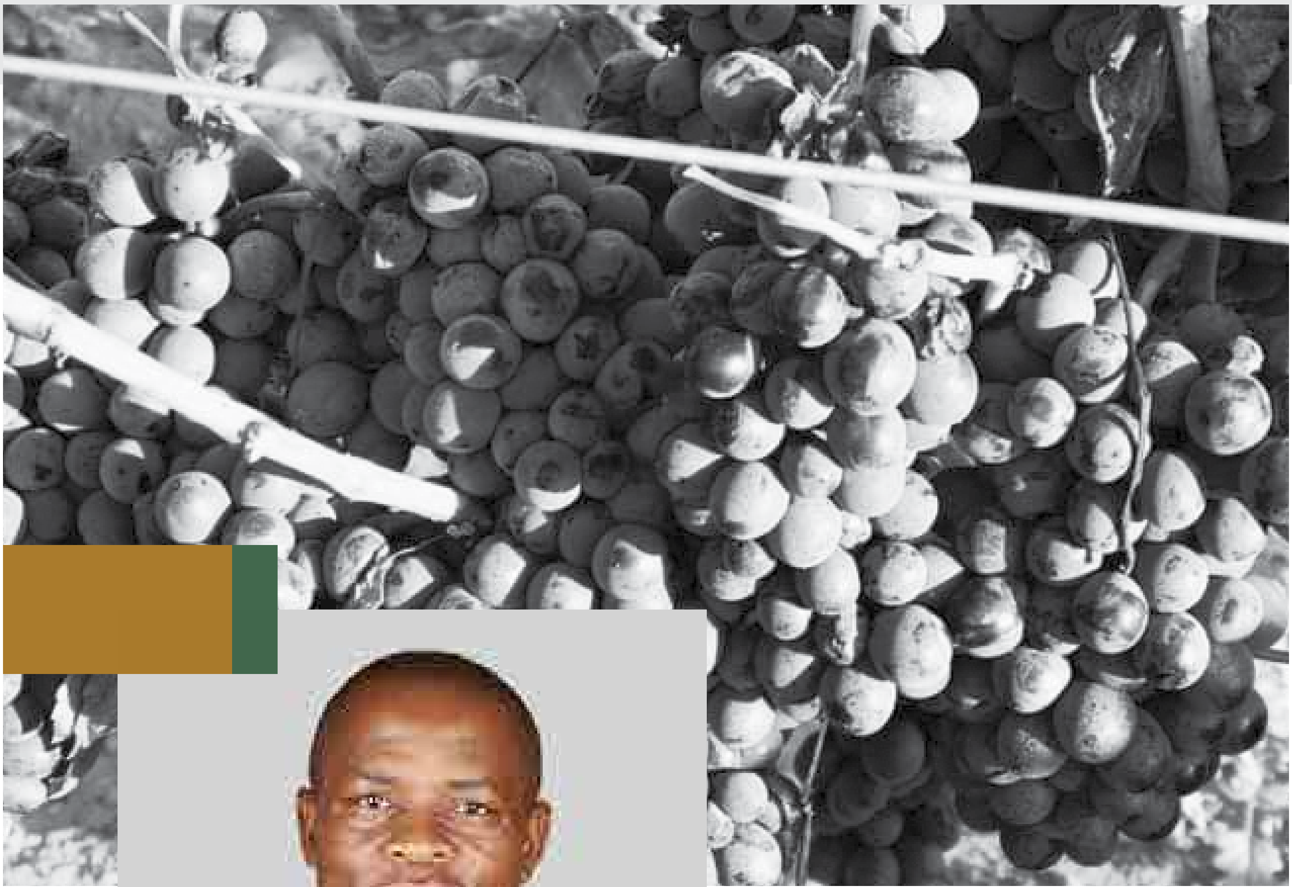


chda chris hani development agency



SHILOH VINEYARD EXPANSION PROJECT

FOREWORD FROM THE **EXECUTIVE MAYOR**

COUNCILLOR WONGAMA GELA
EXECUTIVE MAYOR
CHRIS HANI DISTRICT MUNICIPALITY

During this year, the Chris Hani District Municipality (CHDM) saw a change in political and administrative leadership, but despite this, has not changed in its desire to see South Africa free and well developed for the advancement of all those who live in it.

This is true, especially under the difficult and frustrating times brought on by the challenging development environment of the CHDM. Following the pressure on global growth trends and downward revisions in developing economies, it is no surprise that within the CHDM, we are still faced the challenges of inequality, poverty and unemployment. This is a struggle that our forebears had set a foundation and are dedicating our efforts to our fallen heroes and heroines such as the late Chris Hani, Oliver Reginald Tambo, Albertina Sisulu, Nelson Rolihlahla Mandela, Winnie Madikizela-Mandela and many others for delivering us freedom in their lifetime.

This situation thus requires all of us to rethink and refocus our economic development strategies and galvanise all hands on deck in an effort to eradicate these three evils against our people. Our efforts seek to instil hope to our people that future prosperity is a realisable dream for all South Africans and especially, the communities in our District working together.

CHDM, therefore, continues to drive its vision of being “Leaders in sustainable economic growth and improved quality of life”, thus endeavouring to eliminate poverty and reduce unemployment and inequality within the Districts’ communities in line with the National Development Plan (NDP), Provincial Growth and Development Strategy (PGDS) and the Chris Hani Regional Development Strategy (CHREDS). The CHREDS suggests a three-pronged approach of corridor development, value chain integration and cluster development. It further puts emphasis on investment in local economic development programmes and infrastructure to facilitate the CHDM economic growth and development.

The CHDM recognises the need therefore to boost confidence and strengthen investment, including promoting co-investment in strategic projects while assuring policy and strategy certainty.

It is for this reason amongst others that the CHDA is recognised as a critical component of the District Development Agenda (that highlights tourism, industrialisation, industrial expansion and development of regional economic hub(s), forestry, agriculture and agro-processing as the key development sectors) and the CHREDS with a mandate to contribute meaningfully towards the identification, initiation, preparation and implementation of programmes and projects supporting the CHDM to promote economic growth and spatial development; as well as provide planning and implementation support to municipalities within the District. The promotion of regional integration through corridor and cluster development is also a key pillar in CHDM’s growth and development agenda. CHDA must continue therefore to be a catalyst to facilitate increased integrated trade within municipalities in the District, other neighbouring districts and the hinterland.

This Annual Report details yet another factual performance by the CHDA in delivering on its mandate, despite the many challenges within the service delivery environment, dynamics in working with different but much needed strategic partners and limited resources.

The CHDA has continued to be a beacon of hope for the Chris Hani District Municipality by its ability to lead some of our crucial programmes that include development of agricultural value chains focusing on livestock improvement programmes, fruit production initiatives and irrigation schemes revitalisation programmes; skills development initiatives with specific reference to our Mayor’s Community Skills Fund (CHDM Bursary), as well as SETA - accredited learnerships and internships, as well as SMME development and industrialisation programmes that include the revitalisation of the Komani Industrial Park.

Through its various programmes, such as the DEA waste recycling buy-back center development initiative, the CHDA has created 369 job and work opportunities for locals, as well as and managed to secure additional funding for project implementation through improved inhouse business planning, own – revenue generation and fundraising initiatives.

The CHDA has thus achieved 70% of its performance targets, and also continued to maintain good governance and was able to receive yet another unqualified audit opinion from the Auditor General in 2018/19.

This indicates that the agency has gone from strength to strength in improving its programme management processes, internal controls, and standardizing its operations.

In my first Annual Report in my term of office, I would like to congratulate and thank the CHDA Board, management and staff on these results particularly for the clean administration award, the unqualified audit outcome and for this collective effort in providing continued and meaningful and sustainable economic development for the CHDM. The CHDM will also strive to provide required resources and strategic guidance and support to ensure that the agency is able to continue its valuable work in future. The CHDA must continue to review its strategy and operating model to ensure that CHREDS and the District Development Agenda is achieved. I assure you of my unwavering support in all your economic development efforts.

CNLR WONGAMA GELA
EXECUTIVE MAYOR | 15 NOVEMBER 2019

BILATYE PIGGERY INITIATIVE

CHAIRPERSON'S
STATEMENT

MRS NOKULUNGA SKEYI
BOARD CHAIRPERSON
CHRIS HANI DEVELOPMENT AGENCY

Introduction

Since its inception in 2012 the Chris Hani Development Agency (CHDA) has enjoyed enormous support from the Chris Hani District Municipality (CHDM), which enabled it to deliver on its broader mandate of economic development within the district, and for this, the Board of CHDA is immensely appreciative. It is for this reason that, amongst others, the Board has positioned the CHDA at the centre of the economic development activities of the CHDM by directing the focus and energy of the executive management towards a clean administration and good governance, the initiation, development and implementation of programmes and projects that seek to obliterate poverty, inequality and unemployment within the district in direct support of healthy intergovernmental relations and dynamic local economic development efforts.

Strategy and Operational Performance

The economy of the Chris Hani District is relatively small, contributing only 0.5% to the South African economy and 7.6% to the Eastern Cape economy. Critically high levels of inequality, poverty and unemployment (currently estimated to be approximately 57% within the district) prevail within the CHDM, and consequently the exclusion of poor communities from the formal mainstream economic opportunities requires some intervention if the triple ills (poverty, unemployment and inequality) are to be meaningfully addressed.

The extent of the marginalisation of poor people from the formal mainstream economy and opportunities for income generation is such that it demands the implementation of intervention strategies that will implant equitable distribution of resources resulting in meaningful participation of the marginalised communities in the main stream economy.

It is against this backdrop that, during the period under review, and following the approval of the strategy by the Board, the CHDA commenced the implementation of major organisational programmes and projects aimed at sharpening its alignment with key elements of the district development agenda.

The annual performance plan for 2018-2019 was approved by the Board, and implemented by management. As a result, I am pleased to report that the CHDA has achieved 70% of its performance targets, while 14% were partially achieved and 16% were not achieved. This is an improvement from prior year, which saw the CHDA achieving only 64% of its performance targets, this being with an increased number of individual performance targets and indicators from prior year. Leveraging resources through strategic partnerships (public and private sector), while it has its own dynamics, challenges and risks, has enabled the CHDA to attain some of its achievements. This is testament to the continued hard work and commitment of management and staff in implementing the performance plan towards realisation of strategic objectives, and for this, I and the Board remain thankful

Strategic Relationships and Synergies

The CHDA has continued in investment into key development synergies and partnerships, and in the year under review commenced work on the quarterly assessment and review of partnership agreements. This is to ensure that partnerships yield desired results, and contribute to the district development agenda and mandate of the CHDA and its programmes. I am pleased to announce that management has made a commitment to develop, in consultation with the parent municipality, a partnership framework that will be used to guide how the agency enters into development partnerships in future, and how these are managed.

During the period under review, the agency continued in working with the Department of Trade and Industry (DTi) in order to ensure the successful establishment of the Komani Industrial Park within the Enoch Mgijima Local Municipality. This is from the good work done by the agency in facilitating a R45 320 940 funding for infrastructure improvements in the prior year. This effort is envisaged to make enormous impact (transitional and permanent) particularly with regard to operationalising the industrial park, and attracting investment as well as facilitating employment creation.

The agency also continued its efforts with the SMME development programme, in a partnership with the CHDM's Executive Mayor's office. This initiative saw a number of local SMME's being funded towards their startup and established businesses, in an attempt to grow local business and the local economy. A total of 43 SMME's were approved for funding support, with R4 287 960.55 disbursed in funding. In the coming financial period, the agency wishes to formalise partnerships with business and enterprise support partners, so that funded SMME's can be provided with comprehensive post-funding mentorship and support, so as to grow sustainable SMME's.

A sizable amount was also received from the National Development Agency (NDA) and the Eastern Cape Department of Rural Development and Land Reform (ECDRDLR) towards operationalization of the piggery initiative in Bilatye, which had a successful launch in April 2019. A partnership with the parent municipality saw local farmers being provided with vaccination support of their small stock in the year under review, with 353 487 livestock being vaccinated in a partnership with Talitha Pharma. A total of 520 heifers were inseminated in the artificial insemination initiative targeted at Sakhisizwe livestock farmers. This is testament to the agency's continued efforts in supporting emerging livestock farmers in the district, and particularly developing the livestock production value chain.

Continued partnerships with the private sector also saw good results being achieved in the Shiloh vineyard project, as well as a stone fruit pilot in Gubenxa Valley. The vineyard saw a breakthrough in yield from approximately 16 to 21 tons in the period under review from prior year, as well as securing of a market for bottled wine through the Pick n Pay Liquor group and private hospitality supply chains. Work is under way in developing a feasibility study for wine tourism in the Shiloh area.

Governance

The CHDA is wholly owned by Chris Hani District Municipality, the Executive Mayor holds the Board of Directors accountable for managing the CHDA to deliver on its mandate. During the year, we held an annual general meeting and a strategic session with the shareholder where specific resolutions were taken. Both sessions provided an opportunity for the shareholder and the board to engage on strategic and operational mattes.

The CHDA has continued to maintain an unqualified audit outcome in 2018/2019. The CHDA Board, therefore, is confident that the agency and its executive management team possess balance of skills, experience and backgrounds needed to support and guide the organisation in the future and is determined to nurture this talent.

It is with sadness that the agency had to bid farewell to its CEO, Mr Thukela Mashologu in December 2018, who had served admirably since May 2014. The CHDA Board wishes to thank him for his efforts in taking the agency from strength to strength, and wish him the best for his future endeavours as he goes into private enterprise.

Challenges

During the year, CHDA faced a number of challenges, which have had an unfortunate impact on the non-achievement of some of the performance targets set. Some of these challenges have arisen precisely because of the dynamics of working with partners in many of the agency's programmes and projects, non-receipt or late-receipt of funding from third parties, as well as key vacancies in the organogram.

Outlook

The coming financial year will see reinforced focus on consolidating the organisation's performance. Imperatives include cost containment, and increased focus on the sustainability of the agency, enhanced implementation and social facilitation capacity building, as well as own revenue generation and expansion of the agency's programming pipeline.

Acknowledgements and Appreciation

On behalf of the Board, I wish to extend my most sincere gratitude to our shareholder for ongoing support and guidance it has been of great value to the Board and Management.

I would like to take this opportunity to express gratitude to fellow Board members for their invaluable contribution

Lastly, I congratulate the executive team and all CHDA staff, admirably led by Mr Thukela Mashologu as the CEO, on another strong set of results and the significant impact that has been achieved.

MRS NOKULUNGA SKEYI
BOARD CHAIRPERSON | 15 NOVEMBER 2019

CHDA STRATEGIC PLANNING AND ENGAGEMENT SESSION 2019

EMERGING FARMER MECHANISATION SUPPORT

REPORT FROM THE **CHIEF EXECUTIVE OFFICER**

MRS NONTEMBEKO MAYEKISO-NOMNGANGA
ACTING CHIEF EXECUTIVE OFFICER
CHRIS HANI DEVELOPMENT AGENCY

Over the years, the CHDA has moved from strength to strength, after having taken time to find its feet. There are good stories to tell that indicate that 2018-2019 was a prosperous year for the agency, despite some notable challenges.

The 2018-2019 year was a challenging year for the agency, but the agency managed to achieve 70% of its set performance targets, utilizing 74% of its available annual budget. Non-performance was due to not receiving budgeted-for funds from funders, as the agency only received 73% of its budgeted income, as well as operational challenges resulting from vacancies in key positions, as well as non-performance by technical partners.

Key challenges and highlights by programme were as follows:

Programme 1: Creation of a Viable and Proficient Organisation

This programme talks to finance and administration activities, and realised 67% level of performance against predetermined objectives for 2018-2019.

Key highlights for the year were:

- The agency maintained an unqualified audit opinion yet again, although there were key findings that resulted in a regression from a clean audit opinion from previous two years
- There were key improvements in the governance of ICT, due to the work done by the newly-established ICT steering committee in previous financial year. The year saw the implementation of an improved ICT strategy, and although there were some findings related to networking setup, the agency did not sustain any data losses, and the MSCOA-compliant systems were fully functional
- An organisational funding strategy was developed in the previous financial year, but not implemented. The strategy led to the submission of over 11 funding applications to third parties, in an attempt for the agency to reduce dependency on grant income from parent, and raise funding for programme implementation
- An HR strategy was developed to guide operations for the year, and although implemented, the agency back-tracked on its 17% vacancy rate at the end of the previous financial year. This was due to the approval of additional positions,that remained unfilled at 30 June 2019, resulting in a vacancy rate of 27%.
- The agency implemented 100% of its approved internal audit plan, as well as commissioned ad-hoc assignments by the Board. This assisted in the maintenance of internal controls and administrative processes in the organisation as part of the overall risk management framework.

This can It is worth noting that this programme can improve in its ability to collect own revenue through the agency function, as well as collect grant income from funders to ensure the financial sustainability of the CHDA, as well as uninterrupted implementation of development programmes.

Programme 2: Creation of Viable and Sustainable Rural Economies

This programme had a 62% performance rate to predetermined outcomes in the prior year, but improved in 2018-2019 by closing at a 75% level of achievement.

This can be attributed to improved planning, better project management capacity, as well as improved methods of reporting and monitoring project activities. Key achievements were: Operationalization of the mechanization center at Qamata to start generating own-revenue, placement of animals at the piggery in Bilatye, as well as near-completion of the Lukhanji waste buy-back centers

Key achievements were:

- The piggery project at Bilatye was re-cuscitated through securing of funding to operationalize the facility in 2018-2019. A total of over R1 million was raised from the NDA and ECDRDLR, which led to the placement of animals in the facility, and official launch of the project in 2018-2019 for the community at Bilatye irrigation scheme
- The mechanization center continued its operations in 2018-2019, but was able to realize just over R1 million in own income, which supplemented grant expenditure. This allowed the provision of additional support to a larger number of emerging farmers
- The Jobs' Fund – funded beef linkages project in Sakhisizwe finally saw the final placement of approved farmers with weaners after funding delays in previous financial periods had resulted in 100% of approved farmers not being placed with animals.
- The beef expansion programme was further supplemented by the continued rollout of the artificial insemination programme, which saw 520 animals being inseminated in 2018-2019, with a higher conception rate confirmed than in previous pilot year. This was due to improved training and insemination techniques
- The fruit cluster development initiatives also continued, progressing well, with 2018-2019 seeing the successful sale of the Inkosi wine range bottled at the vineyard in Shiloh, as well as continued progression of the fruit pilot at Gubenxa Valley in the partnership for pomefruit with Distell. The pomegranate pilot site in Mitford was also supported, although the relationship with the technical partner was terminated in an attempt for the agency to source an internal fruit specialist to overs all fruit pilot initiatives
- Another key area of progress was the near-completion of the DEA Lukhanji waste buy-back centers, after significant delays in commencement of the project since approval in 2014. It is anticipated that the centers will be launched in 2019-2020
- A small-stock initiative, funded by the CHDM, came under way for emerging farmers in 2018-2019. This resulted in numerous farmers from various local municipal areas benefiting from subsidized access to vaccination of their small stock, as part of the livestock improvement programme. A total of over 300 000 small stock was vaccinated in a successful partnership with the CHDM and Talitha Pharma.

Key challenges in this programme were not receiving budgeted-for funds by external funders, thus limiting the implementation activities committed under this programme for the year. Also, the funding that was received, was a portion of approved and budgeted – for funding, which also had a similar impact on implementation. Lastly, development partnerships under signed MOU's and teaming agreements with third parties presented a significant challenge, with some partners not fulfilling their agreed roles and responsibilities, thus affecting the realization of some performance targets under this programme.

Programme 3: Investment Promotion, Enterprise Development and Job Creation

This programme sits with the PMU, and forms part of the core business of the agency. This programme had a 25% performance rate to predetermined outcomes, mainly due to the absence of a project manager for half the year.

- A funding application was submitted to the DTI for rollout of phase2 infrastructure improvement to the Komani Industrial Park in 2018-2019, and over R 40 million was approved in the first quarter of 2018-2019. This funding will help improve the industrial park, and may help bring much-needed job-creating investments into the area in future
- The CHDA was also assisting the CHDM in the rollout of its SMME funding strategy, in a partnership with the CHDM
- Finally, through its various initiatives, the CHDA managed to create over 300 new jobs on the DEA waste project alone, as well as keep over locals employed from prior periods, resulting in a total of just over 540 job opportunities created for locals.

Development of Sector Specific Scarce Skills

This programme had a 67% performance rate to predetermined outcomes. It's worth noting the following achievements:

- The CHDA continued with administration of the CHDM Mayors Bursary Fund and CETA Engineering bursaries
- The external learnership and internship programmes from prior year came to a successful end, but new programmes were secured for 2018-19.
- The artisan programme finally came to fruition, but challenges with meeting CETA requirements resulted in CHDA learners not being able to complete their trade certification before end June 2019

Partnerships and Stakeholder Engagement

This programme had a 90% performance rate to predetermined outcomes.

During the year, the CHDA was actively participating in various development stakeholder engagement platforms in the district, comprised of various development and agricultural development stakeholders, as well as managing technical partnerships in programme and project implementation. The agency's PR and communications strategy was also well executed, in an attempt to be more transparent to beneficiaries, partners, and the parent municipality.

Despite the difficulty of not having a formal CEO for half the year, the agency still managed to operate and deliver on its mandate, as well as maintain its unqualified audit opinion status.

Everyone at CHDA gave generously to the organisation's development and achievements this past financial year. I am more than confident that they will do the same in future. For this, I extend my thanks and assure all of my colleagues that they will continue to enjoy my full support during my acting period.

I recognise the contributions of all CHDA people at all levels in the organisation and, particularly wish to thank the CHDA Board and CHDM leadership for their continued advice and wise counsel. Together, we will succeed in taking CHDA to greater heights.

MRS NONTEMBEKO MAYEKISO-NOMNGANGA
ACTING CHIEF EXECUTIVE OFFICER | 15 NOVEMBER 2019

SHILOH HARVEST DAY 2019

"Agriculture is a fundamental source of national prosperity."

J. J. MAPES

BEEF ARTIFICIAL INSEMINATION PROGRAMME

01

GENERAL INFORMATION

PART 1
GENERAL INFORMATION AND ORGANISATIONAL REVIEW

Registered name:	Chris Hani Development Agency SOC Ltd
Registration number:	2012/033437/30
Form of entity:	Municipal entity (state owned company)
Nature of business:	Carry out the promotion and implementation of the local economic development (LED) initiatives and investment promotion in Chris Hani District, through agriculture and agro - processing, SMME development, facilitation of investment promotion and job creation , sector – specific skills development and partnerships for leveraging of economic opportunities to facilitate development.
Registered office address:	15 Warner Street, Southbourne, Queenstown, 5320
Postal address:	15 Warner Street, Southbourne, Queenstown, 5320
Contact information:	Tel: 045 807 4000, Fax: 045 838 5944 Email: info@chda.org.za | Website: www.chda.org.za
External auditors:	Auditor General South Africa (AGSA)
Internal auditors:	Sizwe Ntsaluba Gobodo - Grant Thornton Cube 2 Cedar Square, Bonza Bay Road, Beacon Bay, 5241 Tel: 043 721 1180 | Fax: 043 Website: www.sng.za.com
Company Secretary:	Siyathemba Sokutu Attorneys Unit 1, 13 Kennington Road, Nahoon, East London Tel: 043 735 1312 | Fax: 086 556 1135 Website: www.sokutuattorneys.co.za
Banker:	First National Bank of South Africa (FNB)

CONSTRUCTION SETA SKILLS BRICKLAYING PROGRAMME

ACRONYMS AND ABBREVIATIONS

CHDA	Chris Hani Development Agency
CHDM	Chris Hani District Municipality
CHREDS	Chris Hani Regional Economic Development Strategy
CRDP	Comprehensive Rural Development Plan
DTI	Department of Trade and Industry
DFI's	Developmental Finance Institutions
EC	Eastern Cape
ELM	Emalahleni Local Municipality
ECDRDLR	Eastern Cape Department of Rural Development and Land Reform
FET	Further Education and Training College
IDP	Integrated Development Plan
IPAP	Industrial Policy Action Plan
IPED	Integrated Planning and Economic Development
IYLM	Intsika Yethu Local Municipality
LLM	Lukhanji Local Municipality
MFMA	Municipal Finance Management Act, Act No. 56 of 2003
MSA	Municipal Systems Act, Act No. 32 of 2000
MSAA	Municipal Systems Amendment Act, Act No. 44 of 2003
NDA	National Development Agency
NDP	National Development Plan
PIDS	Provincial Industrial Development Strategy
PFMA	Public Finance Management Act
PGDP	Provincial Growth and Development Plan
SETA	Sectoral Educational and Training Authority
SEZ	Special Economic Zones
SMME	Small Micro and Medium Enterprises
SOC	State Owned Company

1.1 LEGISLATIVE AND OTHER MANDATES

The Chris Hani Development Agency (CHDA) is a State Owned Company (SOC) Ltd established in 2012 by a Council resolution dated 27th March 2012 in terms of the Municipal Systems Amendment Act No. 44 of 2003, Companies Amendment Act, No 3 of 2011 and Municipal Finance Management Act, No. 56 of 2003.

The agency was established to assist the CHDM in its development objective, given the unique demographic and economic profile of the Chris Hani district.

Macro-level Considerations

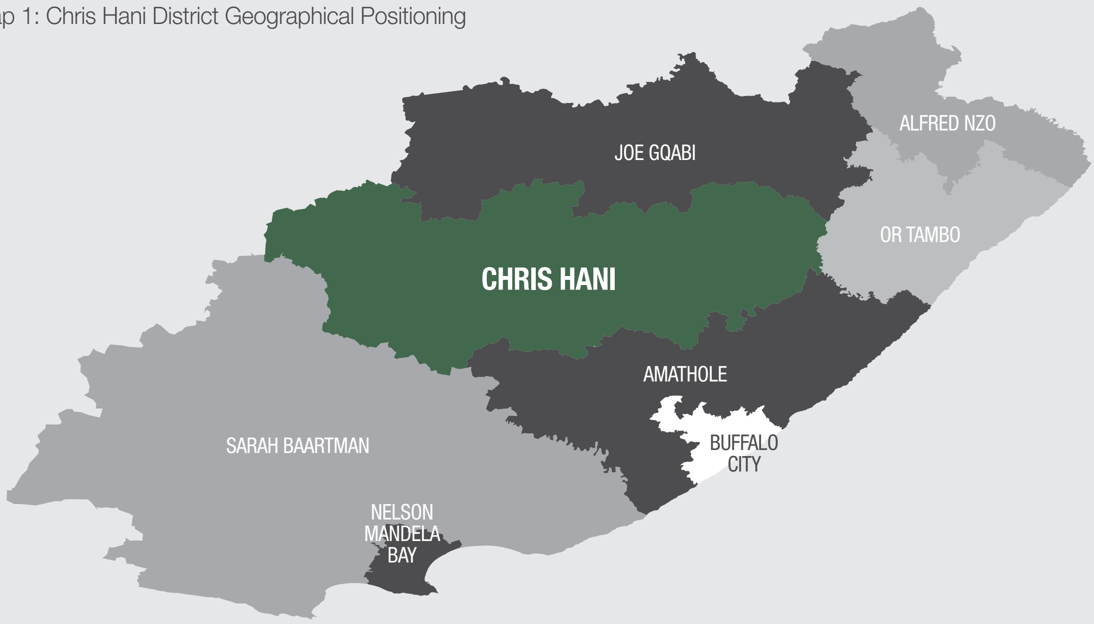
Levels of inequality (as measured by the Gini Coefficient), poverty and unemployment in South Africa are critically high. The extent of the marginalisation of poor people from the formal mainstream economy and opportunities for income generation is of a level that demands that successful interventions must address issues of distribution of resources and meaningful participation of the marginalised communities in the economy. Chronic poverty is usually transferred across generations. A lack of access to assets prevents households from accumulating sufficient surpluses to move out of poverty over time. Living in precarious circumstances also of itself acts as a brake on people's ability to use their resources to move out of poverty. Focused strategies to address poverty alleviation and meaningful participation of the disadvantaged communities into the main stream economy need to be implemented.

The CHDA's strategic framework is therefore in line with the strategic objectives and targets of government. It is attuned with the following ten strategic priority areas underpinning the strategic direction of national Government:

- Speeding up growth and transforming the economy to create decent work and sustainable livelihoods,
- Massive programmes to build economic and social infrastructure,
- Comprehensive rural development strategy linked to land and agrarian reform and food security,
- Strengthening the skills and human resource base,
- Improving the health profile of all South Africans,
- Intensifying the fight against crime and corruption,
- Building cohesive, caring and sustainable communities,
- Pursuing African advancement and enhanced international co-operation,
- Sustainable resource management and use, and
- Building a developmental state including improvement of public services and strengthening democratic institutions.

The CHDM has not escaped the manifestations of inequality, poverty and unemployment. Consequently, based on the national and provincial strategies and plans the CHDM has developed a Regional Economic Development Strategy that seeks to address these socio-economic ills.

Map 1: Chris Hani District Geographical Positioning



Micro/District-level Considerations

Geographical Location

The Chris Hani District Municipality is land locked and is located in the north-eastern sector of the Eastern Cape. It includes parts of the former homelands in the previous dispensation and South Africa. The District includes major mountain ranges –the Stormberg and Bamboesberg Mountains near Sterkstroom and Molteno, as well as the Drakensberg north of Elliot.

The District is surrounded by the District municipalities of Amatole, Cacadu, Joe Gqabi and OR Tambo. The District is made up of the following six local municipalities: Emalahleni, Engcobo, Intsika Yethu, Inxuba Yethemba, Sakhisizwe and Enoch Mgijima local municipalities, as indicated in the map below.

The Chris Hani District has a land mass of 36 558 square kilometres, a change from its previous size of 36, 561 Km2 in extent due to the changes in demarcation. Enoch Mgijima is the largest local municipality in the District, followed by Inxuba Yethemba and Intsika Yethu, with Sakhisizwe and Engcobo being the smallest in terms of size (6% each).

Demographics

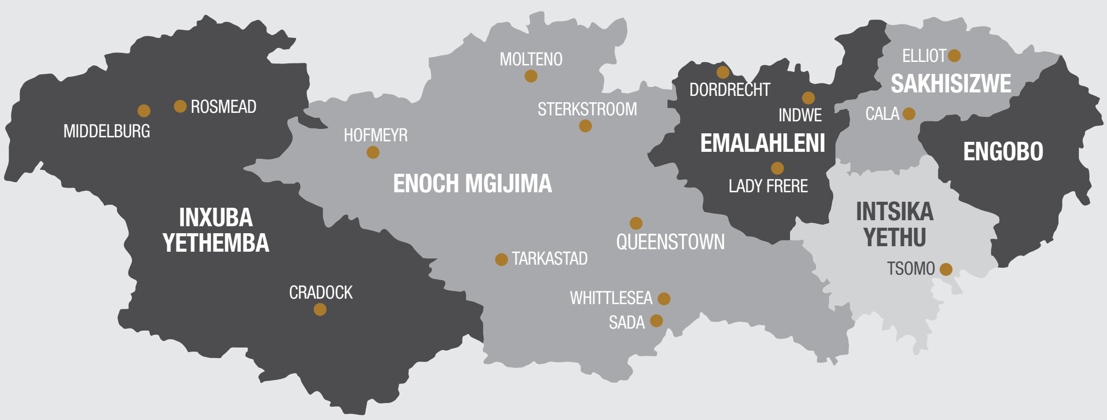
Just under 12.2% of the population of the Eastern Cape lives in Chris Hani, representing less than1.6% of South Africa's population. In 2010 there were an estimated 824,383 people living in the Chris Hani District. The population of the Chris Hani District has been in decline since 2004. The annual rate of population growth since 2005 has declined by about 0.2%. Although population growth has increased by 3.9% for the same period, it still remains far below the national and provincial averages.

The Chris Hani District is relatively sparsely populated with only 22 people per Km2 compared to South Africa with 41 people per Km2 and the Eastern Cape with 40 people per Km2.

The statistics further reveal that the population distribution of the District is such that females are in greater numbers as compared to their male counterparts. Additionally, the population is dominated by young people of ages 0 – 24 years (55.9%).

In 2010 there were just over 100,000 households in the District, representing 0.8% of South African Households and 6% of those in the Eastern Cape. Since 2005 the number of households in the District has declined marginally (-0.3%) while the number of households in South Africa has increased by an average of 1% per annum and 1.2% per annum in the Eastern Cape, however, Black households have increased by 1.0% for the same period. The Black households are still by far the largest (86.1%) followed by Whites (6.9%) and Coloureds (6.7%).

Map 2: Chris Hani District Local Municipalities



Economic Growth and Transformation

The Provincial Industrial Development Strategy presents the Eastern Cape framework and broad approach to industrialisation. PIDS sets out deliberate government efforts to alter the structure and distribution of industrial activity to promote economic growth and development. Its vision is “a state-led industrialisation path towards a robust, resilient and sustainable industrial base by 2025”. The strategic imperatives of the PIDS are economic growth, labour absorption and job retention.

The prioritised areas for the Eastern Cape are:

- Automotive;
- Agro-processing;
- Capital goods;
- Green economy;
- Petrochemicals; and
- Tourism.

Within the framework of Provincial Development Industrial Strategy, New Growth Path and IPAP2 District and local municipalities identify priority sectors based on comparative and competitive advantages, and availability of natural resources. These sectors and priority projects are outlined in the Integrated Development Plan and Regional Economic Development Strategy of the District (REDS) and amongst others are agriculture, agro-processing, green economy and tourism.

The economy of the Chris Hani District is relatively small, contributing only 0.5% to the South African economy and 7.6% to the Eastern Cape economy. The performance of the Chris Hani District has been satisfactory over the past decade or so, with an average annual growth rate between 2000 and 2010 of 3%. The 2008-09 recession had a marginal effect on the overall performance and growth rates dropped by -0.7% compared to the national average of -1.5% and provincial average of -1%. However, has been slower, with the growth rate of only 2.2% in 2010 (as opposed to a South African average annual growth rate of 2.8% and an Eastern Cape average annual growth rate of 2.3%). The District is heavily reliant on government/ community services. This means that on aggregate, this is the sector contributing most to employment and economic growth rate (52%). A number of factors warrant this situation and chief amongst these is the rural setting of the District coupled with the educational levels of the population, particularly around entrepreneurial skills.

As a result of the conditions prevalent in the District, the District has positioned itself as an agricultural area and has put greater efforts specifically within agriculture (crop production and dry land cropping as well as livestock farming), agro-processing and related industries. Unemployment is a major challenge in our economy. It is estimated to be about 57% and currently higher than that of the country at 37% and that of the EC Province at 51%. Due to high rates of unemployment there is a generally high dependence on grants and remittance (monies sent home by sons and daughters working in urban centres) as the main sources of household incomes in especially in the poor areas of the District. The Chris Hani Development Agency will therefore focus on facilitating economic growth on the identified areas and any other areas that could support this growth.

Economic Landscape

It can therefore be said that, despite challenges in the implementation of strategic objectives of government in relation to local government, there is stability in the political space.

Local municipalities derive their mandate from the Municipal Systems Act (2000), and for financial management they are guided by the Municipal Finance Management Act (2003). This allows for certainty and encourages accountability which are attributes that are attractive to external investors.

The District REDS from which the CHDA derives its mandate is a multi-party and multi-stakeholder agreed-upon platform for District economic development. It enjoins various municipalities and stakeholders around common socio-economic development priorities. It is supported by the National and Provincial Government, together with development entities. As far back as 2008 the Chris Hani District Municipality developed Chris Hani Regional Development Strategy 2008 (CHREDS 2008-2013), that suggested a three pronged approach of corridor development, value chain integration, and cluster development. The strategy proposed the development of an Economic Development Agency to be mandated with specific focus areas in line with the overall strategic objectives of the District Municipality and in respect of prioritised areas of intervention.

To give meaning to the CHREDS 2008, further work was done that resulted in development of Corridor Development Plan (2010) and the Agro Industrial Plan (2011). In 2011 the Chris Hani District Municipality also adopted a “District Development Agenda” that seeks to guide development in its area of jurisdiction. This agenda highlights the key economic sectors and activities that are expected to drive economic development initiatives in the local municipal areas of the Chris Hani region.

Key sectors identified by the Chris Hani District Development Agenda were tourism, industrialisation, industrial expansion and development of regional economic hub(s), forestry, agriculture and agro-processing (crop production, irrigation scheme operationalisation, livestock improvement).

The agency function of the CHDA therefore stems from the Chris Hani District Development Agenda, with the primary focus of facilitating local economic development through mainly agriculture and agro-processing initiatives, which also include key aspects associated with scarce skills development, investment promotion and industrialisation.

CONSTRUCTION OF DEA MULTI-WASTE RECYCLING CENTRES

1.2 STRATEGIC OVERVIEW

Introduction

The Chris Hani Development Agency (CHDA) strategic framework is premised on the understanding that its role is to promote, support and facilitate economic development in the Chris Hani District Municipality. This will be achieved by improving factors of production that will lead to value adding activities with spin - offs for small and medium enterprises.

The CHDA's Strategic Framework maps out specific and general strategic goals, objectives and issues relating to the establishment and effective operationalization of Chris Hani Development Agency (CHDA). It identifies the key strategic objectives and key functions for CHDA now and at any point in the life of the development agency, within the context of its unfolding vision and mission.

Vision, Mission and Value System

Vision

CHDA, nerve centre for regional sustainable economic growth and development for our communities.

Mission

To contribute towards improving the quality of life of Chris Hani District communities through accelerating implementation of high impact priority programme.

As a result, CHDA is positioning itself as a symbol of hope within the Chris Hani District for the realization of a better sustainable future by being:

- A provider of customised solutions for economic development challenges,
- Adviser, facilitator, and enabler for public and private co-operation,
- Entry point for district economic development, and
- One stop service provider for facilitation of investment opportunities.

GUBENZA VALLEY FRUIT PILOT

Values and Guiding Principles

In achieving its vision, and carrying out its mission, the CHDA will subscribe to the following core values and guiding principles:

VALUE	UNDERLYING PRINCIPLE
Commitment	To all we do, and the communities which we serve
Honesty	In all our dealings, and all our interactions with stakeholders
Respect	For ourselves, our brand, our stakeholders,development partners and communities which we serve
Integrity	In all our actions, dealings and delivery of programmes and interventions
Sincerity	In all we do, with a genuine concern and desire to meet the needs of the communities which we serve
Humanity	In our understanding and empathy for the needs of our community
Accountability	In all that we do, to our shareholder, communities we serve, and the general public
Nurturing	For our communities and vulnerable groupings of society
Innovation	In constantly seeking to improve what we do, how we do it and how best we can deliver to the communities which we serve

Mandate and Development Outcomes

The development mandate of the agency has determined the planned outcomes of the agency's existence, with the key deliverables being to:

- Leverage funding for development initiatives in Chris Hani District
- Secure financial viability for the agency through realisation of own-source revenue to support development projects
- Rebrand the district as a food production region with an emphasis on the realisation of rural-based economies through:
  - Operationalisation of the four big Irrigation Schemes namely Ncora, Qamata, Bilatye and Shiloh
  - Expansion of new hectares under production of crops, fruit, vegetables and grain, with emphasis on yield management through new technologies
  - Livestock improvement programmes to support in-district processing facilities
- Develop and grow sector-specific scarce skills to support economic activity in the district
- Revitalise industrial parks for attracting of investment into the district, and promotion of black industrialist opportunities through large scale agro-processing initiatives
- Create new SMME's and retention of existing SMME businesses through creation of opportunities for small business start-ups and growth, and
- To facilitate the creation of job opportunities from various development initiatives

Strategy and Strategic Focus

The mandate and the planned development outcomes informed the strategic direction of the agency over the last 5 years of operations, and these strategic programmes are aligned to the parent municipality's IDP objectives. These were secured in a Service Level Agreement (SLA) between the agency and the CHDM for the year 2018-2019, and have served the basis of structuring the agency's Annual Performance Plan (APP) for the year.

The strategic programmes for 2018-2019 were:

STRATEGIC PROGRAMME 1
To develop a proficient and viable organisation

Intent/Focus

In order to develop a proficient and viable organisation, the focus is to promote and maintain organisational operational excellence and long – term sustainability. This will be achieved by CHDA positioning itself as trusted, reliable and efficient advisor and partner in the regional economic development space.

Key areas of focus will be centered on good corporate governance and shareholder accountability, financial viability, attainment of unqualified audit outcomes, efficient management of risk, good performance management, and the development of internal competencies through promotion of learning and growth.

Future sustainability of the CHDA will depend on its ability to position itself as leader in regional economic growth for the Chris Hani region. This includes having a solid financial viability plan in place, for operational and programme – implementation going forward.

In pursuit of this the CHDA plans to achieve the following:

1 Develop and implement innovative fundraising and co-funding initiatives for CHDA programmes and projects; and
2 Develop comprehensive project pipeline of own - revenue generation initiatives through exploitation of the Agency Function, where the CHDA develops in-house project management capacity to allow for positioning as a preferred implementer of development projects, at a fee, so as to reduce the reliance on operational grants from the CHDM as well as other organs of state

STRATEGIC PROGRAMME 2
To develop viable and sustainable rural economies

Intent/Focus

The core business of the CHDA is the conceptualisation and delivery of projects that will contribute to the economic transformation of the Chris Hani District. This will be achieved through leveraging funding from the parent municipality, provincial and national departments and other institutions in the development finance space, for implementation of high impact development projects, geared towards development of rural economies, job creation and development of economic – enabling or economic development support infrastructure.

Towards realisation of this goal, the CHDA has identified agriculture and agro processing linked to infrastructure and production support as strategic operational areas. The rationale is that high value agricultural activities and primary product beneficiation can be utilized to maximize the economic benefit to rural - based communities.

As a result, the operational emphasis for the remaining three years of this strategic framework will be the facilitation and implementation of programmes that will:

- Ensure the operationalization of the four main irrigation schemes in the Chris Hani District, namely Qamata, Ncora, Bilatye and Shiloh irrigation schemes,
- Enable increased production of high value crops, fruit, vegetables and grain. This will allow for high volumes of primary production, to allow for the re-branding of the four key irrigation schemes as dedicated centres of large – scale food production, as well as primary input suppliers for agro-processing initiatives
- Linked to this will be a dedicated focus towards the development of support infrastructure that includes storage facilities, roads, fencing, infield irrigation systems, processing facilities, farmer support units, mechanisation support and investment in research and piloting of alternative and innovative farming technologies, to support value addition.
- Mechanisation Support will focus on facilitating the operations of mechanisation canters at strategic locations in the District that will linked to the primary production activities mentioned above. The plan is to use the mechanisation centre to gradually introduce no-till or zero tillage farming technique whose benefits include reduced soil erosion, more stable yield and reduced fuel cost and tractor hours.
- To ensure realisation of its core business, the CHDA plans on focusing on galvanizing financial and technical support for development initiatives from all spheres of government (local, provincial and national), Developmental Finance Institutions (DFI's), private financial institutions and foreign donor organisations in support of identified projects.

STRATEGIC PROGRAMME 3
To facilitate investment promotion and SMME development

Intent/Focus

There is a need for long term sustainability of interventions that are geared at attracting investment into the Chris Hani District economy. CHDA plans in following years to assume a leading role in identifying, assessing and facilitating investment opportunities focusing primarily on manufacturing - based industries.

Key initiatives were:

1 Facilitation of the revitalization of Queenstown Industrial Park thereby attracting much needed investment in the district economy
2 Fostering local business linkages between small & medium enterprise and commercial business,
3 Facilitating access to markets both regional, provincial, nationally and exports, and the
4 Promotion / creation and/or improvement of an enabling environment for business

Through this platform emphasis will bias towards fostering broad based participation in the industrial sector by community and rural - based enterprises and the promotion of black industrialists

STRATEGIC PROGRAMME 4
To facilitate development of sector-specific scarce skills

Intent/Focus

It has been identified that in order for rural communities to be uplifted, community skills development is important to target both individuals and community-based enterprises.

This will be achieved by CHDA strengthening its position as the principal co-ordinator for accredited academic and multi - sectoral vocational skills training within the region.

This will be achieved in partnership with the SETA's and Institutions of Higher Learning, with the focus being on producing maximum possible number of graduates in scarce skills, and building technical and vocational abilities and related small enterprises in rural communities.

Key initiatives were:

1 Managing the Chris Hani District Skills fund (Bursary fund);
2 Facilitate learnerships and internships in partnership with different SETA's;
3 Co-ordination of Career seminars and symposium in partnership with institutions of higher learning and FET's, and
4 Boosting the level of accreditation and certification of artisans, which will allow young people to be employable, or create own businesses from their trade

STRATEGIC PROGRAMME 5
To develop strong stakeholder and community engagement for increased public accountability

Intent/Focus

The CHDA operates in the local government sphere - a highly political and diverse stakeholder environment with differing expectations amongst various stakeholders that need to be managed to ensure impact and sustained relevance of the organisation.

Secondly in order to implement and galvanize support for projects, there is a need to attract partners. Therefore, the target is to have strategic and functional partnerships at community level, all three spheres of government, DFi's, financial institutions and foreign donor organisations

Key initiatives were:

1 Social facilitation to ensure development projects are implemented in a conducive environment.
2 Participation in engagement platforms that bring interest groups and decision makers together to facilitate alignment of activities and ensure information flow.
3 Negotiation of strategic partnerships and both organisational, programme and project level.

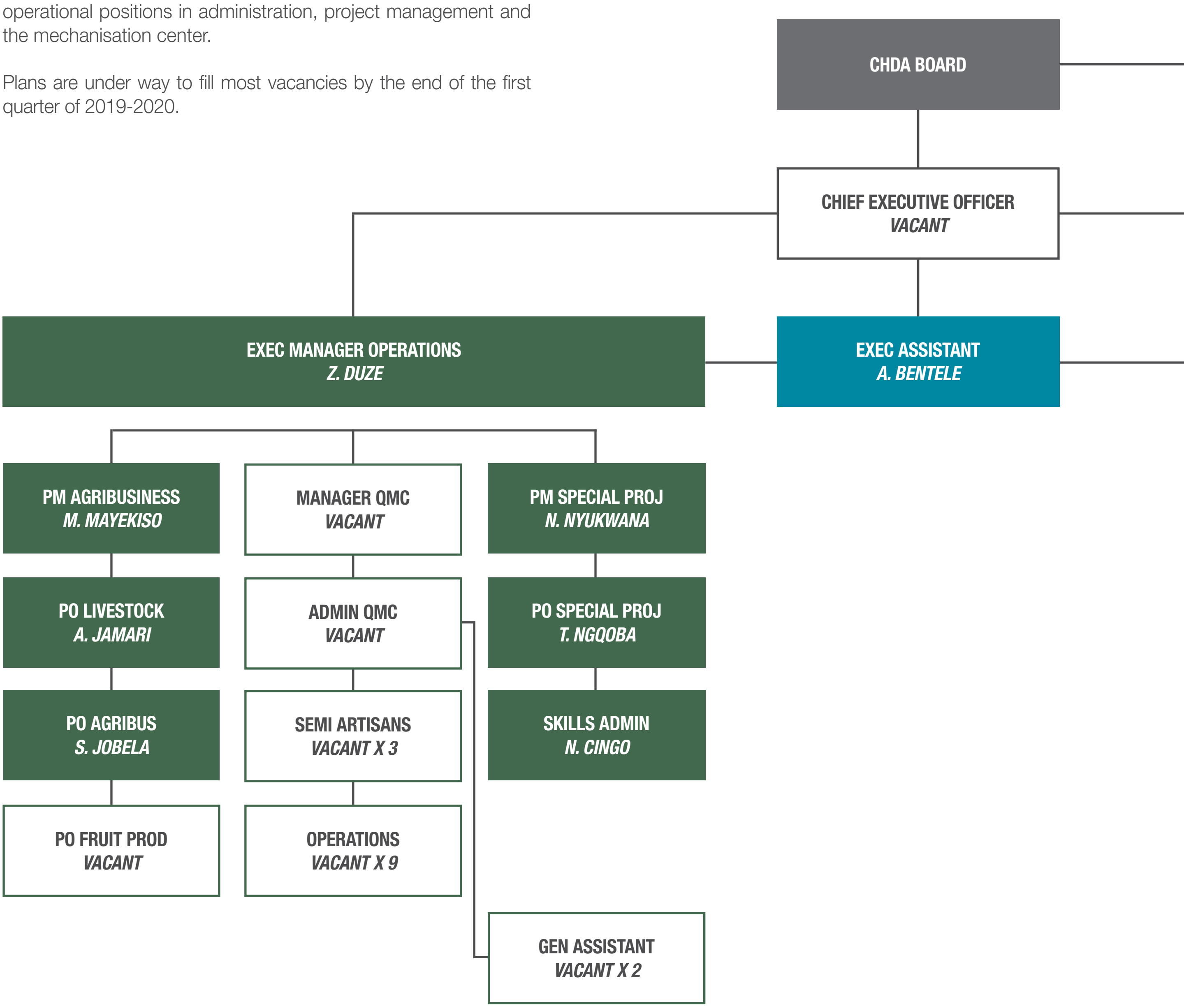
Given the context within which the CHDA was established, as an enabler and support for the CHDM to realize its development objectives, the strategic programmes are in line with the mandate of the agency.

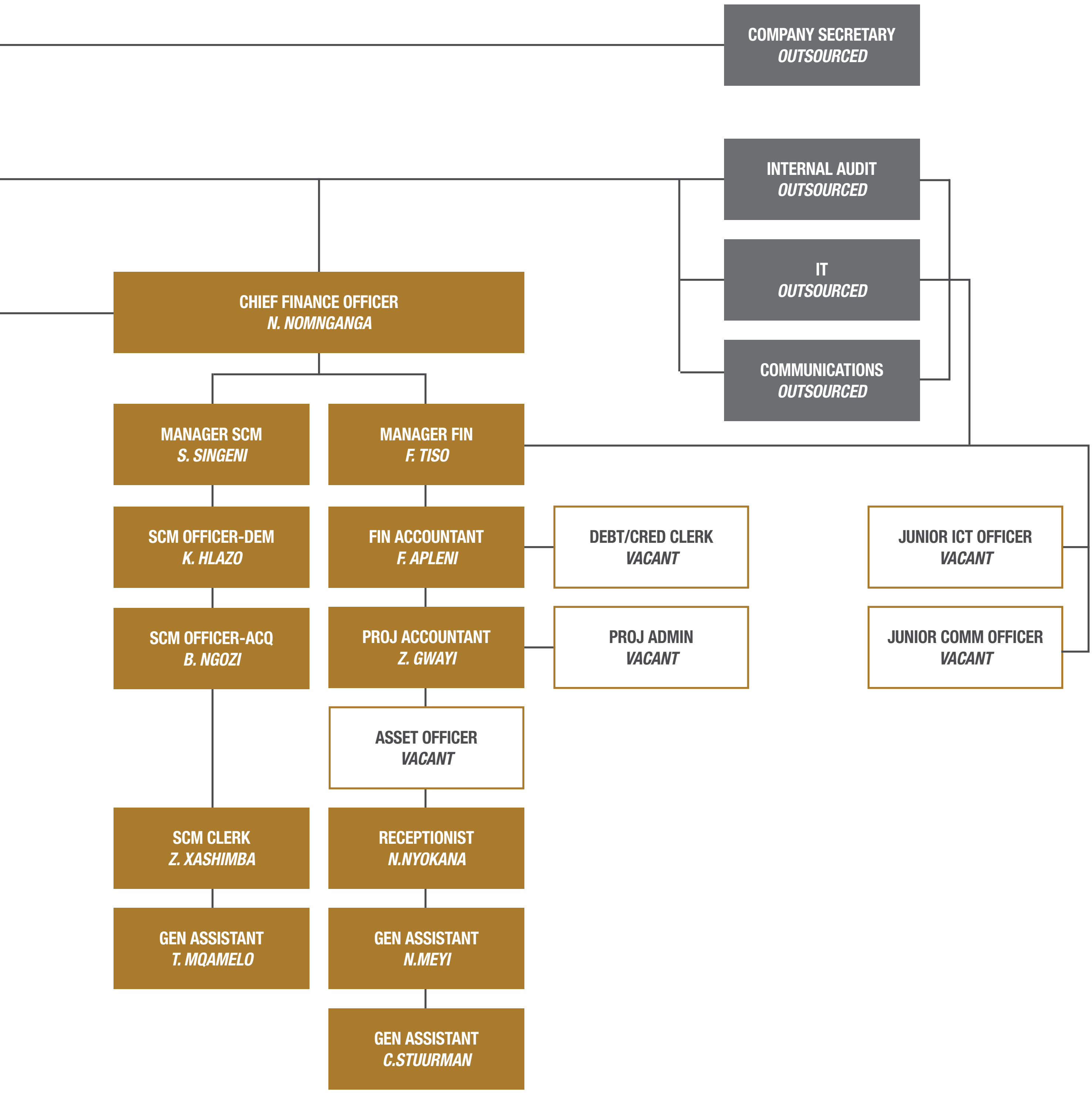
As a result, operational focus has been channeled towards these key areas of development, and the strategic programmes have informed the stand-alone projects and development initiatives that the CHDA has implemented in the 2018-2019 period.

1.3 ORGANISATIONAL STRUCTURE

The agency conducted a review on its organogram during the year, with key changes being made to the organizational structure from prior year. There was a delay in filling of vacant positions during the year, resulting in a closing vacancy rate of 27%. This includes the CEO position, after the resignation of former-CEO, Thukela Mashologu in December 2018, as well as key operational positions in administration, project management and the mechanisation center.

Plans are under way to fill most vacancies by the end of the first quarter of 2019-2020.




COMPANY SECRETARY
OUTSOURCED
INTERNAL AUDIT
OUTSOURCED
IT
OUTSOURCED
COMMUNICATIONS
OUTSOURCED
CHIEF FINANCE OFFICER
N. NOMNGANGA
MANAGER SCM
S. SINGENI
MANAGER FIN
F. TISO
SCM OFFICER-DEM
K. HLAZO
FIN ACCOUNTANT
F. APLENI
DEBT/CRED CLERK
VACANT
JUNIOR ICT OFFICER
VACANT
SCM OFFICER-ACQ
B. NGOZI
PROJ ACCOUNTANT
Z. GWAYI
PROJ ADMIN
VACANT
JUNIOR COMM OFFICER
VACANT
ASSET OFFICER
VACANT
SCM CLERK
Z. XASHIMBA
RECEPTIONIST
N.NYOKANA
GEN ASSISTANT
T. MQAMELO
GEN ASSISTANT
N.MEYI
GEN ASSISTANT
C.STUURMAN

"Agriculture, manufacture, commerce and navigation, the four pillars of our prosperity, are the most thriving when left most free to individual enterprise."

THOMAS JEFFERSON

DEA WASTE RECYLCING PROJECT - WASTE COLLECTION CAMPAIGN

02

BOARD, LEADERSHIP & MANAGEMENT

PART 2
BOARD, LEADERSHIP & MANAGEMENT

Corporate governance embodies processes and systems by which municipal entities are directed, controlled and held to account. In addition to legislative requirements based on the applicable enabling legislation, and the Companies Act, corporate governance with regard to the CHDA is applied through the prescripts of the Municipal Finance Management Act (MFMA) and run in tandem with the principles contained in the updated King IV Report on Corporate Governance.

2.1 ACCOUNTING AUTHORITY / BOARD OF DIRECTORS

The Board of Directors (Board) of CHDA represents the organisation's system of corporate governance, and is ultimately responsible for the performance and affairs of the agency. Good governance is regarded as critical to the success of the CHDA, and the Board is unreservedly committed to applying the fundamental principles of good governance in every way. This involved ensuring transparency, integrity, accountability and responsibility in all dealings by, and on behalf, of the CHDA.

The Board embraces the principles of good governance as set out in the King Code of Governance for South Africa 2009 and the King Code of Governance Principles (collectively known as King III), and seeks to comply in all applicable aspects to the MFMA, as well as national Treasury regulations, as amended.

The current Board assumed office in early 2014. The Board comprises 8 members, who were appointed by the Shareholder, the Chris Hani District Municipality (CHDM), who are all skilled in various disciplines, and stem from multiple background, thus bringing an eclectic and highly skilled mix of experience, and required levels of technical expertise.

2.1.1 The Board Charter

The CHDA Board Charter defines the governance parameters within which the Board exists, sets out specific responsibilities to be discharged by the Board collectively, as well as certain roles and responsibilities incumbent upon the directors as individuals. The Board Charter further serves to ensure that all members of the board, agency management and staff, and other stakeholders are aware of the duties and responsibilities of the Board, as well as the basis upon which it interacts with Management in order to give effect to its obligations to the shareholder.

The Board Charter sets out the board governance principles and parameters within which the board operates, and constitutes an integral part of setting out the composition and meeting procedures for the Board.

2.1.2 Composition of the Board

The Board is appointed by the shareholder, the Chris Hani District Municipality (CHDM), and comprises of 8 Non-Executive Directors. In determining the optimum composition of the Board, the shareholder sought to ensure that it collectively contains the skills, experience and mix of personalities appropriate to the strategic direction of the CHDA as necessary to secure its sound performance.

The Board is led by an independent non-executive Chairperson who, inter alia, presides over meetings of the Board, and who is responsible for ensuring the integrity and effectiveness of the Board governance process. The role of the Chairperson is regarded as critical to good governance. In ensuring this role is fulfilled, the Chairperson relies on the technical expertise of the Company Secretary.

The board members during the 2018-2019 financial period were:

Skeyi, N	Board Chairperson
Sigabi, MS	Board Member
Ngqwala, SM	Board Member
Matsiliza, VV	Board Member
Mushohwe, F	Board Member
Songo, P	Board Member
Ramabulana, RT	Board Member

The Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Executive Manager of Operations (EMO) are ex officio members of the Board.

Irrespective of a director's special expertise or knowledge all members of the Board recognise that they are collectively responsible to the shareholder for the performance of the CHDA.

2.1.2 Composition of the Board

The Board's role is to effectively represent, and promote the interests of, shareholders (CHDM) with a view to adding long-term value to the development impact outcomes of the CHDA and the community. The board of directors' key purpose therefore is to determine the organisational strategy, and consequently its performance, as well as ensure adequate levels of control, where it is ensured that Management actions strategic decisions effectively and according to the laws and applicable prescripts, and legitimate expectations of stakeholders.

During the year, the Board did all that was necessary to ensure that its role, as expressed in the Board Charter, was fulfilled:

1 The Board acted as the focal point for, and custodian of, corporate governance by managing its relationships with management and the shareholder;

2 The Board appreciated that strategic risk, performance and sustainability are inseparable, and gave effect to this by:

- Contributing to and approving the corporate performance plan as aligned to the corporate strategy;
- Satisfying it that the strategy and operational plans do not give risks that have not been thoroughly assessed by management;
- Identifying key performance and risk areas, and monitoring the agency's performance against agreed objectives (including the assessment of the evaluation of the performance of executive management in terms of defined objectives) ensuring that the strategy will result in sustainable outcomes;
- Providing effective leadership based on an ethical foundation;
- Ensuring that the agency's ethics are managed effectively;
- Retaining full and effective control over the agency, and monitoring Management's implementation of the strategic plans and financial objectives as defined by the Board;
- Defining levels of delegation of authority to Board sub-committees and management and continually monitoring the exercise of delegated powers;
- Ensuring that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of the agency and its business;
- Ensuring compliance by the agency with all relevant laws and regulations, audit and accounting principles, the approved code of conduct, and such other principles as may have been established by the Board from time to time;
- Ensuring that the agency has an effective and independent Audit and Risk Committee and that there is an effective risk-based system of internal audit;
- Being responsible for information Communication Technology (ICT) governance;
- Being responsible for the governance of risk and regularly reviewing and evaluating the risks to the agency and ensuring the existence of comprehensive, appropriate internal controls to mitigate against such risks;
- Acting in the best interests of the agency by ensuring that individual directors: adhere to legal standards of conduct;
- Are permitted to take independent advice in connection with their duties following an agreed procedure;

- Disclose real or perceived conflicts to the Board and dealing with them accordingly;
- Exercising objective judgement on the business affairs of the agency, independent from management but with sufficient management information to enable a proper and informed
- Ensuring that the agency is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the agency but also the impact that the business operations have on the environment and the society within which it operates;
- Identifying and monitoring non-financial aspects relevant to the business of the agency
- Ensuring the integrity of the agency's Annual Report;
- Evaluating the performance of the Chief Executive Officer;
- Together with the CEO evaluating the performance of the Board Secretary; and
- Reviewing and evaluating the adequacy of the Board Charter.
- In terms of the Board's oversight function, the Board Chairperson and the Chief Executive Officer held bilateral meetings at least once each month.business of the agency
- Ensuring the integrity of the agency's Annual Report;
- Evaluating the performance of the Chief Executive Officer;
- Together with the CEO evaluating the performance of the Board Secretary; and
- Reviewing and evaluating the adequacy of the Board Charter.
- In terms of the Board's oversight function, the Board Chairperson and the Chief Executive Officer held bilateral meetings at least once each month.

Board Members 2018 - 2019

(Left to right)
Fungai Mushohwe (Board Member),
Phumzile Songo (Board Member),
Nokulunga Skeyi (Board Chairperson),
Thukela Mashologu (Chief Executive Officer) - Res 31/12/2018,
Vuyelwa Matsiliza (Board Member),
Tshililo Ramabulana (Board Member),
Singa Ngqwala (Board Member) and
Mafuza Sigabi (Board Member)

Ms Nokulunga Skeyi

CHDA GOVERNANCE POSITION
Chairperson of the Board

EDUCATIONAL QUALIFICATIONS
MA, Hons (Dev Studies), MDP, Cert. (AdvProject Management) and BA (Human and Social Studies), Risk Response and reporting, Leadership and Change Management and Emotional Intelligence.
Research Topic: Sustainability of Agricultural Cooperatives in Emalahleni Local Municipality.

PROFESSIONAL MEMBERSHIPS
IODSA

OTHER GOVERNANCE POSITIONS HELD
None

LAST 3 EMPLOYMENT POSITIONS HELD
Provincial Manager – NDA

SUMMARY EXPERIENCE
Over 20 years gained in development sector

Mr Mafuza Sigabi

CHDA GOVERNANCE POSITION
Board Member

EDUCATIONAL QUALIFICATIONS
Councillor Development Programme

PROFESSIONAL MEMBERSHIPS
IODSA

OTHER GOVERNANCE POSITIONS HELD
Non-executive Director (JOGEDA)
Chairperson of SALGA Eastern Province
Chairperson of Stormberg District Council

LAST 3 EMPLOYMENT POSITIONS HELD
Executive Mayor – CHDM

SUMMARY EXPERIENCE
Over 15 years gained in local government leadership

Mrs Fungai Mushohwe

CHDA GOVERNANCE POSITION
Board Member

EDUCATIONAL QUALIFICATIONS
Hons (BCom Accounting), CA(SA)

PROFESSIONAL MEMBERSHIPS
SAICA
IODSA

OTHER GOVERNANCE POSITIONS HELD
Member Audit Committee (Elundini LM)
Member Audit Committee (National Department of Millitary Veterans)
Member Audit Committee (ECDOE)

LAST 3 EMPLOYMENT POSITIONS HELD
Lecturer – WSU
Finance Manager – Masakhane Security
Audit Manager – Chili&Co

SUMMARY EXPERIENCE
Over 8 years gained in the accounting and auditing profession, in both private and public sector

Mr Phumzile Songo

CHDA GOVERNANCE POSITION
Board Member

EDUCATIONAL QUALIFICATIONS
Advanced Corporate Law, LLD and BJuris

PROFESSIONAL MEMBERSHIPS
Cape Law Society

OTHER GOVERNANCE POSITIONS HELD
Member – Lovedale TVET College Council

LAST 3 EMPLOYMENT POSITIONS HELD
Presiding Officer (CCMA)
Attorney of the High Court

SUMMARY EXPERIENCE
Over 23 years gained in legal profession, as well as governance structures

Mr Ronald Tshililo Ramabulana

CHDA GOVERNANCE POSITION
Board Member

EDUCATIONAL QUALIFICATIONS
MBL, Hons (Agric. Economics)

PROFESSIONAL MEMBERSHIPS
IODSA
AEASA

OTHER GOVERNANCE POSITIONS HELD
Non-executive Director (Montagu Droogbane)
Chairperson of Terrasan Pelagic Fisheries
Chairperson of OBP

LAST 3 EMPLOYMENT POSITIONS HELD
CEO – Olive Black Invest
CEO – NAMC
Senior Consultant – ECI Africa

SUMMARY EXPERIENCE
Over 25 years gained in agricultural production, marketing and farmer support

Ms Vuyelwa Viola Matsiliza

CHDA GOVERNANCE POSITION
Board Member

EDUCATIONAL QUALIFICATIONS
Secondary Teachers Diploma, MBL, Hons
(BA Economics – CumLaude), BA

PROFESSIONAL MEMBERSHIPS
IODSA

OTHER GOVERNANCE POSITIONS HELD
Board Member (ECIC)

LAST 3 EMPLOYMENT POSITIONS HELD
Executive Manager - Wholesale Lending - SEFA (Nov 2013-Apr 2019)

SUMMARY EXPERIENCE
Over 28 years gained in banking, development finance and education

Mr Singa Ngqwala

CHDA GOVERNANCE POSITION
Board Member

EDUCATIONAL QUALIFICATIONS
Hons (BCompt)

PROFESSIONAL MEMBERSHIPS
IODSA

OTHER GOVERNANCE POSITIONS HELD
Chairperson Audit Committee (EC Provincial Treasury)

Chairperson of Audit Committee (EC Roads and Public Works)

Member Audit Committee (WSU)

LAST 3 EMPLOYMENT POSITIONS HELD
Provincial Auditor-General (AGSA)
Chief Director Finance (EC Provincial Treasury)
Secondment positions in Government for former establishment of the Eastern Cape province, and Easterm Cape IEC Elections

SUMMARY EXPERIENCE
Over 20 years gained in legal field, and on various governance structures in organs of state

2.1.4 Board Sub-Committees

The effectiveness of the Board is assured by the work of three (3) duly appointed sub-committees, which assist the Board with its performance of tasks in order to comply with the principles of good governance, and ensure adequate levels of oversight over key CHDA operations.

Audit, Risk and Ethics Committee

The audit, risk and ethics (ARE) committee is an independent advisory committee of the Board and is established to assist CHDA board to manage risk and financial affairs of the agency. The committee therefore supports the board in implementing its oversight responsibility by overseeing and reporting to the board on:

- The quality and integrity of the agency's Annual Financial Statements and Performance Report
- Compliance with regulatory, legal and tax requirements
- Implementation of accounting policies Overall risk management
- Independent auditors opinions and measures for improvement, and
- The performance of the internal audit function and systems of internal control

The committee convenes on a quarterly basis as required. The committee performed well and conducted all the necessary reviews and approvals for the year under review.

HR and Remuneration Committee

The HR and Remuneration committee (HRR) assists the board in fulfilling its obligations and oversight responsibility for human resources strategies. To this end the committee advises the board on:

- Ensuring the agency has an effective organizational structure and competitive human resource and compensation policies and practices
- Ensuring appropriate processes are in place for selection, evaluation, compensation and succession of senior management
- Oversight of the implementation of the agency's performance management system, and
- General administration issues as they affect all staff

The committee convenes on a quarterly basis as required. The committee performed well and conducted all the necessary reviews and approvals for the year under review.

Project Finance and Investment Committee

The PFI committee was established to assist the board in giving effect to the obligations of the CHDA in terms of the mandate and service level agreement (SLA) as entered into with the CHDM, or shareholder.

The key deliverable is to promote service delivery and programing performance in line with the strategy of the CHDA, as aligned to the SDBIP and IDP of the CHDM. The committee serves to assist the board in identifying high impact strategic programmes, as well as the programming performance of the agency in meeting in strategic objectives.

The committee convenes on a quarterly basis as required. The committee performed well and conducted all the necessary reviews and approvals for the year under review.

2.2 BOARD REMUNERATION

The composition of the Board reflects a variety of skills and experience that are required to govern the CHDA, and provides the much needed strategic direction to take the entity to the next level. Amongst these skills are: Accounting, Auditing and Municipal and Development Finance, Strategy, Human Resources Management, Agricultural Economics, Economic Development, Performance Management and Risk Management.

Some of the members have to take time from their own private practices and full – time employment in key positions, in order to support the agency, and this comes at a cost that cannot easily be matched at times. Failure to recognise this fact through narrowing the gap between revenue streams might compromise the quality of Board members that the CHDA is capable of attracting. The Board thus comprises of highly committed members who are capable of engaging meaningfully with the activities of the agency at a strategic level and provide the necessary guidance to management.

Remuneration made to Board members during the period 2018-2019 is as follows:

Name	Designation	Sitting Fees	Mileage	Other Refunds	Gross
Skeyi, N	Board Chairperson	180 750	21 123.30	-	201 873.30
Sigabi, MS	Board Member	132 000	15 824	101	147 925
Ngqwala, SM	Board Member	58 000	12 864	-	70 864
Matsiliza, VV	Board Member	47 000	848	180	48 028
Mushohwe, F	Board Member	47 000	8 797.20	-	55 797.20
Songo, P	Board Member	86 000	13 455	-	99 455
Ramabulana, RT	Board Member	62 000	15 200	155	77 355
		612 750	**88 111.50**		**701 297.50**

Table 1: Schedule of Directors Fees _ 2018-2019

2.3 Board Evaluation and Performance

Although individual board members are appointed on a 3 year term, performance evaluations of the board as a whole and of individual members are conducted on an annual basis.

The Chairman of the Board appraises the shareholder on the performance of the Board and its individual members annually, and the efforts of the Board are reviewed as a whole by the shareholder. Performance reviews conducted by end June 2019.

2.4 Board Training and Development

During the year under review, there was no training conducted for board or sub-committees.

2.5 EXECUTIVE MANAGEMENT

During the year 2018-2019, the CHDA was managed by the 3 pre-existing executive members:

Thukela Mashologu	**Chief Executive Officer (resigned end December 2018)**
Nontembeko Mayekiso	**Chief Financial Officer**
Zolile Duze	**Executive Manager Operations**

Executive Management 2018 - 2019

Left to right:
Zolile Duze (Executive Manager Operations),
Nontembeko Mayekiso-Nomnganga
(Chief Finance Officer) and
Thukela Mashologu (Chief Executive Officer)

Thukela Mashologu

(Chief Executive Officer)

Thukela resumed duties as CEO of the agency in May 2014, after initially serving as a board member from October 2013. He calls himself an Economic Development Activist with extensive experience and knowledge in the economic development and agribusiness. His economic development experience has been gained at Nestle', Fort Cox College of Agriculture and Forestry , the Chris Hani District Municipality as LED Manager after which he joined AsgiSA EC and later acted as Chief Operation Officer of the ECRDA.

He then ventured in Business Finance sector having worked for IDC as a Senior Regional Officer for the EC. He currently sits on the boards of the Mohair Trust and Mohair Empowerment Trust, and has acted as deputy chairman for the Eastern Cape Ostrich Producers Organisation (ECOPA) and was a member of the Ostrich Business Chamber, the Integrated Meat Processors of the Eastern Cape (IMPEC), and the Tsitsikamma Development Trust.

Thukela holds a Master's in Business Administration (MBA) from the Nelson Mandela Metropolitan University, BSc in Agricultural Economics from the University of Fort Hare, Diploma in Farm Business Management from Fort College of Agriculture and Project Management Diploma from Tshwane University of Technology.

Nontembeko Mayekiso - Nomnganga

(Chief Finance Officer)

Mrs Nomnganga is the Chief Financial Officer (CFO) at the Chris Hani Development Agency. Prior, she worked for the parent municipality, Chris Hani District Municipality, for 11 years, from intern to the position of Deputy Director Annual Financial Statements.

She has vast knowledge on the processes and functions within local government, and holds a National Diploma in Cost and Management Accounting and a BCom Accounting Degree from Walter Sisulu University, previously known as the University of Transkei.

She also holds a Certificate Program in Management Development (CPMD) endorsement from Wits Business School. She is also currently a member of the Chris Hani District Municipality Planning Tribunal.

Zolile Duze

(Executive Manager Operations)

Mr Duze is currently employed as the Executive Manager Operations (EMO) at the Chris Hani Development Agency, after a few years as General Manager at GFADA. He is an Agribusiness Practitioner with 13 + years' experience in developing small scale farmers through market linkages, capacity building and skills development to commercialize their farming operations.

He participated in the land reform programme restructuring and support in the Free State, KwaZulu Natal and Limpopo Provinces, through resource mobilization from Public and Private Sector partners. He has served as a Ministerial Trustee in the Sorghum Trust National Agricultural Marketing Council, Essential Oils Incubator Programme, South African Grain Information Services (SAGIS) and the Transformation Committee for Winter Cereal Trust.

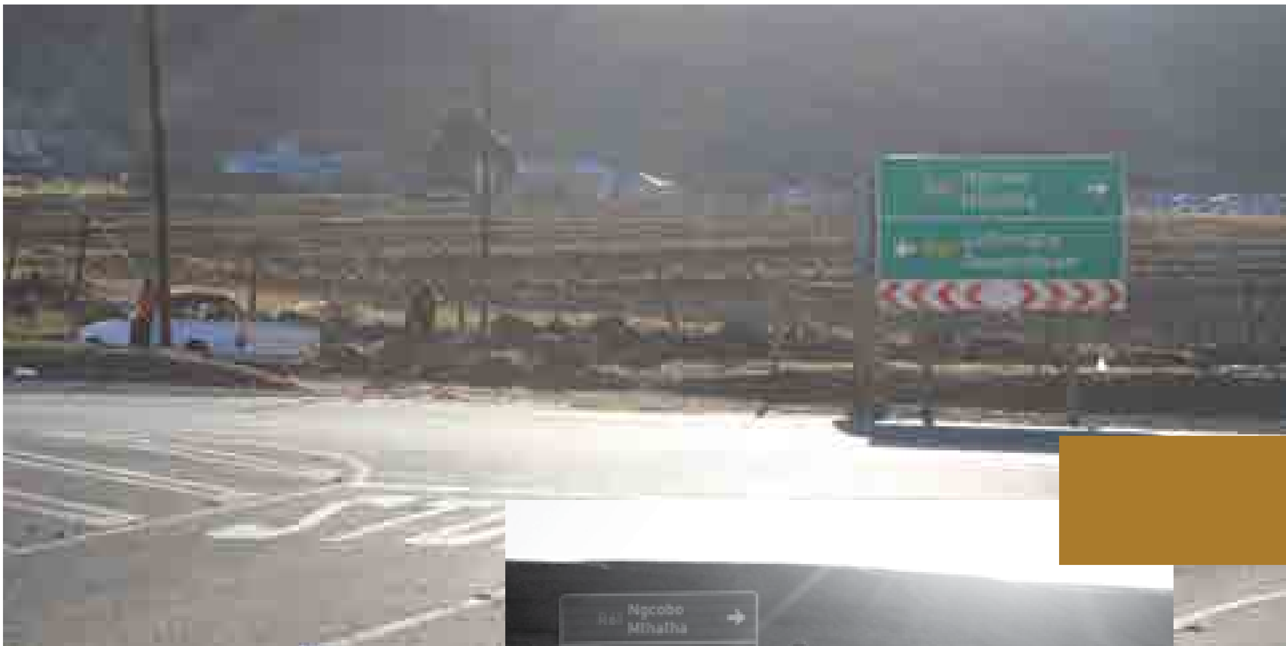
He holds an Honours Degree in Agricultural Extension and Rural Development from Tshwane University of Technology, an Advanced Management Programme (MAP) from Wits Business School, National Diploma in Farm Management from Fort Cox College of Agriculture and Forestry, and a CPMD from Wits Business School.

2.6 EXECUTIVE REMUNERATION

Remuneration made to Exco members during the period 2018-2019 is as follows:

Name	Position	Periods Worked	Gross Salary and Allowances	Gross Medical Contribution	Gross Pension Fund Contribution	Gross UIF and SDL Contribution	Gross Performance Bonuses	Total Earnings
Masholugu, Thukela Eustice	Chief Executive Officer	1/7/2017 - 21/12/2018	812 247.74	-	53 700.66	892.32	151 823.16	1 018 663.88
Mayekiso, Nontembeko Faith	Chief Finance Officer	1/7/2018 - 30/06/2019	1 348 077.67	21 466.89	87 990.48	6 250.48	128 640.16	1 592 425.63
Duze, Zolile McPhee	Executive Manager Operations	1/7/2018 - 30/06/2019	1 258 534.44	28 622.52	87 508.08	5 754.80	128 640.16	1 509 059.50
			3 418 859,85	**50 089.41**	**229 199.22**	**12 897.05**	**409 103.48**	**4 120 149.01**

Table 2: Schedule of Executive Director Earnings_ 2018-2019



SKILLS DEVELOPMENT CAREER EXHIBITION PROGRAMME

03

CORPORATE SERVICES & ADMINISTRATION

PART 3 CORPORATE SERVICES & ADMINISTRATION

The CHDA considers its staff to be an important recourse in its being able to deliver on its mandate. As such, efforts have been made in the 2018-19 financial period to create a better environment for staff, allowing them to be more productive, and better capacitated. The agency does not have a stand-alone Human Resources unit, or line function. The function therefore sits with the Office of the CFO, as a support function, given the size of the organisation, and number of its employees. The HR function is managed on a day-to-day basis by the Finance and Administration Manager.

3.1 HUMAN RESOURCES MANAGEMENT PLAN

The agency developed its HR plan for 2018-2019 in the first quarter, as a basis of carrying out the HRM function for the year.

The plan covered:

1 Alignment of the HRM function to strategy (organisational structure / form must support purpose)
2 Implementation of the organogram to support strategic objectives (termination and appointments)
3 Leadership over HRM administrative functions (payroll, statutory returns)
4 Compliance with HR legislation (policies, equity, risk management)
5 Staff training and development
6 Staff performance management, and
7 Staff wellness and employee satisfaction

The plan comprised of 20 deliverables across the 7 key areas above, the plan was tracking well at the end of June 2019:

- 75% (15/20) items in the HRM plan due by the end of quarter 4 were completed
- 15% (3/20) items in the HRM plan were in progress / partially completed, and
- 13% (2/20) items showed no movement.

The items not finalised will be carried over to the HRM plan for 2019-2020.

3.1.1 Organogram

The agency conducted a review on its organogram during the year with key changes effected from prior year. This included the addition of additional positions in Finance and Administration, as well as the PMU, namely due to the inclusion of existing Qamata mechanization center staff to agency operations.

There were 3 resignations during the year, as 3 employees exited with intentions of pursuing better opportunities. One of the positions was filled in April 2019, and another position terminated from the organogram and consolidated / merged into an existing managerial position on the PMU. The CEO position remained vacant.

The agency thus closed with a 27% vacancy rate, due to non-filling of vacant positions, which include the CEO position.

JOBS FUND - BERLIN BEEF LIVESTOCK PLACEMENT PROGRAMME

3.1.2 Employee Remuneration and Benefits

In an attempt to attract and retain talented employees, the Board approved the implementation of the TASK grading system in the remuneration of employees from September 2015. The TASK system was implemented, but reserved for formally employed employees, and excludes interns and contract positions, whose remuneration is aligned to the parent municipality.

The structuring of the TASK system to remunerate employees was aligned to the Provident Fund and Medical Aid benefit systems, which were implemented from April 2015, with employee cost-to-company packages being restructured to incorporate basic, travel and cell-phone allowances where applicable, and contributions to a 13th cheque.

The total of 93% budgeted for staff budget was expended, and allocation of employee costs for 2018-2019 can be summarised as follows:

Period	Qtr1	Qtr2	Qtr3	Qtr4	*YTD*	*Budget*	
3300 > 002 (Performance Bonuses)	0.00	1 014 469	0.00	0.00	*1 014 469*	*14 441 203*	*93%*
3300 > 004 (Salaries and Wages - CTC)	3 005 032	2 956 856	2 380 128	2 493 424.19	*10 835 440.19*		
3300 > 013 (Leave Pay Expense)	149 742	47 799	0	23 046.33	*220 587.33*		
3300 > 014 (Acting Allowance Expense)	3 646	0	69 797	73 352.55	*146 795.55*		
3300 > 010 (Staff Benefits - Medical Aid)	113 647	111 317	113 248	110 157.60	*448 369.60*		
3300 > 011 (Staff Benefits - Provident / Pension)	187 272	204 365	160 446	169 986.16	*722 069.16*		
3300 > 006 (Statutory - UIF Levies)	10 715	10 429	9 512	10 192.12	*40 848.12*		
3300 > 009 (Staff Health, Safety and Walfare)	0	110	212	400	*722*		
3300 > 019 (Staff Gifts and Awards)	0	5 204	1 952	7 156.40	*14 312.40*		
3300 > 005 (SDL)	0	0	0	8 315.60	*8 315.60*		
	3 470 054	**4 350 549**	**2 735 295**	**2 896 030.95**	***13 451 928.95***		

Table 3 _ Schedule of Staff Costs _ 2018-2019

Within this distribution, Executive Management remuneration accounted for 31% of the total payroll costs for 2018-2019. This is a drop from 35% from the previous year.

Provident Fund:

Sanlam Umbrella Fund was selected by CHDA board in 2015 as approved provident fund, where CHDA contributes 10% of basic salary to the fund on a monthly basis. The 10% covers a funeral policy for staff and immediate family, as well as fund admin and broker costs (less than 1% of contribution). Employee contribution taken to retirement saving in full.

Employer Contribution	10%	100%
Own Contributions	Number of Eligible Members _End Qtr4	Total
0%	2	
1%	3	
3%	9	20
5%	5	
>5%	1	

Age Group	Number of Eligible Members _End Qtr4	Total
<= 25yrs	1	
26 – 35 yrs	5	20
36 – 45 yrs	9	
46 – 55 yrs	5	

Table 4 _ Provident Fund Membership Statistics _ 2018-2019

Fund Balances:

As at end June 2019, the Sanlam Umbrella Fund balances were as follows (contributions up to end June 2019)
[R 2 761 604.04]

Pension-backed Housing Loan:

Also, the CHDA entered into an arrangement with Sanlam and FNB, for a SMART Pension-backed Housing Loan facility, which allows CHDA staff to buy / renovate homes using up to 50% of their provident savings as collateral. At the end of June 2019, 1 employee had been successfully approved for the purchase of a new home via the facility

Medical Aid:

Discovery Health was appointed as group scheme medical aid in 2015, but the latest SALGBC circular has appointed 5 new contractors as approved medical aids for local government employees. After presentations by the 5 schemes in November 2018, the active medical aids selected by staff are as follows:

Medical Aid	Number of Eligible Members_End Qtr4	Total
LA Health	15	20
Bonitas	2	
Non-members (spouse / dependent)	3	

Table 5 _ Medical Aid Membership Statistics _ 2018-2019

Job Evaluation, TASK Grading and Remuneration Policy:

The TASK grading / job evaluation was last conducted in 2015, and has to be re-visited as the 3-year period has lapsed since it was last implemented. This is due to possible amendments due to growth in the organisation, increased job deliverables and responsibilities of staff, as well as evolved level of autonomy / decision-making in daily operations.

A deficiency has been identified in the HR – related policies. The CHDA does not have a remuneration policy in place, which guides the setting of remuneration amounts (aligned to TASK), revision of pay packages, as well as the structuring of salary packages.

Policy Gap: A remuneration policy is in the process of being developed, and will be presented for approval as part of the policy review in 2019-2020.

3.1.3 Employee Remuneration and Benefits

The agency developed a training and development plan for 2018-2019, which considers staff qualifications, level, as well as prior training investments made by CHDA, as well as approved budget, to make priority decisions on staff to train in 2018-2019. The agency implemented the plan, and at the end of quarter 4, 12/14 (86%) of approved training initiatives were completed. A total of 14 staff members had undergone training, with a total of 5 staff members having attended the annual IMFO / Cigfaro conference.

Total expenditure on staff development and training in 2018-2019 was as follows:

Period	Qtr1	Qtr2	Qtr3	Qtr4	*YTD*	*Budget*	
2250 > 004 (Conference and Visits)	0	32 799	0	0	*32 799*		
3000 > 007 (Board Training and Development)	0	0	80 000	0	*80 000*	*343 150*	*100.46%*
3300 > 008 (Staff Training and Development)	135 448	6 250	88 645	1 603	*231 946*		
	135 448	**39 049**	**168 645**	**1 603**	***344 745***		

Table 6 _ Schedule of Staff Training and Development Costs _ 2018-2019

3.1.4 Employment Equity Information

The CHDA does not have an equity policy in place, and this is one of the deficiencies identified. As a result, this is an action item in the HRM plan for 2018-2019. Despite not having an equity policy, the CHDA does keep track of employee demographic information, for reporting purposes.

At the end of June 2019, this was the demographic status in the employer work group:

Equity Information - 1 July 2018 - End June 2019

		Male	Female	Youth	Disabled	African Black	CHD
Total number of employees:	20	8	12	5	1	20	17
Total number of interns / contract workers: Total number of hosted workers (learners,	6	0	6	5	0	6	4
SETA, etc):	4	0	4	3	0	4	3
Total:	**30**	8	22	13	1	30	24
		27%	**73%**	**43%**	**3%**	**100%**	**80%**

Table 7_Employee Equity Summary _ 2018-2019

The agency is doing well in terms of youth and gender equality, but these are not linked to an approved equity plan. The racial component may be most queriable in future, as this has resulted in exclusion of other racial groups, and a plan may find CHDA not doing well in terms of diversity.

Policy Gap: An equity policy is in the process of being developed, and will be presented for approval as part of the policy review in August 2019.

3.1.5 Employee Health and Wellness

The CHDA also implemented a shared services agreement with the CHDM on employee wellness. This has included subsidised gym membership with a local gymnasium for encouraging a healthy work – life balance and exercise opportunities for staff, as well as dietician and social work visits for healthy nutrition, and stress management and substance abuse problems.

During the year under review, the agency did not encounter challenges from employee sick leave balances being depleted, or overused, due to illness, work – related stress, or abuse of sick leave.

3.1.6 Grievances and Disciplinary Procedures

The agency has a grievance and disciplinary policy in place. There were no grievances lodged with management during the period under review, and there were no disciplinary actions taken against employees. The agency commenced establishment of an employee representative forum, as well as an employee satisfaction survey, to help improve HR related issues in the organisation going forward.

CHDA SCM BID COMMITTEES WORKSHOP 2019

3.2 SUPPLY CHAIN AND FLEET MANAGEMENT

3.2.1 Bids Awarded Below Value of R 30 000

The total value of all the bids orders below the R 30 000 threshold which were awarded during the 2018-2019 financial year as at 30 June 2019 was R 718 647.97 including VAT.

There were NO commitments and the value of Creditors was only R 40 800 by the end of the 2018-2019 financial year on 30 June 2019.

3.2.2. Bids Awarded Between R 30 000 - R 200 000

By the end of the last quarter of the 2018-2019 financial year only twenty two (22) bids were awarded in the range of the threshold which is between R30 000 to just below R 200 000.

The total value of those bids which were awarded during the 2018-2019 financial year period and by the end of the fourth quarter was R 1 690 282.69 including VAT.

There were no commitments and no creditors of bids with values between R 30 000 and R 200 000 by 30 June 2019.

3.2.3 Contracts Management

For procurement between R30 000 to R200 000 a bid notice is advertised for a period of one week on the notice board, and on the agency's website, and evaluated using the 80/20 preference points system by the SCM office staff.

For procurement greater than R 200 000 to below R10 million, a competitive bidding processes is followed where the bid evaluation committee makes a recommendation for awarding the bid to the bid adjudication committee on the preferred bidder. In the case of the procurement being greater than R10 000 000, the bid adjudication committee would make a recommendation to the chief executive officer on the preferred bidder, who would then issue a written approval.

Subsequent to the authorisation by the relevant party to appoint the best bidder, a service level agreement between the agency and the service provider is drafted and signed. The agency has an effective system of contract management.

Part of the function covered by this system is to:

- Administer all contracts entered into between the Agency and appointed bidders;
- Facilitate the signing of service level agreements with all appointed responsive bidders;
- Maintain the contracts register/ schedule that tracks expenditure, deliverables and validity of contracts to date;
- Conduct performance reviews at a very informal level, where each invoice submitted for payment is cross-referenced with signed contract / SLA / order specifications, and end user signs off indicating their satisfaction with the service / items delivered, prior to any payments being processed.

A Formal Contracts Register which indicates the value and the status of each formal contract was maintained.

The value of the Formal Contracts Commitments as at 30th June 2019 was R 11 209 026

The value of the Contracts Orders as at 30 June 2019 was R 2 379 202 Contracts orders were issued for Traveling, Branding, Public Relations and Communication services.

There were no closing commitments of Contract Orders but only Creditors of R 167 104.22.

3.2.4 Deviations, Irregular Expenditure, Fruitless and Wasteful Expenditure

The SCM Policy Section 50.1 and the MFMA: Municipal SCM Regulation 36 states that the Accounting Officer may dispense with the official procurement processes established by this Policy, and procure any required goods or services through any convenient process, which may include direct negotiation, but only in respect of:

- Any contract relating to an emergency where it would not be in the interests of the Municipal entity to invite bids,
- Goods or services which are available from a single provider only,
- The acquisition of animals for zoos, or
- The acquisition of special works of art or historical objects where specifications are difficult to compile;
- Any other exceptional circumstances where it is impractical or impossible to follow the official procurement process, and
- Ratify any minor breaches of the procurement processes by an official or board acting in terms of delegated powers or duties which are purely of a technical nature.
- The accounting officer must record the reasons of any deviations in terms of the policy mentioned above and report to the next meeting of the board and include as a note to the annual financial statements.

However, by the end of the entire 2018-2019 financial year no procurement deviations had been processed within the Agency.

Section 1 of the MFMA defines irregular expenditure as an expenditure incurred by municipal entity in contravention of, or that is not in accordance with a requirement of the supply chain management policy of the entity. Although a transaction or an event may trigger irregular expenditure, a municipality or municipal entity will only identify irregular expenditure when a payment is made, in other words, the recognition of irregular expenditure will be linked to a financial transaction. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance. The same applies to the determination of the fruitless and wasteful expenditure.

During the entire 2018-2019 financial year one Irregular Expenditure of a value of R 1 904.29 was identified within the Agency. An amount of R 952, 15 had been recovered by the 30th June 2019 and the balance of another R 952,15 will be recovered from the affected official during July .

There were eight Fruitless and Wasteful expenditure which were identified during the 2018-2019 financial year.

The details of the Fruitless and Wasteful expenditure which had a total value R 878 256.22 as at 30 June 2019 are clearly outlined in the Annual Financial Statements, stemming from a SARS income tax non-compliance going back to 2017 financial period.

The Fruitless and Wasteful expenditure which was identified during 2018-2019 resulted from the following incidents:

1 The Department of Labour (COID) late payment penalty
2 Assets Insurance access
3 SARS Taxes interests and penalties
4 Telkom account interests.

3.2.5 Bid Committees

The Accounting Officer has, per Section 26 of the MFMA: Municipal Supply Chain Management (SCM) Regulations appointed the bid specification, evaluation and adjudication committees members for the 2018-2019 financial year. The Bid Committees Chairpersons and secretaries were also appointed by the Chief Executive Officer.

Their functions are consistent with the SCM Regulations 27, 28 and 29. Each Bid Committee member, Chairperson and secretary was given a copy of the functions and powers of Bid Committees for studying and understanding.

After signing the acceptance of appointment to Bid Committees, the members and the secretariat also signed the Code of Conduct of SCM Practitioners, the oath for confidentiality and they also completed the SCM Practitioners declaration of interest forms.

The SCM Manager arranged a Bids Committees Training which was conducted by the Provincial Treasury Chris Hani District office for all Committee members and the CEO on the 18th and 19th of February 2019.

The Bid Committees members had been very committed in performing the required work on the bids administration processes of the 2018-2019 financial year which are indicated in the Tender Register.

3.2.6 Suppliers Engagement Programme

- The SCM Manager developed a Suppliers Engagement Day Programme Concept Document
- This programme was developed in order for it to benefit the goods and services suppliers of all the six Chris Hani District's Local Municipalities
- The programme will be rolled-out annually and will be conducted at a different Local Municipalities every year in order for CHDA to reach out to all the suppliers of our district
- The Concept Document was presented to the SCM Practitioners and LED officials at Intsika Yethu Local Municipality, Engcobo Local Municipality, Sakhisizwe Local Municipality, Emalahleni Local Municipality and at Inxuba Yethemba Local Municipality
- The Chris Hani District Municipality (CHDM) and the Enoch Mgijima Local Municipality officials did not avail any appointment for the CHDA Project Team to present to them after several emails and telephonic requests
- The Local Municipalities' officials were invited to participate in our programme with us, Provincial Treasury, Eastern Cape Development Corporation, Small Enterprise Development, South African Revenue Services (SARS), Nedbank, First National Bank and the Chris Hani Cooperatives Development Centre (CHCDC)
- Emalahleni Local Municipality, Engcobo Local Municipality and Intsika Yethu Local Municipality participated fully in our programme as well as the Provincial Treasury, the mentioned Public Entities, the two Banks and the CHCDC
- CHDM's Business Development Unit unfortunately did not attend the programme after they had promised that they would make a present on their Business Development services. We received an apology from the CHDM officials after we called them during the proceedings of the programme
- Enoch Mgijima Local Municipality, Inxuba Yethemba and Sakhisizwe unfortunately did not participate in the programme without any apologies

- The objectives of the Suppliers Engagement Day Programme were:
  - To create a platform for presenting our MFMA environment requirements for engaging in business with suppliers
  - For CHDA, CHCDC, CHDM, Local Municipalities and Public Entities to present business opportunities and business support programmes which they offer
  - For SARS to present the suppliers Tax related obligations and the support services that are offered at SARS
  - For Banks to present their services for business entities and funding packages which they offer
  - To create a platform for suppliers to get clarity and raise recommendations to municipalities and the municipal entity especially on Supply Chain Management related issues
  - To create a platform for suppliers to set-up Promotional Stalls for show casing their goods and services
- Six SMMEs benefited from the procurement of the programme's logistics and catering services
- A budget of R 59 500 was utilised for the procurement of the logistics and the programme notices publication services
- CHDA earned revenue of R 1 800 from the Promotional Stalls registration fees.

3.2.7 Fleet Management

- The CHDA Fleet which was managed by our SCM office during the 2018/19 financial year includes a VW Polo Sedan, an Isuzu Club Cab and an Isuzu Double Cab only
- The Fleet which was used at the Qamata Mechanisation Centre was managed by the staff who worked at the Centre
- The utilisation administration and the maintenance of the three mentioned vehicles were functions which were the responsibility of the SCM Office in line with the Fleet Management Policy
- On a monthly basis, the SCM office draft a Fleet Management which indicates the vehicles technical services data, repairs data, accidents data, licencing data as well as the monthly fuel consumption expenditure

3.2.8 Enoch Mgijima Local Municipality Rental Properties Concept Document Development Project

- Enoch Mgijima Local Municipality (EMLM) had requested CHDA to develop a Concept Document for improving the management of their rental properties
- EMLM own may properties which they lease out for earning revenue
- Their rental properties include some factories at the Komani Industrial Park, the Sunshine town houses, Fairview and Uitsug flats, Houses which include the Mayoral house and a number of business properties
- EMLM had not been able to collect appropriate revenue from their leased properties even though their properties are occupied with tenants
- The project which will involve site visits for the property assessments and profiling, interviewing of the tenants, analysis of the lease agreements, facts finding, investigation of leased properties revenue enhancement strategies had been started by the 10th on June 2019 in the leadership of the SCM office
- This project may be completed by the end of September 2019.

ILINGE SORTING FACILITY - CONSTRUCTION

3.3 ICT GOVERNANCE

3.3.1 Governance Methodology and Focus

The CHDA has embarked on its second year of ICT governance in 2018-2019, in line with the establishment of an ICT Steering Committee in 2017-2018. On an annual basis, the committee develops an ICT plan for implementation of ICT activities during the year. Effective ICT governance is the process of identifying significant risks to the achievement of the organisation strategic and operational objectives, and ensuring that the ICT function in the organisation supports the realisation of strategic objectives, as ICT is a business enabler.

Key aspects of effective leadership over ICT include:

- ICT governance and compliance with applicable legislation
- ICT security management
- ICT user account management
- ICT system change management
- ICT service continuity and disaster management and recovery
- ICT infrastructure and physical and environmental controls

The ICT governance is based on best practice and aligned to **Corporate Governance of ICT Policy Framework (CGICTPF).**

The Department of Public Service and Administration's (DPSA) Corporate Governance of ICT Policy Framework (CGICTPF) as adopted by the South African Cabinet on 21 November 2012. The Framework requires departments to implement the corporate governance of ICT (CGICT) and Governance of ICT (GICT) as an integral part of its corporate governance arrangements by March 2015.

This requires that organisations:

- Define, establish and align the IT Governance framework with the overall enterprise governance and control environment (Strategic Alignment, Value Delivery, Resource Management, Risk Management, and Performance Measurement)
- Base the framework on a suitable IT process and control model and provide for unambiguous accountability and practices to avoid a breakdown in internal control and oversight
- Confirm that the IT Governance framework ensures compliance with laws and regulations and is aligned with, and confirms delivery of the enterprise's strategies and objectives, and report on IT Governance status and issues

King Code of Good Governance

King 3 & 4 paragraph 5 of principle 5.1 IT Governance state that "The board should understand the strategic importance of IT, assume responsibility for the governance of IT and place it on the board agenda. IT governance is on the Board agenda and is discussed at every Board meeting".

This is best done by making sure that the board operates with IT governance in mind:

- Ensuring IT is on the board agenda;
- Challenging the management's activities with regard to IT, to make sure IT issues are uncovered;
- Guiding the management by helping it to align IT initiatives with real business needs, and ensuring that it appreciates the potential effect on the business of IT-related risks;
- Establishing an IT strategy committee with responsibility for communicating IT issues between the board and the management; and
- Insisting that there be a management framework for IT governance based on a common approach, for example, COBIT.

3.3.2 Implementation of Approved ICT Strategy

The annual ICT plan is based on an ICT risk assessment conducted at the start of the year. Clear action plans are developed covering each ICT focus area, and these are tracked on a monthly and quarterly basis. There was a regression at the end of the third quarter, where significant findings from an ICT audit revealed key network and security improvements required, resulting in an overall 87% implementation of the ICT plan for 2018-2019.

There were no major ICT projects implemented during the year.

During the 2018-2019 period, the movement over ICT governance was as follows:

END QUARTER 1

Items	No	Compliant		Issues Identified
ICT action plan items due by end quarter _ 30/09/2018:	9	5	56%	• ICT charter not approved by end Sep 2018 • ICT service provider not appointed by end Sep 2018 • Network password soft-lock mechanism not activated although number of false / incorrect login attempts recognised • Security alarm fault not resolved by end Sep 2018 • Teltrace system not implemented by end Sep 2018
ICT action items ongoing all year:	18	16	89%	
Activities due by end of Qtr1:	27	21	78%	

END QUARTER 2

Items	No	Compliant		Issues Identified
ICT action plan items due by end quarter _ 31/12/2018:	12	9	75%	• ICT officer not trained on MS Exchange by end of quarter 2 • Uptime laptops no longer available due to increase in staff • Access control admin rights not transferred to internal ICT officer • Uptime cell - phones as per ICT disaster recovery plan were transferred to QMC project, resulting in regression on ICT plan
ICT action items ongoing all year:	18	17	94%	
Activities due by end of Qtr2:	30	26	86%	

END QUARTER 3

Items	No	Compliant		Issues Identified
ICT action plan items due by end quarter _ 30/03/2019:	12	11	92%	• Access control admin rights not transferred to internal ICT officer for biometric system • Regression on patch management due to late licensing renewal for MS volume licensing
ICT action items ongoing all year:	18	17	94%	
Activities due by end of Qtr3:	30	28	93%	

END QUARTER 4

Items	No	Compliant		Issues Identified
ICT action plan items ongoing and due by end year _ 30/06/2019:	31	27	87%	
Analysis of ICT areas found to be non-compliant by end year _ 30/06/2019	4		13%	
ICT governance		0		
ICT security		2		• Patch updates outside of normal software licensing • Audit software report not fully reviewed on monthly basis
ICT user account management		0		
ICT system change management		0		
ICT business continuity		0		
ICT service continuity		0		
ICT network and infrastructure		2		• Old server not de-commissioned timeously after introduction of new server infrastructure • Access control rights not transferred to in-house, retained by external security provider
Telephony and comms infrastructure		0		
Website and hosting		0		• Issue under web-hosts patch management raised under security

SUPPLIERS DAY 2019

"It is impossible to have a healthy and sound society without a proper respect for the soil."

PETER MAURIN

04

PERFORMANCE INFORMATION

STATEMENT OF RESPONSIBILITY

In terms of the requirements of the municipal Finance Management Act (MFMA) 56 of 2003, the Accounting Authority presents the Annual Report of the Chris Hani Development Agency for the period 1 July 2018 to 30 June 2019, to the Executive Authority, the Chris Hani District Municipality Council.

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements and performance report audited by the Auditor General
- The annual report is complete, accurate and free from any omission
- The annual report has been prepared in accordance with reporting guidelines issued by National Treasury
- The accounting authority is responsible for the preparation of the annual financial statements, and the annual financial statements have been prepared in accordance with the accounting standards and reporting standards applicable to the agency
- The accounting authority is responsible for establishing and implementing a system of internal control, that has been designed to provide reasonable assurance as to the integrity and reliability of reported information
- The external auditors have been engaged to express an opinion on the annual financial statements and achievement to predetermined objectives and levels of internal control

In our opinion, the annual report fairly reflects the operations, performance, and financial affairs of the Chris Hani Development Agency for the financial year ended 30 June 2019.

MRS NONTEMBEKO MAYEKISO-NOMNGANGA
ACTING CHIEF EXECUTIVE OFFICER | 15 NOVEMBER 2019

MRS NOKULUNGA SKEYI
BOARD CHAIRPERSON | 15 NOVEMBER 2019

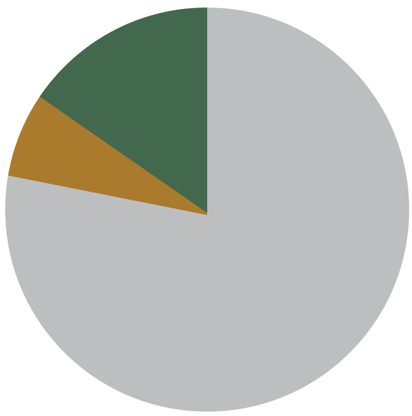
The agency's strategic objectives are aligned to the parent municipality's IDP objectives. These have been secured in a Service Level Agreement (SLA) between the agency and the CHDM for the year 2018-2019, and have served the basis of structuring the agency's Annual Performance Plan (APP) for the year.

Overarching strategic objectives, or programmes are:

1. To develop a viable and proficient organisation
2. To develop viable and sustainable rural economies
3. To facilitate investment promotion, SMME development and job creation
4. To facilitate development of sector-specific scarce skills
5. To develop strong stakeholder and community engagement for public accountability

The annual performance report will provide an assessment of the agency's performance in the period starting 1 July 2018 to 30 June 2019, against these identified strategic programmes, and reflect in depth on areas of non-performance.

4.1 SUMMARY ORGANISATIONAL PERFORMANCE ANNUAL FOR 2018-2019



The agency's final adjusted assessed performance for the period 1 July 2018 to 30 June 2019, is as follows:

ACHIEVED: 70%
(100% or greater completion of planned outputs due by end June 2019)

PARTIALLY ACHIEVED: 14%
(76 – 99% completion of planned outputs due by end June2019)

NOT ACHIEVED: 16%
(less than 75% completion of planned outputs due by end June 2019)

Figure 1 _ Adjusted Organisational Performance Summary _ 2018-2019

The chart above indicates the status of key output deliverables at 30 June 2019. A detailed look at these figures is explained below:

- A total of 30 deliverables of the 43 (70%) identified for the year have been achieved to within 100% or above of the annual target. Of the number of targets achieved, a total of 11 of the 30 (37%) have been achieved above the required performance metric (achieved above target).
- A total of 6 deliverables of the 43 (14%) identified for the year have been partially achieved to within 76-99% of the annual target, and
- A total of 7 deliverables of the 43 (16%) identified for the year have been not achieved, as they have fallen within 0-75% of the annual target.

The adjusted Annual Performance Report for 2018-19 has shown a decline in overall performance, from initially reported 72% overall, to 70% overall performance target achievement. This is met with a corresponding increase in Not Achieved targets, which were initially reported at 14%, having now increased to 16%.

This was due to 1 target having been re-classified from "Achieved" to "Not Achieved", in response to findings by the Auditor General

In compiling the performance figures, the organisational performance was reviewed against the individual performance by programme, across each of the 5 key programmes in 2018-2019.

The performance by programme can be summarized as follows:

1 To develop a viable and proficient organisation
2 To develop viable and sustainable rural economies
3 To facilitate investment promotion, SMME development and job creation
4 To facilitate development of sector-specific scarce skills
5 To develop strong stakeholder and community engagement for public accountability

YDT SUMMARY ORGANISATIONAL PERFORMANCE

Strategic Programme	Targets for the year 2018-2019	Targets due by year end	Achieved 100% or >	Part Achieved 76% - 99%	Not Achieved 75% or <	Achieved above target	%
PROG 01: To develop a proficient and viable organisation	15	15	10	3	2	4	40%
PROG 02: To develop viable and sustainable economies	8	8	6	2	0	2	33%
PROG 03: To facilitate investment promotion and smme development	4	4	1	0	3	1	100%
PROG 4: To facilitate development of sector-specific scarce skills	6	6	4	0	2	1	25%
PROG 05: To develop strong stakeholder and community engagement for public accountability	10	10	9	1	0	3	33%
	43	**43**	**30**	**6**	**7**		
	100%		**70%**	**14%**	**16%**	11	37%

Figure 2 _ Detailed Organisation Performance by Strategic Programme _ 2018-2019

The detail above has been summarized below:

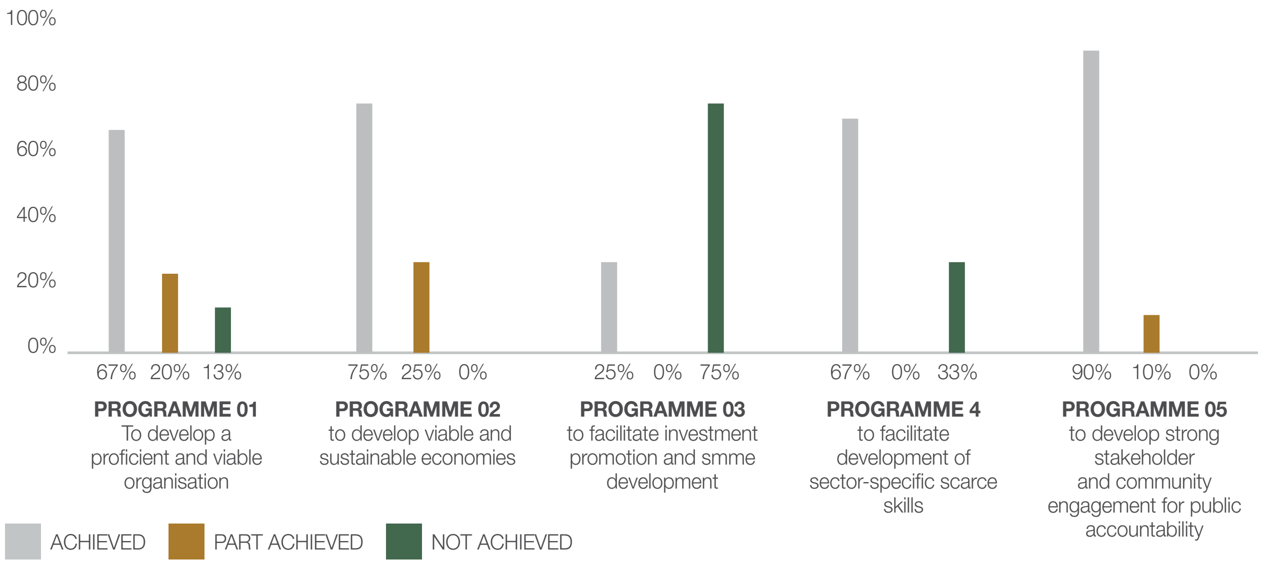


Figure 3 _ Comparative Organisation Performance by Strategic Programme _ 2018-2019

These performance figures were achieved with the agency utilizing 84% of its overall budget, as follows:

Source	Budgeted	Year to date movement	Available budget	% Spent	Funds received
Project Expenditure	**44 660 904**	**33 170 017**	**11 490 886**	**74%**	**Budgeted**
Operational Expenditure	**23 226 114**	**23 659 076**	**-432 962**	**102%**	**67 522 224**
Programmes	654 000	594 738	59 262	91%	Received
General Expenses	8 644 915	9 373 178	-728 263	108%	49 434 741.35
Repairs and maintenance	48 817	48 021	796	98%	% Received funds to budget
Asset finance reserve	130 000	103 225	26 775	79%	
Employee related costs	13 748 382	13 539 914	208 468	98%	
Total Expenditure	**67 887 018**	**56 829 094**	**11 057 924**	**84%**	73%

Figure 4 _ Summary Financial Information _ 2018-2019

However, it is worth noting that one of the key challenges for the year remains the non-receipt or late receipt of external funds, in which case, 2018-2019 saw the agency receiving only 73% of its expected budget from third parties. A key enabler was the utilization of unspent grants / rollover funds from prior year.

The next part of the report will indicate in detail areas of key achievement, and areas of non-achievement for 2018-2019, within each of the programmes' key areas of focus.

4.2 SUMMARY ON KEY SUCESSES ANNUAL FOR 2018 - 2019

The key areas of notable performance leading to the results in the summary table above have been tabled below for easy reference.

For noting, key achievements for the year have been summarized below:

PROG 1: TO DEVELOP A PROFICIENT AND VIABLE ORGANISATION

Sub-Programme	Objective	Actual Deliverables / Successes Realised
Corporate Governance	Governance and Oversight Structures	• The CHDA board and sub-committees were effective during the year in carrying out their duties
	Strategy and Business Planning	• The agency identified a CSI initiative to support This initiative talked to the agency identifying and providing financial support to the Seating Factory in Ezibeleni, to assist the co-operative access working capital to enable manufacturing of school furniture • Improvement in the annul strategic planning processes, with the annual strategic review being held with good attendance and inputs from key stakeholders, LM's and the parent municipality
	Corporate Finance, SCM and Compliance	• The agency has improved its ability to get ready for the AG, and submitted its AFS and APR in time yet again. A clean audit outcome was realised for 2017-2018
Financial Viability	Own-source revenue Generation	• 3 new agency function contracts were signed during the year, with CHDA being the chosen implementer for ECDRDAR, CHDM and the IDC on various development initiatives
	Fundraising to Support Development Programmes	• The agency improved significantly in its focus on fundraising in 2018-2019. Of a total target of 6 new funding applications being developed and submitted to third parties, the agency was able to submit 11 funding applications for various development programmes
Risk Management	Risk Management and Identification	• The annual risk assessment was conducted and risk-based audit plan developed • The agency audit plan was implemented in full, with the scheduled annual follow up to be reported on in the quarter of the following period, and management has developed an internal process of assessing risk, and monitoring of identified risk action plans/ countermeasures • The agency was able to conduct its annual policy review

PROG 2: TO DEVELOP VIABLE AND SUSTAINABLE RURAL ECONOMIES

Sub-Programme	Objective	Actual Deliverables / Successes Realised
Irrigation Scheme Revitalisation	Operationalisation of Bilatye Piggery	• The piggery was finally populated with 200 animals, and a launch event held
Beef Value Chain Development Artificial Insemination to Improve Quality of Beef in Elliot Farmers Vaccination Programme to Support Livestock Expansion in Emerging Farmers	Beef linkages Placement with Emerging Farmers • The insemination programme was implemented, with 567 animals being inseminated over 250 in previous year. At the end of Qtr4, 310 of inseminated animals were assessed, with a 57% confirmed in-calf / pregnancy diagnostic • A total of 353487 small stock animals were vaccinated in the period starting November 2018 to end June 2019 in a partnership between CHDM, CHDA and Talitha Pharma	• The placement of weaners with farmers carried forward from last year was finalized, with 2 additional farmers being placed with animals over and above approved number
Fruit Cluster Development	Technical Support for Fruit Cluster Development Programmes	• The CHDA was able to provide ongoing technical support and monitoring to the pomegranate site in Mitford, and the Shiloh vineyard

PROG 3: TO FACILITATE INVESTMENT PROMOTION AND SMME DEVELOPMENT AND JOB CREATION

Sub-Programme	Objective	Actual Deliverables / Successes Realised
Investment Promotion	Facilitation of Investment-enabling Infrastructure Improvements and Renovations	• The agency submitted an application for the industrial park in Komani, which was subsequently approved for R45m, towards upgrades and renovations. In 2018-2019, CHDA was able to coordinate the required stakeholder engagements leading towards implementation on site
Work Opportunity Facilitation and Job Creation	Facilitation of Job and Work Opportunities for CHD Locals	• The CHDA was able to recruit up to 369 CHD locals in its various programmes during the year, with the DEA project being the employer of the bulk of the EPWP workers. The rest were retained jobs from prior year in the QMC, Shiloh, pomegranate and ECDRDAR projects

PROG 4: TO FACILITATE DEVELOPMENT OF SECTOR-SPECIFIC SCARCE SKILLS

Sub-Programme	Objective	Actual Deliverables / Successes Realised
Multi-targetted Skills Development Initiatives	Bursary Assistance	• The agency has continued to deliver on the implementation of the CHDM Mayor's bursary fund in 2018-2019. A total of 24 students supported during the year • An additional 11 students participated in a CETA bursary programme for engineering studies
	Career Seminar Events	• The agency delivered on its target of hosting 6 / 4 planned career seminars during the year , which comprised of learner-targeted events and 2 x educator events
	Learnership and Internship programme Facilitation	• The CHDA hosted an internship with the Services SETA, where 25 youth were placed with various employers up to end June 2019

PROG 5: TO DEVELOP STRONG STAKEHOLDER AND COMMUNITY PARTNERSHIP

Sub-Programme	Objective	Actual Deliverables / Successes Realised
Stakeholder Engagement	Participation in District and Other Stakeholder engagement Platforms	• The agency has successfully participated in various district – level planning forums, contributing towards coordinated development planning for the district between key development stakeholders, entities and partners
	Strategic Partnerships	• The agency delivered on its target of securing new partnerships and monitoring ongoing partnerships
External Communications and PR	Agency Communications Plan and Annual Report	• The agency achieved in its targeted performance on implementing on its PR and communications plan for the year. The desired performance was achieved, despite budget constraints. • The annual report was developed and issued on time

SEEDLINGS AT NCORA

4.3 SUMMARY ON AREAS OF NON-PERFORMANCE ANNUAL FOR 2018 - 2019

The key areas of non-performance leading to the results in the summary table above have been tabled below for easy reference.

The table indicates areas of non-performance, underlying issues, and progress to remedial action and anticipated level of confidence in target being achieved in the new financial year:

PROG 1: TO DEVELOP A PROFICIENT AND VIABLE ORGANISATION

Sub-programme	Objective	Area of Non-Performance	Reason	Action Required	Detailed Counter - Measures Going Forward	C/fwd. to 2019 - 2020
Corporate Governance	Governance and Oversight Structures	ICT steering committee not met required sittings	2 sittings held in line with TOR's, but second sitting without a quorum	Ensure all future sittings convene with the required number Responsible: FM Tiso	The agency may need to revise the TOR's and reduce the number in the committee, to comprise of fewer members, making a quorum easier to achieve	Yes
	ICT Governance	Implementation of ICT action plan below planned target	The ICT governance has improved in general, but significant findings were identified in the ICT review by internal audit, relating to network security and patch management protocols, which resulted in only 87% of the plan being implemented, realising only 92% of annual target	Items identified in the ICT vulnerability report have been developed into an action plan, which was already being implemented at the end of June 2019 Responsible: FM Tiso	The items not resolved by end June 2019 have been included in the ICT strategy / action plan for 2019-2020, and will form part of ICT reporting on a quarterly basis	Yes
Financial Viability	Own-source revenue Generation	ECDRDAR and DEA operational plans not fully implemented in line with SLA	Non-alignment of operational plans with SLA and business plans, as well as poor reporting and monitoring on PMU projects	Improve project planning, reporting and monitoring processes Responsible: FM Tiso ZM Duze	A request for extension on the DEA project has been submitted, with an application to adjust business plan outputs, but awaiting response from the funder	Yes

Sub-programme	Objective	Area of Non-Performance	Reason	Action Required	Detailed Counter - Measures Going Forward	C/fwd. to 2019 - 2020
Performance Management	Organisational and Staff Performance Management	The targeted 75% organisational performance score was not achieved	Areas initially identified as achieved revised to partial or non-achievement by end June 2019	Improve performance monitoring and tracking outside of quarterly performance reporting Responsible: FM Tiso HOD's		No
Internal Competencies, Learning and Growth	Strategic HRM	The approved HRM action plan was not fully implemented	The agency closed at above the set vacancy rate of 10%, due to delays in finalizing appointments from resignations, and additional positions in approved organogram. Also, planned staff training and contractual arrangements for employee wellness with parent body not finalized on time	Improve planning, reporting and monitoring processes on approved action plans Responsible: FM Tiso	The items not resolved by end June 2019 have been included in the HRM strategy / action plan for 2019-2020, and will form part of ICT reporting on a quarterly basis The HRM action plan has become a standing agenda item in the HRR committee per quarter, and will now be included as a standing item in the MANCO meetings to assist in tracking of performance against set operational sub-plans by management staff	Yes

PROG 2: TO DEVELOP VIABLE AND SUSTAINABLE RURAL ECONOMIES

Sub-programme	Objective	Area of Non-Performance	Reason	Action Required	Detailed Counter - Measures Going Forward	C/fwd. to 2019 - 2020
Irrigation Scheme Revitalisation	Operationalisation of the QMC	The approved QMC action plan was not fully implemented	Key activities in the operational plan were not finalised due to delays in recruitment of staff, Telkom infrastructure installation and poor reporting	Improve project planning, reporting and monitoring processes Responsible: S Jobela M Mayekiso	The items not resolved by end June 2019 have been included in the QMC operational action plan for 2019-2020	Yes
Fruit Cluster Development	Technical support for fruit cluster development	Required site visits and monitoring not effected in support of project	Site visits and monitoring report not effected on the Gubenxa Valley project in Qtr3	Improve project planning, reporting and monitoring processes Responsible: A Jamari M Mayekiso	A fruit specialist has been approved on the organogram, and all fruit projects will be transferred to them for planning, monitoring and overall control	No

PROG 3: TO FACILITATE INVESTMENT PROMOTION AND SMME DEVELOPMENT AND JOB CREATION

Sub-programme	Objective	Area of Non-Performance	Reason	Action Required	Detailed Counter - Measures Going Forward	C/fwd. to 2019 - 2020
Investment Promotion	Promotion of CHD as Preferred Investment Destination	Investor event not held	There was a vacancy in the Special Projects portfolio throughout the third quarter, and all dates set in Qtr4 had to be re-scheduled due to non-availability of key people	Improve event planning and coordination activities, to allow for events to be sufficiently publicized, and ensure availability of key stakeholders in advance Responsible: N Nyukwana	The CHDA has planned an itinerary of events for marketing the CHD in its 2019-2020 APP, to help boost the various sectors identified as economic drivers for the area	Yes
SMME Development	Emerging Enterprise Support	Post-funding support for funded SMME's not effected in line with needs analysis conducted	There was a vacancy in the Special Projects portfolio throughout the third quarter, and no key dedicated person responsible for liasing with funded SMME's	Improve project planning, reporting and monitoring processes Responsible: N Nyukwana	The CHDA has also recruited interns to assist the PM special projects with Investment Promotion and SMME development activities respectively	Yes

PROG 4: TO FACILITATE DEVELOPMENT OF SECTOR-SPECIFIC SCARCE SKILLS

Sub-programme	Objective	Area of Non-Performance	Reason	Action Required	Detailed Counter – Measures Going Forward	C/fwd. to 2019-2020
Multi - Targeted Skills development Initiatives	Technical Skills Accreditation	Required number of registered artisans not produced	2 of 6 candidates dropped out of programme reducing number of successful candidate to 6. However, of the 6, a total of 4 received certification	Improve selection procedures on beneficiary or participant groups to ensure high success rate in skills programmes Responsible: N Nyukwana	The CHDA has engaged the 2 candidates who failed the test, and is assisting them in getting ready to re-test in 2019-2020	Yes
		The apprenticeship had not commenced by end June and participants not active	The late adoption of the SLA resulted in 30 candidates being recruited onto programme, but programme not active until 15 July 2019	Improve selection procedures on beneficiary or participant groups to ensure high success rate in skills programmes Responsible: N Nyukwana	None possible	Yes

PROG 5: TO DEVELOP STRONG STAKEHOLDER AND COMMUNITY PARTNERSHIP

Sub-programme	Objective	Area of Non-Performance	Reason	Action Required	Detailed Counter – Measures Going Forward	C/fwd. to 2019-2020
Partnership Management	Development Partnerships and Synergies	The HumKoop Section1b partnership was not reviewed in Qtr3	Poor reporting and oversight on projects	Improve project planning, reporting and monitoring processes Responsible: M Mayekiso	The CHDA must develop project implementation and reporting guidelines, as well as partnership selection and management framework to guide such going forward	Yes

4.4 KEY CONSIDERATIONS AND CHALLENGES

The key areas of non-performance up to the end of June 2019 are due to areas within the CHDA's area of control, and outside of its control:

Non-Performance Issues Within Agency's Area of Direct Control

1	Improvement in own fund-raising for programmes	Agency to consider: • Building internal skills associated with programme conceptualization, feasibility analysis, business planning and funding applications to help reduce reliance on handed-over projects, and non-receipt of promised funds. This will help build a solid project pipeline, as well as create project autonomy, and alternative sources of programme implementation funds
2	Investment in skills and capacity of implementing resources	Agency to invest more in: • Attracting and recruiting the right candidates with the right set of skills, which are needed for building distinct competencies and build organisational strengths • Training and development for implementation staff, to ensure that those who drive programmes are well-equipped with technical, financial and project-management capabilities
3	Improvement in monitoring processes	Agency to consider: • Allocating the responsibility of a strategic manager / performance officer or senior operations to a single individual on a full-time basis to ensure that programme and performance planning, monitoring and management of programme risks is managed daily and prioritized, so performance can be championed within the agency • Design improved methods of reporting by project implementers, linked to pre-approved key performance indicators on programmes. This function has to be driven and monitored by a key resource in the agency, so all reporting is not only reactive, but linked to solutions and counter-measures, and monitoring of high – importance / high – impact areas that could result in poor performance • Investment in advanced monitoring and evaluation training for those involved in project implementation • Investment in a monitoring and evaluation baseline study to identify benchmarks for performance planning, and performance review. This will help motivate a business case for the agency, and highlight key achievements
4	Improvement in partner selection and evaluation	Agency needs to: • Create a formal method of selecting partners for development projects, so as to enter in meaningful MOU's and SLA's, given CHDA's disappointments from third parties in the past. • All partnerships must be based on distinctive competencies the agency does not have access to, so all partnerships are mutually beneficial, and reduce the likelihood of non-performance on both parties • A formal method of vetting partners, and monitoring their performance under the terms of the MOU are necessary, so un-beneficial partnerships are cancelled timeously to mitigate associate strategic risk from non-performance
5	Improvement in project Planning, Implementation Management, Reporting and Evaluation Processes	Agency needs to: • Develop a standard framework based on approved project management methodologies, such as PMBOK, on which to base project planning, implementation, reporting and monitoring processes
6	Better coordination and planning with CHDM and LM's	Agency needs to: • Find suitable means of engaging with the parent municipality and local municipalities to better package development solutions and harness shared budgets. This would position the CHDA as an ally, rather than a competitor, and make working partnerships more feasible for all parties

Non-Performance Issues Outside of Agency's Area of Direct Control

1	Default on MOU terms by third parties, or non-performance by technical partners
2	Non-receipt of approved funding for programme implementation
3	Handover of projects by the parent municipality which may be difficult to fully have control and power over anticipated outcomes
4	Social issues in irrigation schemes, which affect how well the agency is able to fulfil its mandate in these areas

CHDA OFFICES - WARNER STREET QUEENSTOWN

4.5 DEVELOPMENT INITIATIVES AND PROJECTS

The agency grew its programming line-up in 2018-2019, increasing the number of active projects within each strategic programme area.

The following development initiatives or projects were implemented during the year:

Strategic Programme	Projects / Focus Areas	Origin	Funder	Purpose	Status
1 To develop a proficient and viable organisation	Irrigation Scheme Support Initiative	2016-17	ECDRDAR	An SLA was secured with ECDRDAR for CHDA to support the organisation with its ongoing mandate of effectively administering the payroll and business planning activities within the major irrigation schemes in the district, as well as in Amathole. This initiative has allowed the irrigation schemes in the district to have access to full-time administration, operational and security personnel, as well as access to social facilitation support for community engagement as well as technical support for business plan development.	Unclear if going into 2019-2020 as new SLA has not been signed
	DEA Waste Buy-back Centres	2014-15	DEA	The CHDA was appointed in 2014-15 as an implementing agent for the Department of Environmental Affairs, towards the creation of multiple waste recycling buy-back centres in the district, based in and around the Enoch Mgijima LM. This initiative would assist the LM in its waste management function, as well as create multiple job opportunities for locals in waste collection. At the end of June, a total of 381 locals had been employed in the project, earning an average of R 2500 per month, and construction of the centres had commenced, but was not completed by end June 2019 as planned	Ongoing into 2019-2020

Strategic Programme	Projects / Focus Areas	Origin	Funder	Purpose	Status
2 To develop viable and sustainable rural economies	HumKoop Working Partnerships for Qamata Irrigation Scheme	New	Private	The CHDA was active in the co-ordination of emerging farmers in Qamata sections 1A and 1A towards signing a long-term partnership agreement with Humansdorp Ko-op, which would assist farmers with access to technical support, inputs and infrastructure improvements However, challenges related to social instability at the scheme in 2018-2019 resulted in delayed implementation of planned activities by the private partner	Ongoing into 2019-2020
	Operationalisation of Bilatye Piggery	2015-16	ECDRDLR NDA	The CHDA conducted renovations to the existing piggery building in Bilatye in the prior year, and had intentions to operationalise the facility in 2017-18. A business plan was developed, and funcing applications submitted, resulting in approvals for funding of operations in 2018-19 amounts to R1 million from ECDRDLR and R250 000 from NDA. Animals were placed at the facility in 2018-2019, and an active selling agreement was in place with a local abattoire	Ongoing into 2019-2020
	Operationalisation of the Qamata Mechanisation Centre	2014-15	CHDM	The CHDA has taken on the objective of operationalising the mechanisation centre based at Qamata irrigation scheme since 2014. The CHDA was in charge of operating the centre in 2017-18, after the end of the operator contract given to Dicla Projects in 2014 to end June 2017. The centre was able to generate just above R1 million in 2018-2019 from its operations	Ongoing into 2019-2020

Strategic Programme	Projects / Focus Areas	Origin	Funder	Purpose	Status
2 To develop viable and sustainable rural economies	Agri-BEE Linkages Project	2015-16	Jobs Fund	The CHDA was part of a 3-party application made to the Jobs Fund to assist livestock farmers in the Elliot area with large-scale beef farming support, where qualifying emerging farmers would be taken onto a buy-back scheme enabling them to be placed with calves, provided with technical support, and guaranteed buy-back once the animals reached mature weight. To date, a total of 16 farmers were approved, and a total of 288 animals delivered resulting in over R 2.4 million revenue generation for participating farmers	Not ongoing in 2019-2020 as committed farmers placed with animals
	Saskhisizwe Beef Insemination Project	New	CHDA	The CHDA embarked on a pilot artificial insemination project to help emerging livestock farmers in Elliot improve their livestock genetic profile. A total of over 500 animals from the participating 10 farmers in Elliot were inseminated in the AI project in 2018-2019, where CHDA provided budget for bull semen, equipment, and training costs.	Ongoing in 2019-2020
	Small – stock Vaccination Programme	New	CHDM	The CHDA entered into an SLA with the CHDM to assist in vaccination of small stock by emerging farmers. 2018-2019 saw over 500 000 vaccines being administered, at a subsidised rate, to allow emerging farmers access to animal medicines as part of livestock health management	Ongoing in 2019-2020

Strategic Programme	Projects / Focus Areas	Origin	Funder	Purpose	Status
2 To develop viable and sustainable rural economies	Gubenxa Deciduous Fruit Pilot	2016-17	ECDRDAR	A 3ha fruit pilot site was established in Elliot in 2016/17, where apples, pears and vine were planted as a trial in a partnership between CHDA, Distell, Stargro and Qwathi-tolo farms in Sakhisizwe. To date, 3ha of fruit have been planted, and the crop site has been monitored to identify best performing cultivars. If trial is successful, plans are under way to possible expand production in the future.	Ongoing in 2019-2020
	Shiloh Vineyard Expansion Project	2015-16	CHDM	The CHDA, in a partnership with FarmVision, planted 5ha of vineyard in 2015-16, as an expansion to the pre-existing 5ha at Shiloh. The aim was to increase the quantity of production of wine grapes, so as to motivate for the establishment of a cellar in the future. In 2016-17, the first harvest operation was conducted, and the grapes processed into Pinotage and Chenin Blanc wines, which are sold by the Shiloh – based Mayime Winery Co-operative, under the Inkosi wine brand. The Inkosi wines are being sold via approved liquor outlets on approval of a liquor license in early 2018-19.	Ongoing in 2019-2020
	Pomegranate Pilot at Mitford	2015-16	CHDM	The pomegranate trial site was planted in prior periods, with the 2017-18 target being the ongoing maintenance and monitoring of the existing 30ha crop. The crop was maintained throughout the year, and fruit harvested in quarter 4 of 2018-2019	Ongoing in 2019-2020

Strategic Programme	Projects / Focus Areas	Origin	Funder	Purpose	Status
3 To facilitate investment promotion and SMME development	Operationalisation of the Komani Industrial Park	2015-16	DTI	The CHDA was tasked with the mandate of facilitating the work being done by the DTI with regards to the improvements to the industrial park in Queenstown / Ezibeleni. The work was initiated in 2015-16, where an infrastructure upgrade commenced, with a focus on security upgrades involving lighting, fencing and security in the park. In 2017-18, the CHDA submitted an application for further upgrades, and a total of R 45 million was approved for the Komani Industrial Park in 2018-2019, which would additional security and infrastructure upgrades - these were not finalized in 2018-2019 due to late appointment of contractor	Ongoing in 2019-2020
	CHDM SMME Funding Initiative	New	CHDM	The CHDM issued a call for applications in 2015-16, and a total of 42 SMME's from the Chris Hani district were approved for funding of their small businesses in 2017-18. The CHDM approved SMME funding to the value of over R4 million, which the CHDA was mandated to manage the disbursement of funds to approved SMME's.	Ongoing in 2019-2020
	Facilitation of New Job and Work Opportunities	Ongoing	Project budgets	The CHDA had a mandate of ensuring that locals benefits from development initiatives through job and employment opportunities. In 2018-2019 alone, the CHDA was able to place more than 500 locals in various projects, allowing these people to earn a wage on a monthly basis.	Ongoing in 2019-2020

Strategic Programme	Projects / Focus Areas	Origin	Funder	Purpose	Status
4 To facilitate development of sector – specific scarce skills	CHDM Mayors Bursary Fund	2013-14	CHDM	The CHDA has been administering the CHDM Mayors Bursary Fund initiative since 2013-14, and is in its second placement cycle. A current 21 students are being supported on the bursary fund to further their tertiary studies in identified scarce skills, ranging from agricultural studies, engineering, finance and accounting, as well as IT and tourism.	Ongoing in 2019-2020
	CETA Bursary Fund	New	CETA	With engineering being identified as a scarce skill in the district, the CHDA submitted a funding application for bursaries with the Construction Seta in 2016-17, which was approved for implementation in 2017-18. A total of 15 young people were selected by the CETA, and enrolled in various institutions of higher learning to further their studies in engineering. A total of 11 students were active in 2018-2019, as the 4 had been taken off the programme due to poor academic performance	Ongoing in 2019-2020
	Career Seminars	2013-14	CHDA	The CHDA hosts career exhibitions during the year, targeted at both teachers and learners. The career seminars assist both learners and teachers access the latest information on career choices, application procedures with various institutions, as well as access bursary information at these events. Various bodies are invited to present, and setup exhibition stands, so as to enable learners to make educated and informed career and further study choices	Ongoing in 2019-2020
	SETA Internship Programme	2017-2018	SETA	The CHDA entered into an agreement to place young graduates in various positions with the SETA and Zee Consulting in 2017-2018. The programme saw 21 young people in full time employment, but the programme was terminated in 2018-2019.	Complete

Strategic Programme	Projects / Focus Areas	Origin	Funder	Purpose	Status
4 To facilitate development of sector – specific scarce skills	CETA Apprenticeship Programme	2017-2018	CETA	The CHDA submitted an application for the placement of unskilled youth in various learnership programmes involving bricklaying, and plumbing. The application was approved in 2018-2019, resulting in over 30 young people being selected to participate in a 3-year apprenticeship programme funded by the CETA	Ongoing in 2019-2020
	Rural Artisan Certification Project	New	CHDA	The CHDA has identified a need for artisans in rural communities, both to provide much needed specialist services in communities, as well as create jobs and small businesses for registered artisans. A project commenced in 2016-17, where 8 young people from communities in the district would be selected for undergoing an artisan accreditation process with the CETA, but targeted number had not graduated by end June 2019	Ongoing in 2019-2020

***CHDM MAYOR'S BURSARY ASSISTANCE PROGRAMME -
ACADEMIC EXCELLENCE AWARDS 2019***

"If farm ecology and economics go wrong, nothing else will go right."

M. S. SWAMINATHAN

POMEGRANITE FRUIT PILOT MITFORD

05

REPORT BY THE AUDIT COMMITTEE

CHDA STAKEHOLDER ENGAGEMENT: PRESENTATION OF ANNUAL REPORT IN CRADOCK

REPORT BY THE **AUDIT COMMITTEE**

MR JACKSON MBAWULI
AUDIT COMMITTEE CHAIRPERSON
CHRIS HANI DISTRICT MUNICIPALITY

The CHDA considered fraud risk and internal controls as an objective of internal control activities with fraud perceived to be a potential internal control failure.

The committee performed its oversight function activities guided by its Charter and its Terms of Reference adequately with additional committee sittings held where necessary. The agency adopted an outsourced internal audit system to perform internal audit functions based on an approved risk - based internal audit plan for 2018-2019, which was executed fully with quality reviews conducted on the methodology internal auditors utilized in performing audits. All audit findings were reported to Management, the Audit, Risk and Ethics Committee as well as the Board.

The agency has access to the parent municipality's recently implemented independent fraud and anti-corruption whistleblowing hotline.

Internal controls were continuously strengthened with key agency policy reviews conducted and approved. This included the review of existing policies, as well as Standard Operating Procedure manuals to assist in strengthening of internal controls and standardising processes and procedures.

The committee therefore supports the Board in implementing its oversight responsibility by overseeing and reporting to the Board on the following:

Risk Management

Effective risk management is integral to the organisation's objective of consistently adding value to the business. CHDA fully implemented and maintained a system of risk identification and management with progress reports on updating risk registers to report on matured, emerging and risks with no movement in accordance with the requirements of the MFMA. The agency was able to develop a comprehensive action plan against identified risks, and continued to improve in its addressing of internal control gas and improvements, as well as risk reporting to the committee.

Effectiveness of Internal Controls

In order to meet its responsibility of providing reliable financial information, the CHDA maintained financial and operational systems of internal controls designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material loss of unauthorised acquisition, use or disposition, and that transactions are properly authorised and recorded. The system includes a documented organisational structure and division of responsibility, established policies and procedures regularly communicated throughout the organisation, and careful selection, training and development of staff.

CHDA is still operating with an outsourced internal audit unit structure under the guidance of the Board. The auditors adopted a risk based audit approach and monitored the operations of the internal control system, reported quarterly their findings and recommendations to the Audit, Risk and Ethics Committee, Executive Management and the board. Corrective action was taken on remedial actions developed to address control deficiencies as they were identified. The Board, operating through its Audit, Risk and Ethics Committee, provided oversight of the financial reporting process and internal control system.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. In the financial year of reporting, the Audit, Risk and Ethics Committee met with management and internal auditors on a quarterly basis to track progress in resolving outstanding internal control issues previously raised by the Auditor- General and internal audit. Based on our reviews of the audit findings, internal control environment revealed weaknesses, which were then raised with the entity and resolved. Auditor General's audit opinion outcomes of an unqualified audit opinion with findings in 2018-2019 was achieved, which is a slight regression from the clean audit opinion realised in 2017-2018.

Internal Audit

The risk-based Internal Audit Plan for 2018-2019 was executed fully, and the following audits were completed:

- Review of Performance Information (annual and quarterly)
- Review of Annual Financial Statements
- Review of Fruitless and Wasteful Expenditure
- Review of ITC Governance issues
- Review of SCM
- Review of HRM
- Review of Compliance and Governance issues
- Review of Project Administration and Management

Review of the findings of the internal audit work, based on the risk assessments conducted in the organisation revealed certain weaknesses, which were raised with Management.

In-Year Management and Reporting

The CHDA reported monthly and quarterly to the Board, CHDM and Treasury as required by the MFMA directives.

MR JACKSON MBAWULI
AUDIT COMMITTEE CHAIRPERSON | 15 NOVEMBER 2019

In-Year Management and Reporting

The CHDA reported monthly and quarterly to the Board, CHDM and Treasury as required by the MFMA directives.

Membership

The Audit, Risk and Ethics Committee, as an independent advisory committee to the Board and Management, comprised of externally - sourced independent members with skills and expertise to perform their audit oversight functions to the best of their abilities.

The committee comprised of the following members during the year:

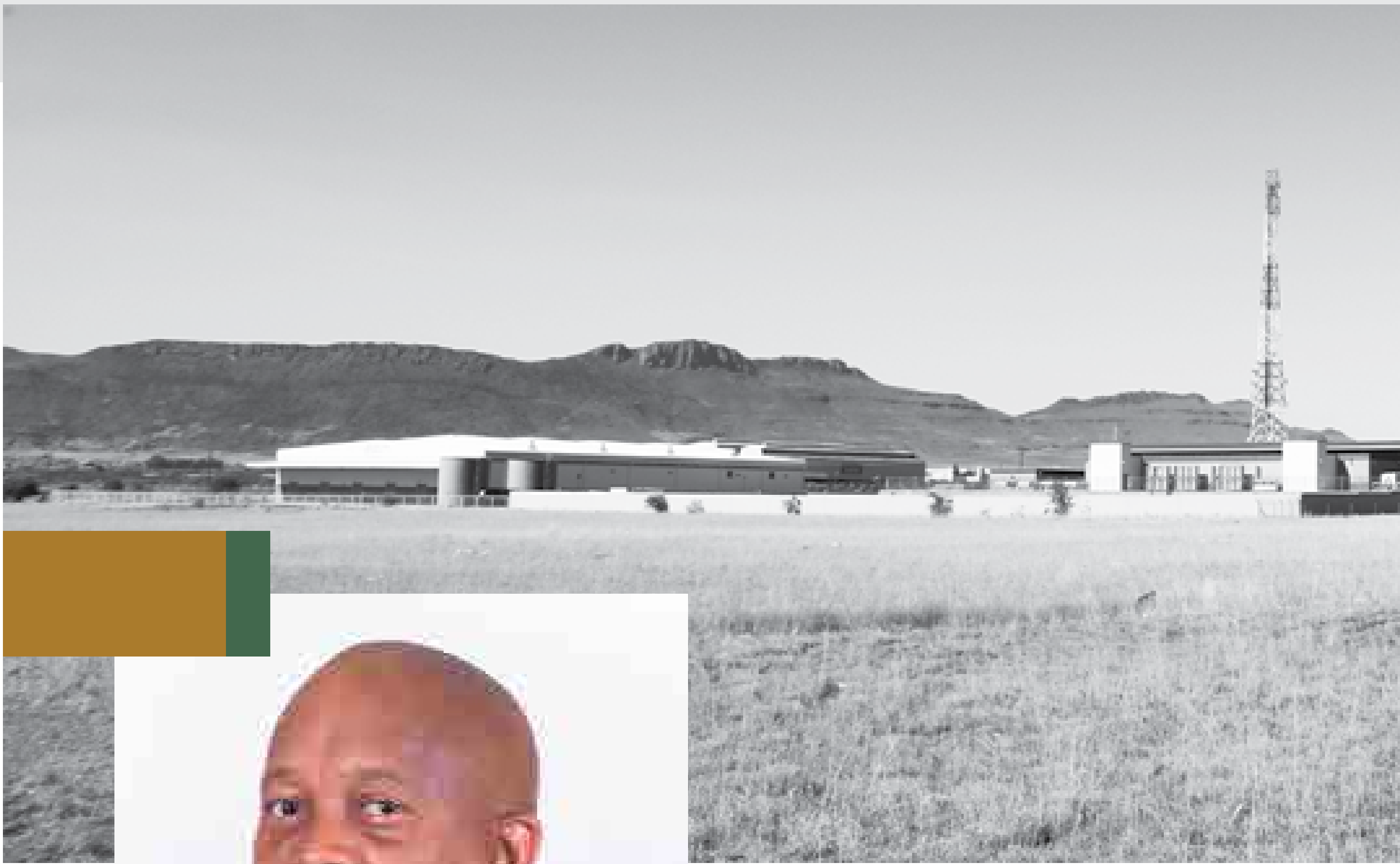
	Skills and Experience	Designation
Mbawuli, ZJ	Bcom (Honours) Sits on various audit and risk committees 38 years professional experience	*Chairperson
Galada, L	Btech (Internal Auditing) Sits on various audit and risk committees 27 years professional experience	Member
Langa, AM	Bcom (Municipal Accounting) Sits on various audit and risk committees 36 years professional experience	Member
Plaatjies, AW	Phd (Commerce), MBA Sits on various governance structures in education and local government 25 years professional experience	Member
Kretzmann, A	(To be updated with new information)	Member

The committee sat on a quarterly basis, and had 2 additional / special sittings, for the approval of AFS and APR as well as approval of staff bonuses in a joint sitting with the HRR committee. The committee therefore fulfilled its duty and supported the Board during the period.

06

HANDOVER OF NEW AGRICULTURAL EQUIPMENT BY MEC MVOKO

REPORT BY THE COMPANY SECRETARY



REPORT BY THE **COMPANY SECRETARY**

MR SIYATHEMBA SOKUTU
COMPANY SECRETARIAT
CHRIS HANI DEVELOPMENT AGENCY

REVITALISATION OF THE KOMANI INDUSTRIAL PARK

I confirm my role as Company Secretary to the CHDA for the period ended 30 June 2019. Section 88(2)e of the Companies Act 71 of 2008 requires a company secretary to certify whether the company has filed required returns and notices in terms of the Act, and whether all such returns and notices appear to be true, correct, and up to date.

I hereby confirm, in my capacity as Company Secretary of the Chris Hani Development Agency (CHDA), that for the financial year 2018-2019, the company complied in terms of the Companies Act with regards to governance and filing of the necessary lodgements and disclosures.

MR SIYATHEMBA SOKUTU
COMPANY SECRETARIAT | 15 NOVEMBER 2019

SMME DEVELOPMENT FUNDING INITIATIVE

07

REPORT BY THE AUDITOR GENERAL

REPORT OF THE AUDITOR-GENERAL

TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND COUNCIL ON THE CHRIS HANI DEVELOPMENT AGENCY SOC LTD

Report on the Audit of the Financial Statements

Opinion

1. I have audited the financial statements of the Chris Hani Development Agency SOC Ltd set out on pages 95 to 135, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget with 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 Chris Hani Development Agency SOC Ltd as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa (Act no. 56 2003) (MFMA) and the Companies Act of South Africa (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 municipal entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants, parts 1 and 3 of the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA codes), as well as the ethical requirements that are relevant to my audit in requirements and the IESBA codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide basis for my opinion.

Emphasis of Matter

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

Restatement of Corresponding Figures

7. As disclosed in note 38 to the financial statements, the corresponding figures for 30June 2018 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2019.

Responsibilities of Accounting Officer for the financial statements

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and requirements of the MFMA and the companies Act, and for such internal control as the accounting officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting officer is responsible for assessing the Chris Hani Development Agency's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the 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

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

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

Report on the Audit of the Annual Performance Report

Introduction and Scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act no. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

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

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the municipal entity for the year ended 30June 2019.

Programmes	Pages in the annual performance report
Programme 2 - to develop and sustainable rural economies	57-78
Programme 3 – to facilitate investment promotion and SMME development and job creation	

15. 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, assessed reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. The material findings in respect of the usefulness and reliability of the selected programmes are so follows:

Programme 2 – to Develop Viable and Sustainable Rural Economies

Indicator: Number of planned operationalisation outputs completed

17. Inconsistences were identified between the planned and reported indicator: number of planned operationalization outputs completed, and the planned and reported target: 100% implementation of QMC operational plan, as the indicator refers to a number whereas the target refers to a percentage.

Indicators: Number of animals placed to support livestock production programmes

18. Inconsistences were identified between the planned and reported indicator: number of animals placed to support livestock production programmes, the planned and reported target: 100% placement of cattle with approved six remaining farmers, and reported achievement: eight farmers were placed with livestock by the end of the second quarter. The indicator refers to a number of animals, while the target refers to a percentage of cattle and reported achievement refers to a number of farmers.

Indicator: Number of technical support progress and monitoring reports developed and approved

19. The planned targets for this indicator were not measurable and also not specific in clearly identifying the nature and required level of performance. In addition, inconsistencies were identified between the planned indicator: number of technical support progress and monitoring reports developed and approved, and the planned targets and reported achievements as follows:

Target	Reported achievement
Commercialisation of fruit cluster through provision of technical support to farmers on 30ha existing pomegranate crop maintained in Mitford	4 quarterly technical progress and monitoring reports were developed and approved as part of technical support provision by the end of June 2019
Commercialisation of fruit cluster through provision of technical support farmers on 3ha existing fruit (wine grapes and apples) planted at Gubenxa / Sakhisizizwe LM	3 quarterly technical progress and monitoring reports were developed and approved as part of technical support provision by the end of June 2019
Commercialisation of fruit cluster through provision of technical support to existing vineyard planted at Shiloh	4 quarterly technical progress and monitoring reports were developed and approved as part of technical support provision by the end of June 2019

Programme 3 – to Facilitate Investment Promotion and SMME Development and Job Creation

Number of planned renovation and infrastructure improvement outputs completed

20. Inconsistences were identified between the indicator: number of planned renovation and infrastructure improvement outputs completed, the target: facilitation and monitoring of Komani industrial park phase 1B_infrastructure improvements, and the reported achievement: three engagement sessions held since the start of programme, zero quarterly monitoring reports were presented.

21. I was able to obtain sufficient appropriate audit evidence to support the reported achievement of target: facilitation and monitoring of Komani industrial park phase 1B_ infrastructure improvements. This was due to inadequate technical indicator descriptions and lack of proper performance management systems that determined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 3 engagement sessions held.

    Since the start of programme, 0 quarterly monitoring reports were presented as reported in the annual performance report.

Achievement of Planned Target

22. Refer to the annual performance report on pages…to… for information on the achievement of planned targets for the year and explanation provided for the under or overachievement of a number of targets. This information should be considered in the context of the material findings on the useful and reliability of the reported performance information in paragraphs 17 to 21 of this report.

Adjustment of Material Misstatements

22. Identified materials misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2: to develop viable and sustainable rural economies, and programme 3: to facilitate investment promotion and SMME development and job creation.

    As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were corrected are reported above.

Report on the Audit of Compliance with Legislation

Introduction and Scope

23. 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.

24. The material findings on compliance with specific matters in key legislation are as follows:

Expenditure Management

25. Effective steps were not taken to prevent fruitless and wasteful expenditure of R923 617 disclosed in note 34 to the financial statement, as required by section 95(d) of the MFMA. The, majority of the fruitless and wasteful expenditure was caused by interest and penalties charged by the south African Revenue Service due to late submission of the income tax return.

Other Information

26. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committees' report and the company secretary's certificate as required by the companies Act. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditors' report.

27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

28. In connection with my audit, my responsibility is to read the other information and , in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit , or otherwise appears to be materially misstated.

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

Internal Control Deficiencies

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

31. The leadership of the municipal entity did not sufficiently oversee the implementation of proper performance planning and management practices to provide for the development of performance indicators and targets. The leadership also did not ensure that proper processes were followed to prevent the entity from incurring fruitless and wasteful expenditure.

Auditor - General

East London
30 November 2019

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 judgment and maintain professional skepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes 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 materials 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 once 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 disclosure made by the accounting officer.
   - Conclude on the appropriateness of the accounting officer'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 uncertainly exists related to events or conditions that may cast significant doubt on the Chris Hani Development Agency's ability to continue as a going concern. If I conclude that a material uncertainly exists, I am required to draw attention in my auditor's report to the related disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease continuing as a going concern.
   - Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, 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 officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that identify during my audit.
4. I also confirm to the accounting officer 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,

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ANNUAL FINANCIAL STATEMENTS

LIVESTOCK VACCINATION PROGRAMME

GENERAL INFORMATION

Country of Incorporation and Domicile	South Africa
Nature of Business and Principal Activities	Formed as a local economic development agency of the Chris Hani District Municipality to develop and promote economic growth in the Chris Hani District
Acting Chief Executive Officer	Ms. Nontembeko Nomnganga
Chief Finance Officer (CFO)	Ms. Nontembeko Nomnganga
Directors	Mr. M Sigabi Ms. N Skeyi Mr. S Ngqwala Ms. V Matsiliza Mr. R Ramabulana Mr. P Songo Ms. F Mushowe
Registered Office	15 Warner Street Queenstown 5320
Business Address	15 Warner Street Queenstown 5320
Controlling Entity	Chris Hani District Municipality incorporated in South Africa
Bankers	First National Bank
Auditors	Auditor-General of South Africa
Secretary	Siyathemba Sokutu Attorneys
Company Registration Number	2012/033437/30
Tax Reference Number	9041087231
Legislation	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The annual financial statements were internally compiled by: N F Nomnganga (Chief Financial Officer)

CONTENTS

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

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.

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 directors 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 2020 and, in light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the Chris Hani 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 Chris Hani District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements.

The annual financial statements set out on pages 4 to 44, which have been prepared on the going concern basis, were approved by the directors on the 31 August 2019 and were signed on their behalf by:

MRS NONTEMBEKO MAYEKISO-NOMNGANGA
ACTING CHIEF EXECUTIVE OFFICER | 15 NOVEMBER 2019

MRS NOKULUNGA SKEYI
BOARD CHAIRPERSON | 15 NOVEMBER 2019

DIRECTORS' REPORT

In terms Section 30 of the Companies Act No 71 of 2008 as amended and Section 122(1)(2)(3) and 126 (2)(3) of the Municipal Finance Management Act No 56 of 2003 the following report must be submitted for the year ended 30 June 2019.

1 General Review

There has been no material change in the nature or conduct of the company's business during the year under review.

The financial statements adequately disclose the results of the operations for the year under review and the state of the company's affairs at 30 June 2019.

There has been no material fact or occurrence since the end of the year under review on which we consider it necessary to report.

2 Nature of Business

The company has been formed as a local economic development agency of the Chris Hani District Municipality to develop and promote economic growth in the Chris Hani District.

3 Translation of Foreign Currencies

CHDA is 100% owned by Chris Hani District Municipality.

There are no ordinary par value shares only NPV shares (no par value shares).

4 Dividends

No dividends have been proposed or declared during the period under review nor are any recommended.

5 Directors

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

NAME	NATIONALITY	CHANGES
Mr. M Sigabi	South African	
Ms. N Skeyi	South African	
Mr. T Mashologu	South African	Resigned 31 Dec 2018
Mr. S Ngqwala	South African	
Ms. V Matsiliza	South African	
Mr. R Ramabulana	South African	
Mr. P Songo	South African	
Ms. F Mushowe	Zimbabwean	

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note(s)	2019 R	2018 Restated* R
Assets			
Current Assets			
Receivables from exchange transactions	3	1 658 421	84 678
Receivables from non-exchange transactions	4	-	1 198 185
VAT receivable	6	413 475	-
Prepayments	5	28 915	65 503
Cash and cash equivalents	7	408 488	2 337 407
		2 509 299	3 685 773
Non-Current Assets			
Property, plant and equipment	8	14 502 311	15 852 883
Intangible assets	9	133 026	273 161
		14 635 337	**16 126 044**
Total Assets		**17 144 636**	**19 811 817**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	4 758 969	1 419 759
Payables from non-exchange transactions	11	-	3 024 818
VAT payable	12	-	458 610
Unspent conditional grants and receipts	13	4 797 072	5 517 542
		9 556 041	**10 420 729**
Total Liabilities		**9 556 041**	**10 420 729**
Net Assets		**7 588 595**	**9 391 088**
Translation of foreign currencies	15	1 000	1 000
Accumulated surplus		7 587 595	9 390 088
Total Net Assets		**7 588 595**	**9 391 088**

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

	Note(s)	2019 R	2018 Restated* R
Revenue			
Revenue From Exchange Transactions			
Project income	16	33 192 542	18 352 260
Mechanisation income		664 455	108 175
Tender Fees		25 000	99 720
Agency fees		70 470	337 644
Other income		55 516	37 492
Interest received - investment	17	372 337	360 861
Total Revenue From Exchange Transactions		**34 380 320**	**19 296 152**
Revenue From Non-Exchange Transactions			
Transfer Revenue			
Government grants & subsidies	18	20 680 000	20 480 000
Total revenue	19	**55 060 320**	**39 296 152**
Expenditure			
Employee costs	20	(13 667 099)	(14 065 103)
Depreciation & amortisation	21	(1 591 582)	(1 595 459)
Finance costs	22	(730 445)	(139 979)
Lease rentals on operating lease		(64 463)	(72 713)
Repairs & maintenance		(46 341)	(47 391)
Project costs - internal programs	23	(628 938)	(196 550)
Project costs - external programs	24	(33 192 543)	(18 352 261)
General expenses	25	(6 941 400)	(7 083 227)
Total Expenditure		**(56 862 811)**	**(41 552 683)**
(Deficit) Surplus Before Taxation		**(1 802 491)**	**(1 776 531)**

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019

	Share capital / contributed capital R	Accumulated surplus R	Total net assets R
Balance as at 1 July 2017	**1 000**	**11 166 617**	**11 167 617**
Changes in net assets			
Surplus for the year	-	(1 776 531)	(1 776 531)
Total changes	-	(1 776 531)	(1 776 531)
Opening balance as previously reported	1 000	10 423 662	10 424 662
Adjustments			
Correction of errors	-	277 441	277 441
Prior year adjustments	-	(1 311 037)	(1 311 037)
Restated* Balance at 01 July 2018	**1 000**	**9 390 066**	**9 391 066**
Changes in net assets			
Surplus for the year	-	(1 802 491)	(1 802 491)
Total changes	-	(1 802 491)	(1 802 491)
Balance as at 30 June 2019	**1 000**	**7 587 575**	**7 588 575**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

	Note(s)	2019 R	2018 Restated* R
Cash Flows From Operating Activities			
Receipts			
Grants		20 057 571	24 162 441
Interest income		372 337	360 861
Other receipts		33 136 201	18 777 084
		53 566 109	43 300 386
Payments			
Employee costs		(13 667 099)	(14 065 103)
Suppliers		(40 996 608)	(26 184 361)
Interest and penalties on income tax		(730 445)	(139 979)
		(55 394 152)	(40 389 443)
Net Cash Flows From Operating Activities	26	**(1 828 043)**	**2 910 943**
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	8	(125 055)	(485 117)
Proceeds from disposal of property, plant and equipment	8	38 283	-
Purchase of intangible assets	9	(14 104)	(80 314)
Net Cash Flows From Investing Activities		**(100 876)**	**(565 431)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**(1 928 919)**	**2 183 466**
Cash and cash equivalents at the beginning of the year		2 337 407	153 941
Cash and Cash Equivalents at the End of the Year	7	**408 488**	**2 337 407**

STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Ref
Statement of Financial Performance						
Revenue						
Revenue From Exchange Transactions						
Project income	34 381 942	10 308 862	**44 690 804**	33 192 542	**(11 498 262)**	38.1
Mechanisation Centre income	-	1 000 000	**1 000 000**	664 455	**(335 545)**	38.2
Tender fees	15 000	10 000	**25 000**	25 000	**-**	
Agency fees	1 478 365	(978 365)	**500 000**	70 470	**(429 530)**	38.3
Other income	-	60 000	**60 000**	55 516	**(4 484)**	
Interest received-investment	566 320	-	**566 320**	372 337	**(193 983))**	38.4
Total Revenue From Exchange Transactions	**36 441 627**	**10 400 497**	**46 842 124**	**34 380 320**	**(12 461 804)**	
Revenue From Non-exchange Transactions						
Transfer Revenue						
Government grants & subsidies	20 680 000	-	**20 680 000**	20 680 000	**-**	
Total Revenue	**57 121 627**	**10 400 497**	**67 522 124**	**55 060 320**	**(12 461 804)**	
Expenditure						
Personnel	(18 593 504)	4 752 735	**(13 840 769)**	(13 667 099)	**173 670**	38.5
Depreciation and amortisation	(1 620 000)	-	**(1 620 000)**	(1 591 582)	**28 418**	38.6
Interests and Penalties	-	-	**-**	(730 445)	**(730 445)**	38.7
Lease rentals on operating lease	(84 160)	13 837	**(70 323)**	(64 463)	**5 860**	38.8
Repairs and maintenance	(60 168)	8 951	**(51 217)**	(46 341)	**4 876**	38.9
Project costs - Internal programs	(500 000)	(157 000)	**(657 000)**	(628 938)	**28 062**	38.10
Project costs - external programs	(34 381 942)	(10 278 962)	**(44 660 904)**	(33 192 543)	**11 468 361**	38.11
General expenses	(6 659 976)	(196 628)	**(6 856 604)**	(6 941 400)	**(84 796)**	38.12
Total Expenditure	**(61 899 750)**	**(5 857 067)**	**(67 756 817)**	**(56 862 811)**	**10 894 006**	
Surplus / (Deficit) Before Taxation	**(4 778 123)**	**4 543 430**	**(234 693)**	**(1 802 491)**	**(1 567 798)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(4 778 123)**	**4 543 430**	**(234 693)**	**(1 802 491)**	**(1 567 798)**	

STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2019

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Ref
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	**-**	1 658 421	**1 658 421**	
VAT receivable	-	-	**-**	413 475	**413 475**	
Prepayments	-	-	**-**	28 915	**28 915**	
Cash and cash equivalents	-	-	**-**	408 488	**408 488**	
	-	**-**	**-**	**2 509 299**	**2 509 299**	
Non-Current Assets						
Property, plant and equipment	(420 000)	320 000	**(100 000)**	14 502 311	**14 602 311**	
Intangible assets	(52 550)	22 550	**(30 000)**	133 026	**163 026**	
	(472 550)	**342 550**	**(130 000)**	**14 635 337**	**14 765 337**	
Total Assets	**(472 550)**	**342 550**	**(130 000)**	**17 144 636**	**17 274 636**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	-	-	**-**	4 758 969	**4 758 969**	
Unspent conditional grants and receipts	-	-	**-**	4 797 072	**4 797 072**	
	-	**-**	**-**	**9 556 041**	**9 556 041**	
Total Liabilities	**-**	**-**	**-**	**9 556 041**	**9 556 041**	
Net Assets	**(472 550)**	**342 550**	**(130 000)**	**7 588 595**	**7 718 595**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Translation of foreign currencies	-	-	**-**	1 000	**1 000**	
Reserves						
Accumulated surplus	(472 550)	342 550	**(130 000)**	7 587 595	**7 717 595**	
Total Net Assets	**(472 550)**	**342 550**	**(130 000)**	**7 588 595**	**7 718 595**	

ACCOUNTING POLICIES

1 Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

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 Rounding

The amounts in the annual financial statements are rounded to the nearest Rand, unless stated otherwise.

1.3 Going Concern Assumption

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

1.4 Comparative Information

Current Year Comparatives (budget)

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

1.5 Significant Judgements and Estimates

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying those accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements:

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis.

Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

Depreciation and Amortisation

Depreciation and armotisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of the assets are based on management's estimation of the asset's condition, expected condition at the end of the period in use, its current use, expected future use and entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating how the condition and the use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

Effective Interest Rate

The entity uses an appropriate interest rate taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances to discount future cashflows. The entity used the prime interest rate where required.

1.6 Financial Instruments

Initial Recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories

a) Financial instruments at fair value:

- Derivatives
- Compound instruments that are designated at fair value i.e. an instrument that includes a derivative and a non derivative.
- Instruments held for trading.
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
- An investment in a residual interest for which fair value can be measured reliably.
- Financial instruments that do not meet the definition of financial instruments at amortised cost.

b) Financial intruments at amortised cost.

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

c) Financial Instruments at cost.
Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Subsequent measurement of financial assets and financial liabilities

Concessionary Loans

The part of consessionary loans that is a social benefit or non exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, an entity measures concenssionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

Trade and Other Receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Cash and Cash Equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and Other Payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

a) The rights to receive cash flows from the asset have expired.
b) The entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to the a third party under a pass-through arrangement or.
c) The entity has transferred its rights to receive cash flows from the asset and either:
   - Has transferred substantially all the risks and rewards of the asset, or
   - Has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the entity's continuing involvement is the amount of the transferred asset that the entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial asset is derecognised at trade date, when:

a) The cash flows from the asset expire, are settled or waived;
b) Significant risks and rewards are transferred to another party; or
c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

Financial Liability

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

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

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

Derecognition

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Gains and Losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Offsetting

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Impairments

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets held at amortised cost:
The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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

For financial assets held at cost:
If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Policies Relating to Specific Financial Instruments

Investments at amortisation cost:
Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in a registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investment have been impaired the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of the investment the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Investment at fair value:
Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Investments at cost:
Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

1.7 Property, Plant and Equipment

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

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

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

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

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

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

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

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

Land is not depreciated.

All other Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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	Average useful life
Land	Infinite	
Buildings	Straight line	20 years
Furniture/Fittings	Straight line	6 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 years
Computers	Straight line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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.

Rroperty, plant and equipment is 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.

Impairments

The entity tests for impairment where there is an indication the an asset may be impaired. An assessment of whether there is an indication of possible impaiment is to each reporting date. Where the carrying amount of an item of property plant and equipmentis greater than the recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount(or recoverable service amount) and an impairment loss is charged to the statement to the Statement of Financial Performance.

Where items of property plant and equipment have been impaired the carrying amount value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carryig amount does not exceed the carring amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

In terms 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 on the disposal or retirement of an item of property plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 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.

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.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

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

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

Item	Depreciation	Average useful life
Computer software	Straight line	3 years

Derecognition

Intangible assets 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 on the disposal or retirement of an item of intangible asset is determined as the difference between the proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Intangible assets are derecognised:

- On disposal; or
- When no future economic benefits or service potential are expected from its use or disposal.

1.9 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.

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.

Provisions are not recognised for future operating deficits.

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 30.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- The amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

- The amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.10 Impairments

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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

Useful life is either:

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

1.11 Employee Benefits

Short-term Employee Benefits

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

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

Defined Contribution Plans

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

1.12 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.

The Entity as Lessee

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005, in accordance with the transitional requirements of GRAP3.

Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

Derecognition

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

1.13 Revenue From Exchange Transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
b) The amount of revenue can be measured reliably; and
c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Expenditure From Exchange Transactions

Expenses directly associated with the generation of exchange revenue are recognised in the same period as the revenues are recognised, rather than in the period in which the expenses are incurred:

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 services performed to date as a percentage of total services to be performed.

Interest Income

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

1.14 Revenue From Non-Exchange Transactions

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

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.

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

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.

Expenditure relating to non-exchange transactions
Expenses directly associated with the generation of non exchange revenue are recognised in the same period as the revenues are recognised, rather than in the period in which the expenses are incurred.

1.15 Translation Of Foreign Currencies

Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction.

Exchange differences ariding on the settlement of the creditor or on reporting of creditors at rates different from those at which they were initially recorded are expensed Transactions in foreign currency are accounted at the spot rate of the exchange ruling on the date of the transaction.

Gains and losses arising on the translation are recognised in the of statement of financial performance in the year in which they occur.

1.16 Other Comprehensive Income Items

Gains and Losses

Gains and losses arising from fair value adjustments on investments and loans and from the disposal of assets and are presented separetely from other revenue in the Statement of Financial Performance.

Income,expenditure,gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a standard of GRAP.

1.17 Value Added Tax

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

1.18 Irregular Expenditure

Irregular expenditure is expenditure that is in 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.

1.19 Fruitless and Wasteful Expenditure

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

1.20 Recovery of Irregular, Fruitless and Wasteful Expenditure

The recovery of irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of irregular, fruitless and wasteful expenditure is recognised as other income.'

1.21 Post-reporting Events

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 reportingdate); 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.

1.22 Related Parties

The entity has processes and controls in place to aid in the identification of 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. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period Where transactions occurred between the entity any one or more related parties, and those transactions were not within:

a) 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
b) Terms and conditions within the normal operating parameters established by the reporting entity's legal mandate.

Further details about those transactions are disclosed in the notes to the financial statements. Information about such transactions is disclosed in the financial statements.

1.23 Budget Information

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the entity is taken for a stakeholder consultative process as part of the parent municipality and upon approval the approved budget is made publicly available.

Material differences in terms of the basis or timing have been disclosed in the notes to the annual financial statements.The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

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

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

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.

1.24 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.

1.25 Tax

Tax Expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to net assets; or
- A business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

Deferred Tax Asset and Liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

1.26 Borrowing Costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the entity, and the costs can be measured reliably. The entity applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the entity.

The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- Expenditures for the asset have been incurred;
- Borrowing costs have been incurred; and
- Activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.2 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2 New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date:	Expected impact:
	Years beginning on or after	• GRAP 17 (as amended 2016): Property, Plant and Equipment 01 April 2018

3 Receivables From Exchange Transactions

	2019 R	2018 R
Trade and other receivables	1 658 421	84 678

4 Receivables From Non-Exchange Transactions

Government grants and subsidies	-	1 198 185

5 Prepayments

Prepayments arise due to software licence fees paid in advance for future period and data for board members paid in advance for the next 22 months starting in July 2018.

Amount Details		
Prepaid data costs for board members	13 255	35 563
Licence fees paid for 2019/20	15 660	29 940
	28 915	**65 503**

6 VAT Receivable

VAT	413 475	-

7 Cash and Cash Equivalents

	2019 R	2018 R
Cash and cash equivalents consist of:		
Cash on hand	404	35
Bank balances	402 771	2 332 661
Short-term deposits	5 313	4 711
	408 488	**2 337 407**

The entity had the following bank accounts:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB MAIN 623 636 541 56	383 889	192 264	92 096	383 889	192 264	92 096
FNB SKILLS 623 960 858 99	1 743	484 812	31 101	1 743	484 812	31 101
FNB INV 623 789 429 18	5 313	4 711	4 374	5 313	4 711	4 374
FNB DEA 624 578 562 96	3 914	1 606 912	9 663	3 914	1 606 912	9 663
FNB CALL 625 418 515 74	3 709	3 991	10 594	3 709	3 991	10 594
FNB MECH 625 407 434 83	8 010	38 828	5 515	8 010	38 828	5 515
FNB PETTY 625 407 426 83	1 510	5 854	598	1 510	5 854	598
Total	**408 088**	**2 337 372**	**153 941**	**408 088**	**2 337 372**	**153 941**

8 Property, Plant and Equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 567 329	-	2 567 329	2 567 329	-	2 567 329
Buildings	11 744 409	(1 224 314)	10 520 095	11 744 409	(637 094)	11 107 315
Furniture and fixtures	1 031 845	(498 614)	533 231	1 031 845	(349 371)	682 474
Motor vehicles	1 031 511	(670 731)	360 780	1 031 511	(464 428)	567 083
Office equipment	640 428	(447 163)	193 265	640 428	(246 500)	393 928
IT equipment	1 218 784	(891 173)	327 611	1 155 397	(620 643)	534 754
Total	**18 234 306**	**(3 731 995)**	**14 502 311**	**18 170 919**	**(2 318 036)**	**15 852 883**

Reconciliation of Property, Plant and Equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment reversal	Total
Land	2 567 329	-	-	-	-	-	2 567 329
Buildings	11 107 315	-	-	-	(587 220)	-	10 520 095
Furniture and fixtures	682 474	-	-	-	(149 243)	-	533 231
Motor vehicles	567 083	-	-	-	(206 303)	-	360 780
Office equipment	393 928	-	-	-	(200 663)	-	193 265
IT equipment	534 754	109 990	(38 283)	(9 590)	(293 916)	24 656	327 611
	15 852 883	**109 990**	**(38 283)**	**(9 590)**	**(1 437 345)**	**24 656**	**14 502 311**

Reconciliation of Property, Plant and Equipment - 2018

	Opening balance	Additions	Transfers	Depreciation	Total
Land	2 567 329	-	-	-	2 567 329
Buildings	12 069 931	-	(376 996)	(585 620)	11 107 315
Furniture and fixtures	40 969	132 993	376 995	(168 483)	682 474
Motor vehicles	773 385	-	-	(206 302)	567 083
Office equipment	449 354	143 012	-	(198 438)	393 928
IT equipment	593 803	231 116	(22 000)	(268 165)	534 754
	16 794 771	**507 121**	**(22 001)**	**(1 427 008)**	**15 852 883**

Pledged as Security
None of the entity's property plant and equipment is pledged as security.

Details of Property
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.

9 Intangible Assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software(finite)	696 136	(563 110)	133 026	682 033	(408 872)	273 161

Reconciliation of Intangible Assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software(finite)	273 161	14 104	(154 239)	133 026

Reconciliation of Intangible Assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software(finite)	361 298	80 314	(168 451)	273 161

Pledged as Security
There are no items of intangible assets that are pledged as security.

10 Payables From Exchange Transactions

	2019 R	2018 R
Trade payables	956 162	13 621
Payroll payable	252 817	20
Provision for Perfromance Bonus	1 202 692	1 014 469
Provision for 13th cheque	53 653	44 936
Leave pay acrual	293 645	346 713
	4 758 969	**1 419 759**

11 Payables From Non-Exchange Transactions

Income tax payable	-	3 024 818

12 VAT Payable

VAT payable	-	458 610

13 Unspent Conditional Grants and Receipts

	2019 R	2018 R
Unspent conditional grants and receipts comprises of:		
Chris Hani District Municipality - Irrigation Schemes		
CHDM Agricultural Production Support	136 929	136 929
CHDM SEZ Facilitation	587 073	587 073
Department of Environmental Affairs - Waste Management Programme	-	1 644 253
CHDM SMME Development and Investment Promotion	1 315 684	511 439
CHDM Bursary Fund	503 783	660 642
ECDRDAR	1 047 376	924 978
CHDM Livestock Improvement Grant	1 206 227	-
	4 797 072	**5 517 542**

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 is disclosed in the note above.

14 Taxation

Taxation Reconciliation	(1 802 491)	(1 776 531)
Tax @ 28%	(504 697)	(497 429)
Tax effects on non deductable amounts	204 525	39 194
Portion tax loss previously not recognised now used to reduce deferred tax	5 522	99 589
Portion deductible temporary differences not recognised in deferred tax	294 650	358 646
	-	**-**

15 Share Capital/Contributed Capital

There are no ordinary par value shares only NPV shares (No par value shares).

Issued		
1 000 Ordinary shares of par value of R1 each	1 000	1 000

16 Project Income

	2019 R	2018 R
CHDM - Bursary Adminstration Grant	2 656 859	1 764 843
CHDM - Irrigation Scheme Grant	1 138 640	1 272 474
CETA - Learnership Grant	193 759	1 859 591
DRDAR - Management of Irrigation Schemes	2 766 601	2 613 968
(CHDM -Mechanisation Grant	3 313 071	2 175 290
CHDM - SEZ / Industrial Park Grant	-	382 357
CHDM Livestock improvement	695 440	-
DEA - Lukhanji Waste EPIP Grant	18 228 699	4 807 299
CHDM - Inv Promo /SMME Dev Grant	4 199 474	3 476 438
	33 192 543	**18 352 260**

17 Investment Revenue

Interest Revenue		
Bank	372 337	360 861

18 Government Grants and Subsidies

Operating Grants		
CHDM Operating grant	20 680 000	20 480 000

Conditional and Unconditional

Included under revenue as project income are the following grants and subsidies received and the balance have been recognised as unspent grants in note 12:

Chris Hani District Municipality - Irrigation Schemes		
Balance unspent at beginning of year	1 052 228	-
Current-year receipts	3 399 483	4 526 316
Conditions met - transferred to revenue	(4 451 711)	(3 474 088)
	-	**1 052 228**

Grant Purpose
To support revitalisation of the irrigation schemes

CHDM Agricultural Production Support		
Balance unspent at beginning of year	136 929	136 929

Grant Purpose
To support crop production in the region with production inputs.

IDC Mechanisation Centre Grant	2019 R	2018 R
CHDM SEZ Facilitation		
Balance unspent at beginning of year	587 073	969 430
Conditions met - transferred to revenue	-	(382 357)
	587 073	**587 073**

Grant Purpose
To facilitate planning and development of master plans for revitalisation of Komani Industrial Park.Department of Environmental Affairs - Waste Management Programme

Balance unspent at beginning of year	1 644 253	-
Current - year receipts	15 329 419	6 968 640
Conditions met - transferred to revenue	(16 973 672)	(5 324 387)
	-	**1 644 253**

Grant Purpose
Construction of central buy back centre in Ezibeleni and transfer stations in Linge, Whittlesea,Lessyton and Mlungisi.

CHDM Pomegranate and Figs

CHDM SMME Development and Inv Promotion		
Balance unspent at beginning of year	511 439	227 165
Current-year receipts	5 003 725	3 760 713
Conditions met - transferred to revenue	(4 199 480)	(3 476 439)
	1 315 684	**511 439**

Grant Purpose
Support Small and Medium Enterprises to acquire equipment and consumables.

CHDM Bursary Fund Grant		
Balance unspent at beginning of year	660 642	425 485
Current-year receipts	2 500 000	2 000 000
Conditions met - transferred to revenue	(2 656 859)	(1 764 843)
	503 783	**660 642**

Grant Purpose
Finance post matric studies targeting children from disadvantaged households.

ECDRDLR	2019 R	2018 R
Balance unspent at beginning of year	924 978	76 092
Current-year receipts	2 889 000	3 462 853
Conditions met - transferred to revenue	(2 766 602)	(2 613 967)
	1 047 376	**924 978**

Grant Purpose
Funds for payment of salaries for Irrigation Schemes Personnel and social facilitation services

CHDM Livestock Improvement Grant

Current-year receipts	1 901 668	-
Conditions met - transferred to revenue	(695 441)	-
	1 206 227	**-**

Conditions still to be met - remain liabilities (see note 13).

Grant Purpose
Funding for livestock vaccination program in partnership with Talitha Pharma

19 Revenue

Project income	33 192 542	18 352 260
Mechanisation Centre Income	664 455	108 175
Tender fees	25 000	99 720
Agency fees	70 470	337 644
Other income	55 516	37 492
Interest received - investment	372 337	360 861
Government grants & subsidies	20 680 000	20 480 000
	55 060 320	**39 776 152**

The amount included in revenue arising from exchanges of goods or services are as follows:

Agency services	33 192 542	18 352 260
Mechanisation Centre own income	664 455	108 175
Tender fees	25 000	99 720
Agency fees	70 470	337 644
Other income	55 516	37 492
Interest received - investment	372 337	360 861
	34 380 320	**19 296 152**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants & subsidies	20 680 000	20 480 000

20 Employee Costs

	2019 R	2018 R
Salaries and wages - CTC	10 979 402	10 771 754
Performance bonuses	1 202 692	1 919 002
Medical aid - company contributions	449 895	384 716
Statutory - UIF levies	40 673	37 955
WCA	49 046	33 765
SDL	32 924	-
Leave pay provision charge	163 250	185 423
Defined contribution plans	749 217	732 488
	13 667 099	**14 065 103**
Remuneration of the Chief Executive Officer		
Annual remuneration including social contributions	812 248	1 450 204
Performance bonus	151 823	141 257
Contribution to UIF, medical aid and pension fund	54 592	100 092
	1 018 663	**1 691 553**
Remuneration of Chief Finance Officer		
Annual remuneration including social contributions	1 348 078	1 203 471
Performance bonus	128 640	117 896
Contribution to UIF, medical aid and pension fund	115 708	110 098
	1 592 426	**1 431 465**
Remuneration of Executive Manager Operations		
Annual remuneration including social contributions	1 258 534	1 195 126
Performance bonus	128 640	119 821
Contribution to UIF, medical aid and pension fund	121 885	110 098
	1 509 059	**1 425 045**

21 Depreciation and Amortisation

Property, plant and equipment	**1 591 582**	**1 595 459**

22 Interest and Penalties on Income Tax

Interest and penalties from SARS	**730 445**	**139 979**

23 Project Cost - Internal Programs

	2019 R	2018 R
Internal programs	**628 938**	**196 550**
Detail of Internal Programs		
Strategic Projects	6 000	10 000
CHDA - Value Chain - Live Stock Dev	148 558	90 000
Career Exhibitions	376 380	75 550
Skills Facilitation	-	21 000
CHDA SMME Support	98 000	-
	628 938	**196 550**

24 Project Cost - External Projects

Other Contractors	33 192 543	18 352 261
Detail of Project Cost - External programs		
DEA Lukhanji recycling centre implementation costs	16 664 876	3 973 473
DEA Lukhanji recycling centre planning and management costs	1 563 822	833 826
Other Events and programs SEZ	-	382 357
CHDM - Investment Promotion/SMME Devevelopment Expenditure	4 199 474	3 476 438
CHDM Busary Fund Grant	2 656 859	1 764 843
ECDRDAR_Project Implementation Expenditure	2 766 601	2 613 968
CETA - Skills Grant Expenditure	193 759	1 859 591
CHDM_Irr Shiloh Expenditure	845 417	183 729
CHDM_Irr Pomergranate Expenditure	71 982	128 442
CHDM_Irr Ikhephu Expenditure	220 045	60 426
CHDM_Irr Ibuyambo ELM Expenditure	-	793 173
CHDM_Irr Production Input	1 198	106 705
CHDM_Irr QMC Expenditure	3 313 071	2 175 290
CHDM Livestock improvement	695 440	-
	33 192 544	**18 352 261**

25 General Expenses

	2019 R	2018 R
Accounting fees	8 400	-
Advertising	241 746	394 416
Auditors remuneration	1 866 494	1 800 674
Bank charges	50 231	30 118
Cleaning	62 174	66 198
Asset transfers	15 368	20 694
Entertainment	120 802	133 068
Insurance	164 532	160 798
IT expenses	250 708	335 681
Motor vehicle expenses	1 680	-
Fuel and oil	118 686	111 508
Postage and courier	3 396	3 852
Printing and stationery	172 950	240 457
Security	153 943	78 375
Software expenses	366 283	303 644
Subscriptions and membership fees	26 509	12 278
Telephone and fax	131 844	120 277
Travel - local	696 103	623 136
Travel - overseas	-	150 412
Annual report	71 125	63 743
Corporate research	105 841	60 096
Write off of interest from SARS	-	19 631
Electricity	113 114	89 341
Rates	10 406	9 169
Other board expenses(Training,travel and secretariat)	1 080 933	1 073 362
Board fees	842 750	805 661
Staff gifts and welfare	7 878	3 021
HR\Payroll services	-	778
Recruitment costs	3 164	10 657
Board tools of trade	22 394	15 815
Staff training and development	231 946	346 068
Office consumables/sundries	-	299
	6 941 400	**7 083 227**

26 Cash (used in) Generated From Operations

	2019 R	2018 R
Deficit	(1 802 491)	(1 776 531)
Adjustments for:		
Depreciation and amortisation	1 591 582	1 595 459
Changes in working capital:		
Receivables from exchange transactions	(1 573 743)	849 216
Other receivables from non-exchange transactions	1 198 185	(1 198 185)
Prepayments	36 588	(65 503)
Payables from exchange transactions	3 339 208	(1 192 854)
VAT	(872 084)	714 875
Trade and other payables from non-exchange transactions	(3 024 818)	302 025
Unspent conditional grants and receipts	(720 470)	3 682 441
	(1 828 043)	**2 910 943**

27 Audit Fees

External audit fees	938 684	996 121
Internal audit fees	927 810	804 553
	1 866 494	**1 800 674**

28 PAYE and UIF Deductions

Opening Balance	-	201 606
Current year payroll deductions	3 316 901	3 316 901
Amount paid in the current year	(3 130 403)	(3 316 901)
Amount paid relating to prior year	-	(201 606)
	186 498	**-**

29 Commitments

	2019 R	2018 R
Authorised Capital Expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	8 950 157	1 883 110
Total capital commitments		
Already contracted for but not provided for	8 950 157	1 883 110
Authorised Operational Expenditure		
Already contracted for but not provided for		
• Authorised operational expenditure	275 137	179 924
Total operational commitments		
Already contracted for but not provided for	275 137	179 924
Total commitments		
Total commitments		
Authorised capital expenditure	8 950 157	1 883 110
Authorised operational expenditure	275 137	179 924
	9 225 294	**2 063 034**

This committed expenditure relates to projects and will be financed by available bank balance, and funds received for projects, retained surpluses, funds internally generated, etc.

Operating Lease Commitments		
Minimum lease payments due		
- Within one year	70 323	70 323
- In second to fifth year inclusive	5 860	76 183
	76 183	**146 506**

The lease is for 2 photocopier machines started on the 14th of July 2017 for a period of 3 years. Rent is paid as the agreed rates as per the contract and there is no escalation expected and no restrictions imposed.

30 Contingent Liabilities

No Contingent liabilities expected in the current financial year.

31 Related Parties

Relationships

Controlling entity	Chris Hani District Municipality
Emakhonzeni Harvey World	Spouses of directors are in the servise of the state
	Mr T C Madikane spouse to Mrs Madikane is a CETA Board Member
	Mr S R Zikode spouse to Mrs Zikode is working at DTI as Deputy Director General

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties	2019 R	2018 R
Operational Grant Short Fall	-	1 198 185
Other outstanding invoices(assets)	-	20 657
Total	-	1 218 842

Related party transactions

Income Received from/(expenses paid to) related parties		
CHDA Operational Grant	20 680 000	20 480 000
CHDM Irrigation Scheme Grant	1 138 640	1 272 475
CHDM SEZ Facilitation	-	402 532
CHDM Bursary Fund	2 656 859	1 764 843
CHDM Mechanisation Centre Grant	3 313 071	2 175 290
CHDM Livestock improvement grant	606 911	-
CHDM Investment Promotion and SMME Development	4 217 961	3 476 438
	32 613 442	29 571 578

Transactions conducted with service providers with family members in the service of the state		
Qwati Tolo Farms	-	695 760
Nombeza Consultant	-	13 350
Emakhonzeni Harvey World	109 766	-
Total	109 766	709 110

32 Directors’ Emoluments

Non-executive

2019

	Directors’ fees	Committees fees	Total
Mr. M Sigabi	132 000	-	132 000
Ms. N Skeyi	180 750	-	180 750
Mr. P Songo	86 000	-	86 000
Mr. S Ngqwala	58 000	-	58 000
Mr. R Ramabulana	62 000	-	62 000
Ms. V Matsiliza	47 000	-	47 000
Ms. F Mushowe	47 000	-	47 000
Ms A Kretzmann	-	13 000	13 000
Mr. W Plaatjies	-	28 000	28 000
Mr. L Galada	-	28 000	28 000
Mr. A M Langa	-	28 000	28 000
Mr. J Mbawuli	-	133 000	133 000
	612 750	**230 000**	**842 750**

2018

	Directors’ fees	Committees fees	Total
Mr. M Sigabi	95 771	-	95 771
Ms. N Skeyi	191 948	-	191 948
Mr. P Songo	47 000	-	47 000
Mr. S Ngqwala	61 000	-	61 000
Mr. R Ramabulana	68 750	-	68 750
Ms. V Matsiliza	34 000	-	34 000
Ms. F Mushowe	59 417	-	59 417
Mr. W Plaatjies	-	46 000	46 000
Mr. L Galada	-	41 000	41 000
Mr A M Langa	-	46 000	46 000
Mr. J Mbawuli	-	114 775	114 775
	557 886	**247 775**	**805 661**

33 Risk Management

Liquidity Risk

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

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	4 758 967	-	-	-

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1 419 759	-	-	-

Credit Risk

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

Financial Assets Exposed to Credit Risk at Year End were as Follows:

Financial instrument	2019	2018
Trade Debtors	1 658 421	84 678
Cash and Cash Equivalent	408 488	2 337 407

Market Risk

34 Financial instruments disclosure

Categories of Financial Instruments

2019

Financial Assets

	At cost	Total
Vat Receivable	413 475	413 475
Trade and other receivables from exchange transactions	1 658 421	1 658 421
Cash and cash equivalents	408 488	408 488
Prepayments	28 915	28 915
	2 509 299	**2 509 299**

Financial Liabilities

	At cost	Total
Trade and other payables from exchange transactions	4 758 967	4 758 967
Unspent conditional grants and receipts	4 797 072	4 797 072
	9 556 039	**9 556 039**

Residual Interest	2019 R	2018 R
	At cost	Total
Share capital / contributed capital	1 000	1 000

2018

Financial Assets

	At cost	Total
Trade and other receivables from exchange transactions	84 678	84 678
Other receivables from non-exchange transactions	1 198 185	1 198 185
Cash and cash equivalents	2 337 407	2 337 407
Prepayments	65 503	65 503
	3 685 773	**3 685 773**

Financial Liabilities

	At cost	Total
Vat Payable	458 610	458 610
Trade and other payables from exchange transactions	1 419 759	1 419 759
Taxes and transfers payable (non-exchange)	3 024 818	3 024 818
Unspent conditional grants and receipts	5 517 542	5 517 542
	10 420 729	**10 420 729**

Residual Interest

	At cost	Total
Share capital / contributed capital	1 000	1 000

Financial Instruments in Statement of financial performance

2019

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	372 337	372 337
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(730 445)	(730 445)
	(358 108)	**(358 108)**

2018

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	360 861	360 861
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(139 979)	(139 979)
	220 882	**220 882**

35 Fruitless and Wasteful Rxpenditure

	2019 R	2018 R
Fruitless and wasteful expenditure beginning of the year	139 979	-
Fruitless and wasteful expenditure current year	923 617	166 225
Less Amount recovered	(17 011)	(6 615)
Less Amount writtern off	(176 160)	(19 631)
Fruitless and wasteful expenditure awaiting resolution	**870 425**	**139 979**

36 Irregular Rxpenditure

Add: Irregular Expenditure - current year	44 152	-
Details of irregular expenditure – current year Procurement through quotations while it is above treshhold		44 152

37 Deviation From SCM Processes

Supply chain management regulations
There were no deviations in 2018/19 financial year.

38 Budget Differences

Material differences between budget and actual amounts:

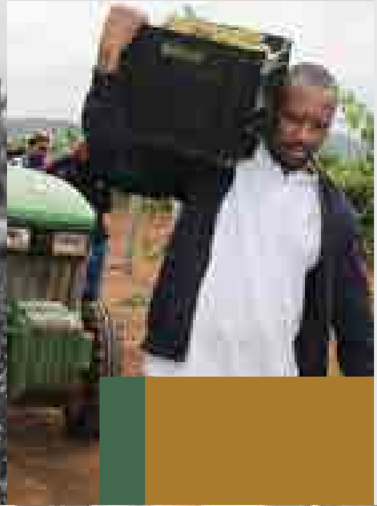
38.1 Project Income - The agency anticipated to receive funds as per the agreements signed but there were delays in project implementation therefore delaying the receipt funds.
38.2 Mechanisation income - It is recognised after taking into consideration expenditure related to the mechanisation.
38.3 Agency Fees - Management fees were anticipated to be received from external funders that we are implementing projects on their bahalf but the conditions of the projects didnt allow management fees to used outside the project scope.
38.4 Interest received - Budgeted more for interest income anticipating that we will be getting income for programs which we only received late in the financial year or delayed on implementation.
38.5 Personnel - budget was spent as anticipated as.
38.6 Depreciation budget spent as anticipated.
38.7 Interest and peanlities paid were due to income tax liability which the organisation didnt have money to pay as was believing that the agency is suppose to be exempt for income tax.
38.8 Lease rentals on operating lease on photocopier machinery spent as anticipated becuase we budgeted as per the lease agreements.
38.9 Repairs and maintenance spent as anticipated as there was nothing major to be repaired and the budget was revised down.
38.10 Project Costs - Internal Programs spent as anticipated.
38.11 Project Costs - External Programs the underspending is due to delays on implementation and late transfer of funds by funders.
38.12 General expenses was as anticipated.

39 Prior Period Errors

39.1 Property, plant and equipment - During Asset review in it was identified that blinds and airconditioner should be classified as furniture and fitting not to be included in the buildind therefore making depreciation for furniture accumulated to be understated by R 47 718.00.
39.2 Payables from exchange transactions- understated recognising invoice that was submitted in the current period relating to the previous period amounting to R 1904.29.
39.3 Vat Payable overstated - due to the invoice under trade payables that was submitted late the vat portion of it R 248.39.
39.4 Income tax liability was understated and the actual assessed amount is R 162 045.79.
39.5 Deffered tax liability has been understated due to changes made on PPE due to classification of airconditioners and blinds from building to furniture and fittings amounting to R 85 148.00.
39.6 Provision for performance bonuses has not been recognised in the previous years the correction is done in the periods under review only

	2019 R	2018 R
Statement of financial position		
Property, plant and equipment was previously reported as	15 900 601	-
Less Accumulated depreciation due to changes in reclassfication of blinds and air conditioners	(47 718)	-
PPE after changes have been made	15 852 883	-
Payables from exchange transactions as previously reported	403 385	-
Add trade payable amount that was not accounted for	1 904	-
Payables from exchange transactions after changes have been effected	405 289	-
Income tax liability as previously reported	2 862 772	-
Add income tax liability difference after assessment	162 406	-
	3 024 818	-
Vat payable as previously reported	458 859	-
Less Vat payable overstated	(248)	-
Vat payable after changes has been effected	458 611	-
Add Provision for performance bonus	1 014 470	-
Provision for performance bonus after changes has been effected	1 014 470	-
Deffered tax liability as previous recorded	14 441	-
Add deferred tax understated	85 148	-
Vat payable after the changes have been effected	99 589	-

Statement of Financial Performance		
Opening accumulated surplus	10 428 684	-
Less Increase accumulated depreciation	(47 718)	-
Less Increase in payables from exchange transactions	(1 904)	-
Add Decrease in VAT payable	248	-
Less increase in income tax liability	(162 045)	-
Less Deferred Tax liability inderstated	(85 148)	-
Less increase in provision for performance bonus	(1 014 470)	-
Accumulated surplus after net changes	9 117 647	-



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